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Mr. Bob Fletcher, Deputy Executive Officer
Ms. Ellen Peter, Chief Counsel
Ms. Lynn Terry, Deputy Executive Officer
Ms. Lori Andreoni, Board Clerk
Ms. Lezlie Kimura, Local Government Strategies Section, Planning and Technical Support Division (PTSD)
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Ms. Cynthia Marvin, Assistant Division Chief, PTSD

Ms. Meri Miles, On Road Controls Branch, Mobile Source Control Division (MSCD)

Mr. Todd Sterling, Air Pollution Specialist, Control Strategies Section, Stationary Source Division (SSD)

Ms. Barbara Van Gee, Manager, Goods Movement Programs Section, Stationary Source Division (SSD)

ALSO PRESENT

Mayor Janet Abelson, City of El Cerrito

Dr. Janet Abshire

Ms. Elizabeth Adams, IS EPA

Ms. Anna Arriola, East Yard Communities for Environmental Justice

Mr. Enrique Arriola, East Yard Communities for Environmental Justice

Ms. Bernice Banares, West Side of Long Beach

Mr. Marcos Barbosa, ECYECJ

Ms. Jenny Bard, American Lung Association

Mr. Mike Barr, AAR

Ms. Nidia Bautista, Coalition for Clean Air

Mr. Omar Benjamin, Port of Oakland

Ms. Autumn Bernstein, Climate Plan

Mr. Damian Breen, Bay Area AQMD

Mr. Graham Brownstein, Transform
ALSO PRESENT

Mr. Tim Carmichael, CA Natural Gas Vehicle Coalition

Mr. Andy Chesly, San Joaquin County Council of Governments

Ms. Madeline Clarke, EYCEJ

Ms. Hannah Cohen, The Cohen Group

Mr. Steph DiStefano, Calthorpe Associates

Mr. Terry Dressler, Santa Barbara County Air Pollution Control District

Ms. Teri Duarte, Design Sacramento 4 Health

Ms. Amanda Eaken, NRDC

Mr. Evan Edgar, Clean Fleets Coalition

Mr. John Ellison, Environmental Council of Sacramento

Mr. Michael Endicott, Sierra Club California

Ms. Devilla Ervin

Mr. Gary Gallegos, San Diego County Council of Governments

Ms. Connie Gallippi, The Nature Conservancy

Ms. Josie Gonzales, SCAQMD

Mr. Manny Goona, EYCEJ

Mr. Peter Greenwald, SCAQMD

Mr. Woody Hastings, Clean Air Now

Mr. Steve Heminger, Bay Area Metropolitan Transportation Commission

Ms. Bonnie Holmes-Gen, American Lung Association

Ms. Andrea Hricko, USC & Public Health
APPEARANCES CONTINUED

ALSO PRESENT

Mr. Hasan Ikhrata, Southern California Association of Governments

Mr. Mike Jacob, PMSA

Mr. Curt Johansen, Urban Land Institute

Mr. Bob Johnson, UC Davis

Mr. Bob Kard, San Diego APCD

Mr. Andy Katz, Breathe California

Dr. Alex Kelter, Environmental Council of Sacramento

Mr. Brandon Kitagawa, RAMP

Mr. Gideon Kracov, East Yard Communities for Environmental Justice

Mr. Gary Liss, City of Loomis

Mr. Angelo Logan, EYCEJ

Mr. Kirk Marckwald, California Railroad Industry

Mr. Jessie Marquez, Coalition for Safe Environment

Mr. Nathen Mata, EYCEJ

Mr. Eyal Matoy, Ditching Dirty Diesel Collaborative

Dr. Stephen Maxwell

Mr. Mike McKeever, Sacramento Area Council of Governments

Mr. Armando Mejia, Urban Planner

Mr. Fred Minassian, South Coast AQMD

Ms. Steph Nelson, Association of Monterey Bay Area Governments

Ms. Gloria Ohland, Move LA
ALSO PRESENT

Mr. Dave Patterson, Mitsubishi Motors
Ms. Katherine Perez, Urban Land Institute
Mr. Scott Peterson, Oakland Metropolitan Chamber of Commerce
Mr. Terry Preston, Walk Sacramento
Ms. Jill Ratner, Rose Foundation New Voice Project
Ms. Sepi Richardson, City of Brisbane
Ms. Marisa Rimland, Public Health Institute
Mr. Sonny Roque, East Yard Communities for Environmental Justice
Mr. Jim Rothstein
Ms. Rocio Ruiz, ICUC
Mr. Larry Schmid, UPRR
Mr. Tim Schott, California Association of Port Authorities
Mr. Seyed Sedredin, San Joaquin Valley APCD
Mr. Mark Stehly, BNSF
Mr. Michael Villegas, Air Pollution Control Officer, Ventura County
Ms. Debbie Vongviwat, East Yard Communities for Environmental Justice
Mr. Barry Wallerstein, SCAQMD
Mr. Jerry Walters, Fehr & Peers Transportation Consultants
Mr. Dennis Zane, Move LA
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CHAIRPERSON NICHOLS: Good morning, ladies and gentlemen. The June 24th, 2010, public meeting of the Air Resources Board will come to order.

And we will begin the meeting as we usually do, by rising and saying the Pledge of Allegiance.

(Thereupon the Pledge of Allegiance was Recited in unison.)

CHAIRPERSON NICHOLS: The Clerk will please call the roll.

BOARD CLERK ANDREONI: Dr. Balmes?

BOARD MEMBER BALMES: Here.

BOARD CLERK ANDREONI: Ms. Berg?

BOARD MEMBER BERG: Here.

BOARD CLERK ANDREONI: Ms. D'Adamo?

BOARD MEMBER D'ADAMO: Here.

BOARD CLERK ANDREONI: Ms. Kennard?

Mayor Loveridge?

BOARD MEMBER LOVERIDGE: Here.

BOARD CLERK ANDREONI: Mrs. Riordan?

Supervisor Roberts?

BOARD MEMBER ROBERTS: Here.

BOARD CLERK ANDREONI: Professor Sperling?

BOARD MEMBER SPERLING: Here.

BOARD CLERK ANDREONI: Dr. Telles?

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SAN RAFAEL, CA  94901
(415) 457-4417
BOARD MEMBER TELLES: Present.

BOARD CLERK ANDREONI: Supervisor Yeager?

BOARD MEMBER YEAGER: Here.

BOARD CLERK ANDREONI: Chairman Nichols?

CHAIRPERSON NICHOLS: Here.

BOARD CLERK ANDREONI: Madam Chair, we have a quorum.

CHAIRPERSON NICHOLS: Thank you.

I have a couple of announcements to make before we begin the meeting.

First of all, there is a change in the agenda order. Item 10-6-6, which is the report to the Board on target setting efforts under SB 375 is going to be heard right after Agenda Item 10-6-5, which is the staff recommendations to provide further emissions reductions at high-risk rail yards.

Translation services are available at this meeting in Spanish for anyone who wishes them. The head sets are available outside the hearing room at the attendance sign-up table. Is the -- yes, thank you.

(Thereupon the announcement was translated into Spanish.)

CHAIRPERSON NICHOLS: Anyone who wishes to testify should sign up with the attendant outside the boardroom, please. You are requested, but not required,
to include your name on the speaker card. It just helps
us organize the notes of the meeting.

And, in general, we impose a three-minute time
limit. We may actually reduce that amount if there's a
very heavy number of speakers and if the comments are
somewhat consistent or repetitive.

We appreciate it if when you do testify you put
your testimony in your own words rather than reading a
statement. If you have a written statement, it will go
into the record directly, and you don't need to read it
aloud to us.

I'm also to remind you that there are emergency
exits in the back of the room, as well as to my right and
left side up here on the podium. In the event of a fire
alarm, we're required to evacuate this room immediately
and go down the stairs, not using the elevator to get out
of the building. When the all-clear signal is given,
we'll return to the hearing room and resume the hearing.

We are hoping there will not be a fire drill, but we
understand there is one due in the next day or two. So it
might actually happen.

All right. The first item on the agenda is our
consent calendar, which is the redesignation of Coso
Junction for PM10.

And I'd like to ask the Board Clerk if any
witnesses have signed up to testify on this item.

BOARD CLERK ANDREONI: No.

CHAIRPERSON NICHOLS: Are there any Board members who would like to have this item removed from the consent calendar?

Seeing none, I will close the record on this item.

Are there any ex parte communications on this item that anyone wishes to disclose?

Seeing none, the Board has before it Resolution Number 10-25. Could I get a motion and a second?

BOARD MEMBER BERG: So moved.

BOARD MEMBER ROBERTS: Second.

CHAIRPERSON NICHOLS: Motion and second.

We will do this by voice vote. All in favor please say aye.

(Ayes)

CHAIRPERSON NICHOLS: Any opposed?

Great.

Now we move to a regulatory item, which is proposed amendments to the regulations for commercial harbor craft. Staff is proposing amendments that would expand the scope of the current rule to include three additional categories of harbor craft. This action would result in additional diesel particulate and NOx reductions.
around ports and coastal areas.

Mr. Goldstene, would you introduce this item?

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Nichols.

Today, we are proposing for your consideration amendments to the commercial harbor craft regulation that will further reduce emissions from marine vessels that operate within port and inland waterways. As you know, these ports and waterways are often located in densely populated areas, exposing residents to unhealthy levels of pollutants.

In 2007, the Board adopted the original harbor craft regulation. In that regulation, we identified measures to reduce diesel PM from all new commercial harbor craft and in-use requirements for some, but not all, vessel categories.

Today, we propose amendments that would establish in-use emission standards for three new vessel categories: Crew and supply boats, and barges, and dredges. We expect this regulation to increase the benefits of the original regulation by about ten percent.

In addition, the proposed amendments address several issues that we identified during implementation of the regulation.

I'd like now to ask Mr. Todd Sterling of the
Stationary Source Division to present the staff's proposal.

Todd.

(Thereupon an overhead presentation was presented as follows.)

AIR POLLUTION SPECIALIST STERLING: Thank you, Mr. Goldstene.

Good morning, Madam Chair and members of the Board.

Today, I'll be presenting staff's proposed amendments to commercial harbor craft regulation.

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AIR POLLUTION SPECIALIST STERLING: This slide presents the topics I'll be discussing today.

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AIR POLLUTION SPECIALIST STERLING: The current harbor craft regulation, which was approved by the Board in 2007, focuses on requiring the installation of the cleanest engines available. It allows, but does not require, engine retrofit technology.

The current regulation has: New engine provisions requiring all new and replacement engines to be the cleanest available at the time of purchase, and in-use engine provisions requiring ferries, excursion vessels, tugboats, and towboats to replace existing engines with a
new clean engine on a phased compliance schedule over 15 years.

In addition to these engine emission standards, the Board also approved a low-sulfur fuel use regulation, which requires harbor craft to use 15 PPM sulfur CARB diesel. All these requirements went into effect on January 1st, 2009.

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AIR POLLUTION SPECIALIST STERLING: Today, we are proposing amendments to existing harbor craft regulation. These changes achieve additional emission reductions from harbor craft consistent with the goals of the Diesel Risk Reduction Plan and Emission Reduction Plan for goods movement and ports.

Harbor craft produce about ten percent of the goods-movement-related PM emissions. Based on the health risk assessment at the port of L.A., Long Beach, and Oakland, harbor craft are the third largest contributor to risk at ports after ocean-going vessels and on-road trucks.

More recent data shows emissions from three vessel categories; crew and supply, barges, and dredges, are greater than originally anticipated when the regulation was adopted in 2007.

This new information shows that emissions from
these three vessel categories, which are not subject to
the in-use engine standards, are comparable to emissions
from towboats, which are subject to in-use standards under
the current regulation.

Finally, as you will see in the following slides,
the proposed amendments are cost effective, will reduce
diesel PM and NOx emissions, provide more flexibility, and
add clarity.

--o0o--

AIR POLLUTION SPECIALIST STERLING: The main
focus of the proposal is to add in-use engine requirements
for crew and supply vessels, barges, and dredges. There
are about 600 diesel engines in use in these three vessel
categories. About half of these, 300 engines, will have
to take action to comply with the proposed amendments.
The remaining 300 engines have already been upgraded to a
newer engine or meet the low-use provision in the current
regulation.

In addition, we are proposing several amendments
to provide flexibility, address implementation issues, and
clarify the regulation.

An open public process, including public
workshops and meetings with stakeholders, was used to
develop these amendments.

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AIR POLLUTION SPECIALIST STERLING: Now I will summarize the proposed amendments for crew and supply vessels.

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AIR POLLUTION SPECIALIST STERLING: Crew and supply vessels are used to transport equipment and personnel to and from off-shore oil rigs and vessels. Some are used to service other vessels at anchorage.

These vessels primarily operate in the South Coast, Santa Barbara, and Ventura areas servicing the off-shore oil platforms. In the South Coast, these vessels account for about five percent of the harbor craft emissions. But these vessels account for about 20 percent of the harbor craft emissions in Santa Barbara and Ventura Counties.

The total engine population for crew and supply vessels is about 240 engines. About 150 of these will be impacted by the proposed amendments.

Statewide, crew and supply vessel emissions are estimated to be about 33 tons per year for diesel PM and 670 tons per year of NOx.

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AIR POLLUTION SPECIALIST STERLING: Based on additional data we collected, in 2008 and 2009, we found that crew and supply vessel emissions are much greater than originally estimated. Emissions are about 75 percent...
higher for PM and 60 percent higher for NOx. These higher estimates reveal emissions from crew and supply vessels are about the same magnitude of emissions from towboats, which are currently regulated. The proposed in-use engine requirements provide an opportunity for additional emission reductions from harbor craft.

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AIR POLLUTION SPECIALIST STERLING: Now I'd like to discuss our proposal for barges and dredges.

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AIR POLLUTION SPECIALIST STERLING: Barges are primarily used to haul material and transport petroleum blendstock or products. Dredges are designed to clear waterways of sediment.

Typically, these vessels are not self-propelled and are moved by tugboats or towboats. Most of these engines on vessels are auxiliary engines used to power generators, pumps, and compressors.

Of the 400 engines on barges and dredges, the proposed amendments will effect about 150.

The estimated emissions from barges and dredges are similar to crew and supply. Statewide, we estimate about 33 tons per year of diesel PM and 760 tons per year of NOx emissions from these vessels.

--o0o--
AIR POLLUTION SPECIALIST STERLING: The engines on these vessels are usually quite large and operate close to shore. These vessels have historically been regulated as portable engines in some districts, as stationary sources in some districts, and not regulated at all in other districts.

Some of these vessel engines have been registered in the portable engine registration program, or PERP, and as a result of this registration have been subject to the portable engine ATCM. The current commercial harbor craft regulation has no in-use engine emission requirements for barges and dredges.

In January, the Board approved amendments to PERP, which will now allow marine engines to be registered in PERP, but be subject to the commercial harbor craft regulation as a marine vessel. This is step one of the process to bring barges and dredges under a single regulation.

We're now proposing step two to complete the process. The amendments we are proposing would subject barge and dredge vessel engines to the harbor craft regulation even when they are registered in the PERP program. As a result, barge and dredge engines would be subject to a single statewide regulation, the commercial harbor craft regulation.
AIR POLLUTION SPECIALIST STERLING: The proposed amended regulation will focus on reducing emissions from in-use engines on crew and supply, barge, and dredge vessels by requiring them to meet the most stringent U.S. EPA emission standards.

In most cases, vessel owners comply with the current regulation by repowering their vessels. The proposed amended regulation will require vessel owners to start replacing their engines in 2011. The in-use engine compliance timeline replaces the oldest highest use engines first. All Tier 0 or unregulated engines will be replaced by 2016 and all Tier 1 engines by 2022.

AIR POLLUTION SPECIALIST STERLING: Next, I'll go through amendments we're proposing to add flexibility and clarity to the regulation and to address some implementation issues that have arisen since the regulation went into effect.

AIR POLLUTION SPECIALIST STERLING: There was several amendments we're proposing that would add flexibility to the current regulation.

We're proposing to allow vessels traveling into California regulated waters from out of state to use 15
PPM sulfur U.S. EPA diesel fuel if CARB's diesel fuel is not available at their home port outside of California.

We are proposing to allow a limited exemption for replacement engines which must be in tandem with other compliant engines on the vessel.

We will also allow vessel operators to use off-road engines on vessels and to allow swing or spare engines to be considered part of the vessel owner's fleet.

Another proposal is to modify the low-use exemption to clarify that the 300 hours low-use exemption would be based on the cumulative total hours of operation annually in any of the vessel categories that have in-use emission requirements, such as ferries, excursion vessels, tugboats, towboats, and we're proposing crew and supply vessels.

The barges and dredges low-use engine exemption would continue to be 80 annual hours, matching what was previously required by PERP.

--o0o--

AIR POLLUTION SPECIALIST STERLING: There are several proposed amendments that clarify the regulation requirements. The amendments we are proposing today would require engines installed on barges and dredges to comply with the harbor craft regulation. There are additional minor amendments to clarify reporting requirements,
reporting deadlines, requirements for new ferries, and compliance extension requirements.

We also added a few definitions to improve clarity and delete some definitions no longer needed.

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AIR POLLUTION SPECIALIST STERLING: The proposed amendments accelerate the replacement schedule for crew and supply, barge, and dredge vessel engines and provide productions of almost 300 tons of PM, about 3,500 tons of NOx over the life of the regulation. About half of these emission reductions will occur by 2016 since the regulation is structured to bring in the oldest, highest-emitting engines first.

We anticipate that overall there will be no change in greenhouse gas emissions due to the proposed amendments.

--o0o--

AIR POLLUTION SPECIALIST STERLING: The proposed amendments will provide an additional 10 percent reduction in PM and NOx emissions from harbor craft. These reductions would provide health benefits in communities near coastal areas and around ports.

We expect that reductions in potential cancer risk and premature death would decline with a reduction in emissions.
AIR POLLUTION SPECIALIST STERLING: We estimate that the portion of the total cost of compliance attributable to this regulation will be $15 million over the entire compliance period. This cost is due to having to replace engines sooner than when an engine would normally be retired from service. The cost of this accelerated retirement is considered as a regulatory compliance cost.

These costs take into account residual values of engines being replaced and rebuild work that may have been performed. ARB estimates that the proposed amended regulation will cost industry about $46 million in total expenses. The out-of-pocket costs are those associated with purchasing new engines, not taking into account that they would have to replace engines in the absence of the regulation.

The cost effectiveness, $35 per pound attributed to PM, is consistent with other regulations passed by the Board.

AIR POLLUTION SPECIALIST STERLING: ARB has a number of financial incentive programs to help owners of equipment to upgrade to cleaner technology, providing they are for early or extra emission reductions than required
by law or regulation. These include grant programs such as Carl Moyer program and the Proposition 1B Goods Movement Emission Reduction Program. These programs are administered by ARB generally in partnership with local Air Districts or other agencies like the ports. Many of these local agencies have additional funding sources, including federal grants, which can also be used to update equipment.

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AIR POLLUTION SPECIALIST STERLING: ARB staff held three public workshops, two in Sacramento and one in Santa Barbara. At all of these workshops, staff provided draft regulation language, estimated emission reductions, and cost estimates. All of the workshops were telecast via webcast helping provide access to affected stakeholders. We also met with various stakeholders via teleconference and met with several local coastal Air Districts and CAPCOA.

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AIR POLLUTION SPECIALIST STERLING: In this next slide, I want to discuss an issue that came up during the rule development process.

The dredge industry raised concerns about being regulated by both state and local districts. They would prefer to be subject to a single statewide regulation and
not have local Air Districts establish additional
requirements. Some districts have established
requirements on dredges under their authority to attain
and maintain ambient air quality standards or CEQA
requirements.

To address this issue, we are proposing to create
a work group with the dredge operators and the local
districts to discuss and to look for ways to bring greater
consistency statewide.

--o0o--

AIR POLLUTION SPECIALIST STERLING: Finally,
staff is proposing to modify the proposed regulatory
language to allow U.S. EPA or ARB certified off-road
engines to be used to comply with the new and in-use
emission standards for propulsion engines. This proposed
change would make the requirements for propulsion and
auxiliary engines the same.

--o0o--

AIR POLLUTION SPECIALIST STERLING: In summary,
the proposed amended commercial harbor craft regulation
will reduce emissions and provide consistency,
flexibility, and clarity. The additional emission
reductions will help ARB make progress towards its goals
for the Diesel Risk Reduction Plan and the Emission
ARB staff recommends the Board adopt the proposed amended commercial harbor craft regulation, with the proposed 15-day change.

This concludes my presentation. At this time, we would be happy to answer any questions.

CHAIRPERSON NICHOLS: Are there any questions at this time?

If not, we can go right to the witness list. We have four speakers that have signed up. I'll just call them to come forward. Bonnie Holmes-Gen, followed by Michael Villegas, Henry Hogo, and Terry Dressler.

Start with Bonnie.

MS. HOLMES-GEN: Good morning, Chairman Nichols and members.

Bonnie Holmes-Gen with the American Lung Association of California.

And I'm here to commend you and the staff for moving forward today with this regulatory proposal to close an important gap in coverage for harbor craft and to take another important step towards our state's goal of risk reduction for diesel.

As you heard, this is an important source of pollution, represents the third largest contributor to cancer risk around ports.

We are pleased with the work that's been done,
and this regulation will provide near-term reductions in particulate matter that will significantly reduce premature deaths and illnesses from diesel emissions and significantly improve quality of life for residents living around the ports.

So we urge you to move forward, and we're glad to be here to support.

CHAIRPERSON NICHOLS: Thank you.

Michael Villegas.

MR. VILLEGAS: Chair Nichols, members of the Board, good morning. I'm Mike Villegas, Air Pollution Control Officer for Ventura County.

Ventura County APCD staff is pleased to support the California Air Resources Board's proposal to amend the commercial harbor craft regulation, which would require emission reductions from crew and supply vessels.

Due to their heavy use on the ports of Ventura County that serve as off-road platforms, these vessels remain one of the most important unregulated source of emissions in our port. Emission reductions from these sources are going to be critical to our efforts to attain the state and federal ozone standard.

CARB staff reports that the cost effectiveness for the proposed regulation is $2,900 per upon of NOx reduced on an annual basis. This cost effectiveness
compared to the guidelines set in Ventura County by our Board of $18,000 per ton of NOx reduced, which is the maximum use adopted regulation for stationary sources.

In summary, I urge your Board to adopt the proposed amendments.

CHAIRPERSON NICHOLS: Thank you very much.

Henry Hogo.

MR. HOGO: Good morning, Madam Chair, members of the Board. I'm Henry Hogo, Assistant Deputy Executive Officer of Mobile Source Division at South Coast AQMD.

I want to express AQMD staff's support of the proposed amendments that will gain further emission reductions of both NOx and PM in the near term. And we urge you to approve this today.

I do want to point out we want to work closely with your staff as we move forward, because with the tighter air quality standards coming up, we do have to look at these source categories.

CHAIRPERSON NICHOLS: Absolutely. Thank you very much.

Terry Dressler.

Mr. DRESSLER: Good morning, Chairman Nichols, members of the Board.

My name is Terry Dressler. I'm the Director and Air Pollution Control Officer of the Santa Barbara County
Air Pollution Control District.

I would like to offer my strong support for the inclusion of the crew and supply boats in this regulation for this revision. One of the big reasons is it's one of the larger sources of air pollution in Santa Barbara County. We are going to experience a reduction of 100 tons of NOx from this regulation revision.

And I'll tell you something, that our on-shore -- no on-shore control measure would get anywhere near that. So this is going to be very important for our overall plan to attain and maintain the air quality standards.

I thank you all -- I thank the ARB staff for hearing us on this and for including this very large emission source in the regulation. And I urge your adoption. Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

That concludes the list of witnesses that I have. Let's return this to staff for any additional comments you may have.

ASSISTANT CHIEF COREY: No additional comments.

CHAIRPERSON NICHOLS: Board members, seems like it's simpler than it could possibly be.

What have you done, Mr. Fletcher?

Yes. Oh, question from Dr. Balmes.

BOARD MEMBER BALMES: This is an informational
question.

So the proposed 15-day change to allow use of off-road/non-road engines as propulsion engines, why is that important? Could somebody explain that to me?

AIR POLLUTION SPECIALIST STERLING: The amended regulation was written to include off-road engines in terms of auxiliary engines, because most of the barges and dredges have auxiliary engines on them. And most of those are off-road engines.

We have found cases where there are off-road engines used in a marine application as propulsion engines. Before we got too far along, we wanted to include those also in this amended regulation.

EMISSIONS ASSESSMENT BRANCH CHIEF DONOHUE: From an emissions standpoint, they are equivalent. The off-road engines tend to be a little bit cleaner.

BOARD MEMBER BALMES: Thank you.

CHAIRPERSON NICHOLS: Is there another question down here? No.

Okay. Thank you. Then I'd like a motion and a second to support the staff resolution.

BOARD MEMBER D'ADAMO: Madam Chair, move adoption of Resolution 10-26.

BOARD MEMBER YEAGER: Second.

CHAIRPERSON NICHOLS: All in favor, please say
aye.

(Ayes)

CHAIRPERSON NICHOLS: Any opposed?

Great. Thank you. That was simple.

EXECUTIVE OFFICER GOLDSTENE: On the next item,

we are broadcasting to remote locations, and they've been noticed to not start sooner than 10:00. We didn't realize the last item would go as quickly as it did.

CHAIRPERSON NICHOLS: So you need to take a break.

EXECUTIVE OFFICER GOLDSTENE: We need to take a break.

CHAIRPERSON NICHOLS: There's nothing we can really do to fill up the 15 minutes.

EXECUTIVE OFFICER GOLDSTENE: The other items are all longer.

CHAIRPERSON NICHOLS: I apologize to those in the room, but for the convenience of people that are wanting to watch this from remote locations, we have to take a break until 10:00 since we had noticed this next item for 10:00. So you have time to go stretch, get a cup of coffee or whatever, and we'll see you back here promptly at 10:00.

(Thereupon a recess was taken.)

CHAIRPERSON NICHOLS: We'd like to get started,
please. As usual, our brief break extended a little beyond the allotted time.

I'm waiting for the video to start also. Are we okay to start now?

First of all, I'd like to welcome people who are viewing this Board meeting from two remote locations where we've set up video monitoring equipment. I know that there are people in San Bernardino and in El Monte, both -- South Coast, I'm sorry, Diamond Bar. We appreciate the South Coast making their facilities available to us as well. So welcome to those of you in the room as well as those of you who are watching us remotely.

The next item today is the staff's proposal to further reduce diesel particulate matter emissions from high priority rail yards in California. Staff's proposal is another precedent-setting action for this Board to consider in our ongoing efforts to address the high emissions and the unacceptable risks at California's rail yards.

At past Board meetings and local meetings, community residents who live near these facilities have been very vocal and passionate about the impacts on their health and the urgent need to reduce those impacts with a high degree of certainty.
We have heard the concerns. We understand them.

We recognize the current levels, although they are better than what we used to be, are not what they should be. And we know you're looking to this Board for more help.

In response, the Board has pushed our staff to come back with strong proposals that will ensure further reductions in emissions and risks at a few high priority rail yards with the understanding that more are going to come under our scrutiny later.

Today's proposed action is the next step forward based on the best information that we have today about what is and what we expect will be feasible with cleaner technology over the next decade. But we realize that this is not the end of the story and that we are going to have to continue pushing for cleaner rail yards as the technology becomes available and cost effective.

It's also important to recognize what has been accomplished. No other agency in the United States has taken the aggressive action this Board has taken to characterize and reduce the health risks from diesel engines used in freight operations throughout the state.

Since 2004, as part of our goods movement initiatives, this Board has adopted regulations for diesel transport refrigeration units, cargo handling equipment, and the use of clean diesel fuel in intrastate
locomotives, and most recently drayage trucks. Our regulations have addressed every major non-locomotive source operating at rail yards and are effectively reducing emissions today. Additional reductions will occur as these regulations become fully effective over the next few years.

In only three years, since I've been here, we have developed, passed, and implemented regulations that require 85 percent particulate control on trucks serving ports and rail yards. Two months ago, we began enforcing these regulations with unannounced truck inspections outside the rail yards and major rail yards ports.

This Board's action to implement voluntary agreements with the railroads are also significantly reducing the majority of the locomotive emissions that ARB does not have the legal authority to regulate. In southern California, the 1998 agreement has resulted in the cleanest fleet of locomotives operating anywhere in the country. The 2005 agreement resulted in the installation of anti-idling devices on all intrastate locomotives, the use of clean diesel fuel in virtually all locomotives operating in California, and a very visible reduction in the number of smoking locomotives.

These collective efforts, together with the United States Environmental Protection Agency's strong
standards for new locomotives, have cut emissions and
risks at the four high priority rail yards that we are
discussing today, in half, from 2005 levels. And as the
chart behind me indicates, there has been significant
progress. However, the remaining public health risks
today and in the future are still too high. And, thus, we
have the need for action to lock in further reductions.

As part of the 2005 agreement, staff conducted
health risk assessments that for the first time anywhere
provide comprehensive assessments of the public health
risk in and around rail yards. So this is information
that has come to light because of health risk assessments
that we have done. These risk assessments quantify what
residents near rail yards long suspected – that living
near rail yards is less healthy than other areas and more
action is needed.

Staff then developed a comprehensive technical
evaluation of options to further reduce emissions and
risks at rail yards. This technical evaluation clearly
showed that locomotives were the major remaining emission
source to be controlled. Unfortunately, federal law
prevents the Board from directly regulating locomotives
with the exception of very old locomotives. And our most
recent analysis shows that the railroads are no longer
routinely operating these older locomotives in any
significant numbers in southern California.

So that brings us to today's proposed action. As I think the Board will recall, we directed staff to initiate a process to make significant and expeditious progress on reducing emissions at the most impacted rail yards. In recognition of the limited regulatory authority for locomotives, the Board directed staff to draft voluntary set of commitments that could be implemented expeditiously and would result in significant, verifiable, and enforceable emissions reductions.

Staff has proposed commitments that would cap emissions at progressively lower levels through 2020 independent of growth at any particular rail yard. This is a very important feature of the commitments that are being discussed today, because the freight industry is beginning to recover from a decline in global trade. We're happy about that. But what we're not happy about is the likelihood as they begin to rebound vigorously, there could be an increase in emissions that will not be allowed to happen under the commitments that we are discussing here today.

State and federal policies in support of shifting cargo from trucks to rail to relieve freeway congestion, improve fuel efficiency, and reduce greenhouse gases are very much the policy of the United States. So freight
rail traffic is going to continue to grow. But with these commitments, California communities can have the economic benefits of trade growth while still accelerating the progress in reducing the emissions in health risk. So you start off the top with a cap.

Under the proposed commitments, the rail yards and ARB would evaluate rail-yard-specific operational changes to reduce risk between now and 2012. That's two years from now. ARB and the rail yards will also move aggressively to test the advancement technology needed to meet these commitments and potentially go beyond to cut the residual risk. ARB and the South Coast Air District, either separately or together, will commit to install and operate air monitors in the communities near San Bernardino and Commerce near those two rail yards. These commitments include backstop provisions should the railroads fail to meet their obligations.

We also understood that there needs to be more transparency in ensuring that reductions are real and achieved on schedule. To verify information that the railroads will report annually, ARB staff will thoroughly review the data, physically inspect and observe the locomotives operating in each of the four yards. In addition, ARB staff will track the reductions in health risk and report that information to the public.
These proposed commitments represent a big step forward. But that is not the end. Rather, we are committed to doing more. For example, we have a number of test programs underway to evaluate advanced technology, both for locomotives and other rail yard equipment. I'm enthusiastic about the potential for future technology and I'm encouraged by the discussions that I've had with manufacturers and others regarding the development of such technologies. It's important to partner with others also to further evaluate the growth potential for electrification of all rail yard equipment and to test that this type of equipment will work as needed at the rail yards.

I believe that zero or near zero emission rail yards are in our future, but I also believe that the proposal that's being considered today is a milestone on the path to getting to that goal. The alternative is to simply live as we are now, which I don't think is acceptable.

I want to close by reiterating our commitment to work with our partners and other agencies as well as local governments, other stakeholders, and the railroads to identify and implement additional actions that can be taken both inside and outside the rail yards. This is not a problem that can be solved by ARB and the railroads on
their own. We all have a role to play. And I encourage others who have jurisdiction in this area to step up to the plate to help address the community concerns through real action rather than rhetoric.

This is a somewhat more lengthy opening statement than you normally hear from me, but I thought it was important to set the tone strongly here, because this is an issue which has been before us several times before, and I know that feelings run high on many sides of this issue.

My personal observation is that ARB would not be in the middle of this situation if the railroads were more willing to actually talk to the people who live outside their gates.

I also am concerned that people who live near the rail yards have been so long locked into their distrust -- and I won't call it dislike -- but let's say distrust of the rail yards that it's difficult for them to give any credence whatsoever to any commitments that are made by the railroads. I'm not asking either of these groups to change, because I don't think they would in response to my exhorting them to do so. Trust isn't something that you can make happen just by talking about it. But I do believe that the Air Resources Board's role in this situation is to move forward and to get emissions
reductions. And that's what I hope we will be in a position to do.

So I'm going to ask the Executive Officer to begin the staff presentation.

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Nichols.

Since February, staff has worked continuously and expeditiously to develop a proposed commitment. These efforts literally represent thousands of hours of staff time over the last four months to hammer out the most effective approach for securing substantial reductions in emissions and risk. I want to thank the staff for working nights, weekends, and even furlough days to getting this done.

Although developed at a compressed time frame, it is staff's belief that the proposed commitments represent the very best agreement that can be reached. Additional time would not result in any significant improvements to the proposed commitments.

This conclusion is based on the fact that the Railroads must meet the proposed commitments in specified years, despite uncertainty. For example, the proposed commitments are dependent on future locomotive technologies that are not yet developed or verified, but we have pushed the envelope with the belief these
technologies will become available.

In addition, the required reductions are independent of the actual growth rate at the rail yards. This is an important element of the proposed commitments, because it provides a level of certainty that the emissions will continue to be ratcheted down with no room for excuses.

Public incentive funds are accelerating the upgrades to cleaner locomotives at these yards with supplemental benefits in the region. Both ARB and the South Coast Air District are administering grants to the railroads for this equipment. However, the proposed commitments are not dependant on the availability of any public funds. We're committed to the successful implementation of these proposed commitments and will continue to work with stakeholders to further reduce emissions and risk.

As Chairman Nichols stated, this is an important next step in the process.

I'll now ask Ms. Cynthia Marvin of our Stationary Source Division to provide the staff presentation.

Cynthia.

(Thereupon an overhead presentation was presented as follows.)

ASSISTANT DIVISION CHIEF MARVIN: Thank you, Mr.
Goldstene.

Good morning, Chairman Nichols and Board members.

I'll describe a series of proposed commitments to reduce emissions of diesel particulate matter from operations at four rail yards in southern California.

As Chairman Nichols stated, the purpose of this proposal is to further reduce the resulting health risk to communities near these rail yards.

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ASSISTANT DIVISION CHIEF MARVIN: After identifying the key elements of the commitments, I'll describe how ARB developed the performance standards based on our assessment of all feasible measures for each rail yard.

The appendices for the staff report for this item include the full text of the proposed commitments for each rail yard, plus our rail yard specific evaluations. Then we'll look at how the commitments would reduce both emissions and health risk at each yard. I'll also identify and respond to some of the questions raised in public comments over the last month and conclude with staff's recommendation for Board action today.

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ASSISTANT DIVISION CHIEF MARVIN: We begin with the proposal, which includes commitments that we would ask
the railroads to make for specific action and quantifiable
results, as well as commitments that ARB would make.

The railroads' decision to accept any requested
commitments is voluntary, but once accepted, the specific
provisions become enforceable.

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ASSISTANT DIVISION CHIEF MARVIN: The proposed
commitments address the four rail yards in California with
the highest health risks from diesel PM emissions
according to ARB health risk assessments for year 2005.

The photos on the left show the San Bernardino
and Hobart rail yards operated by Burlington Northern
Santa Fe railway.

The two on the right show the Commerce rail yard
operated by the Union Pacific railroad, as well as UP's
intermodal container transfer facility, or ICTF. This is
run with the adjacent Dolores rail yard as a combined
facility.

When ARB assessed the health risk for 18 major
rail yards in California, these facilities showed the
highest maximum cancer risks. We refer to these four as
the high priority rail yards for that reason.

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ASSISTANT DIVISION CHIEF MARVIN: In combination
with existing regulations and agreements, these
commitments would result in an 85 percent reduction in emissions and health risk at each yard. They would ensure that cargo and operations growth doesn't slow this progress as well.

They would also benefit air quality in communities and regions beyond the four rail yards, because the cleaner locomotives used to meet the commitments will travel throughout the South Coast air basin and some throughout the state.

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ASSISTANT DIVISION CHIEF MARVIN: Under the commitments, the railroads would be required to meet specific emission reduction targets or performance standards at each yard by specific compliance deadlines. We expect they'll need to rely on a combination of cleaner locomotives and equipment, plus operational improvements. The railroads would select the most efficient combination of actions to reduce emissions and meet the applicable performance standard at each yard. Annual emission inventories for each yard will help ARB and the public track the progress.

Nearly every other year, the railroads would also develop and submit plans that will identify the action they intend to implement to meet the next emissions target. ARB will assess the change in health risks
associated with those actions.

There is also a one-time requirement to evaluate a list of yard-specific operational changes, including several proposed by community members. ARB will assess the ability of each potential operational change to reduce health risk and make the information publicly available along with the evaluations.

The Emission Reduction Plans will also include any operational changes that are needed to meet the performance targets.

Starting next year, the railroads would also provide equipment and technical resources to test advanced technology for locomotives operating in the rail yard. This commitment is essential to bring the next generation of lower emission technology to market on the accelerated time lines that California needs.

After the railroads submit the draft emission reduction plans and ARB completes the supplemental health risk assessments, the railroads and ARB would hold public meetings in the affected community to discuss these documents and report on progress.

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ASSISTANT DIVISION CHIEF MARVIN: This slide shows an example of how the emission reduction performance standards would cap emissions regardless of growth at the
San Bernardino rail yard. These figures are based on the decline in cargo activity from 2005 to 2010, but three percent annual growth in containers from now through 2020.

The green bars in 2005 and 2010 show the dramatic drop in diesel PM emissions over the last five years due to the ARB rules for drayage trucks, cargo equipment, transport refrigeration units, and cleaner locomotive fuel, as well as U.S. EPA's regulations for cleaner locomotive engines.

ARB's 1998 agreement with the railroads to reduce NOx emissions in the South Coast has significantly accelerated the introduction of these cleaner engines that cut both NOx and PM emissions. Although the PM emission reductions are not required by the 1998 agreement, we have treated these ancillary benefits as part of the existing program in our analyses.

The red line on this slide shows the maximum emissions in future years under the proposed commitments. If you look at the bars for 2015 and 2020, you'll note there is a cross hatch in green and white on the top of those bars. That shows the incremental benefits that are directly attributable to these commitments. For example, in year 2020, the emission cap is at 3.4 tons per year. This represents a 50 percent reduction from the seven tons per day of total emissions that we would project without
these commitments. If growth is higher than projected, BNSF would need to do more to meet this cap.

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ASSISTANT DIVISION CHIEF MARVIN: U.S. EPA is co-funding upgrades to switch locomotives in the San Bernardino and Hobart yards, while the South Coast Air District recently approved the first of several locomotive grants using State moneys from Proposition 1B. Following this item today, the Board will hear proposed allocations for the next rounds of Prop. 1B funding, including 30 million for locomotive projects to be administered by the South Coast District over the next few years.

Under the commitments, the BNSF and UP railroads would retain their eligibility for public incentive funds and ARB would continue to support the use of incentive funds for this purpose. But the railroad's obligation to meet the emission caps is not conditioned on the availability of public incentive.

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ASSISTANT DIVISION CHIEF MARVIN: In addition to the updated health risk assessments for each of these yards, ARB staff would evaluate the emissions data and plans submitted by the railroads for completeness, accuracy, and the adequacy of those submittals to meet the next emission reduction target.
If ARB determines that a railroad has failed to meet the targets or other commitments for a specific rail yard, staff would propose locomotive and rail yard regulations within four months for consideration by the Board.

All of the railroad submittals, ARB's formal correspondence with the railroads on the submittals, and the health risk assessments would be posted on ARB's website by specified dates. The first set of updated inventories and health estimates would be due this fall.

In response to community requests, ARB would also commit to install and operate a PM air quality monitor in the community near the San Bernardino rail yard and another near the Commerce and Hobart rail yards. We would hope to collaborate with the South Coast District to split these monitoring responsibilities.

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ASSISTANT DIVISION CHIEF MARVIN: Since the proposed performance standards for each rail yard are expressed in terms of emission reductions, ARB staff will assess the corresponding changes in health risk to ensure that the health risk is reduced along with the emissions. We will provide reports on that information to the Board and to the public throughout this process.

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ASSISTANT DIVISION CHIEF MARVIN: Another community request was for ARB to independently verify railroad activity and equipment to check the data reported by the railroads. We've recently expanded our verification effort to include field surveys to document the type of locomotives operating in the yard on a specific day.

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ASSISTANT DIVISION CHIEF MARVIN: Implementing the commitments would provide ARB and the public with more comprehensive data on the equipment and activity in each yard.

As we've recently learned from the hard work of Professor Andrea Hricko, ARB needs to increase both the amount and usefulness of the data that we make available on the website to fulfill our commitment to transparency. We will start work on these improvements this summer.

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ASSISTANT DIVISION CHIEF MARVIN: If ARB finds that a railroad has failed to meet the emission caps or other specified commitments for a specific rail yard, ARB staff would bring rulemakings to the Board and seek the legal authority to regulate a broader range of locomotives.

The challenge now is that ARB can only regulate
the oldest pre-Tier 0 locomotives, also known as
non-preempted locomotives. The railroads have
substantially reduced the number of non-preempted
locomotives being operated in California over the last
two years and virtually eliminated them from these four
high priority rail yards. The result is that an ARB
regulation for non-preempted locomotives would not produce
benefits for the communities near these high priority rail
yards.

ARB could also adopt a regulation requiring the
railroads to prepare risk reduction audits and plans, but
we do not believe those emission reduction goals could be
made enforceable under such a regulation.

This very limited opportunity to reduce rail yard
emissions via regulation is why staff recommends the
voluntary commitments approach to deliver substantial
enforceable reductions in diesel PM emissions and health
risk.

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ASSISTANT DIVISION CHIEF MARVIN: Now I'd like to
describe how ARB staff developed the proposal based on our
evaluation of all feasible measures for each rail yard.

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ASSISTANT DIVISION CHIEF MARVIN: To identify the
maximum feasible emission reductions and set the
performance standards for each yard for each milestone year, we started with the 2009 comprehensive technical options report. This report examined the technical feasibility, potential emissions reductions, cost and cost effectiveness of 37 possible strategies.

We then looked at the available data on the locomotives and equipment operating in each of the priority rail yards to determine which technical options could be most effective in reducing emissions. The time frame for the availability of cleaner locomotive technology is key to the schedule for emission reductions.

We also considered operational changes that could further reduce emissions.

In the appendices to the staff report, we described a possible path for each rail yard to achieve additional reductions through a combination of technology that is available today, technology that we expect to become available in the future, and operational changes. Based on this path for each rail yard, we identified the emission targets that would create the performance standard.

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ASSISTANT DIVISION CHIEF MARVIN: As a quick refresher, this slide shows the names we used to discuss locomotives according to the U.S. EPA emissions standards
that apply. Starting at the top, both the oldest pre-Tier 0 locomotives, which are the non-preempted locomotive and the Tier 0 locomotives have no PM emission controls.

The Tier 2 locomotives being made today have about 67 percent control of PM emissions. The upcoming Tier 3 and Tier 4 level locomotives will bring the most stringent emission controls.

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ASSISTANT DIVISION CHIEF MARVIN: This slide lists the types of operational changes that we included in the path to determine the performance standards for each yard. It includes measures like relocation of emission source within the yard to reduce exposure to diesel PM emissions as well as measures to directly reduce emissions.

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ASSISTANT DIVISION CHIEF MARVIN: The key components of the possible paths we identified at each yard are shown here. With the most of the switch locomotives already being upgraded to genset technology or equivalent Tier 3 emission levels, the next strategy is to retrofit those units with PM filters or repower them to meet Tier 4 emission levels by 2015.

For line haul locomotives, we assumed that the railroads could accelerate the introduction of Tier 3 and
Tier 4 locomotives between 2013 and 20. For the BNSF San Bernardino yard, the ARB-identified path relied on 100 percent Tier 4 line haul locomotives serving that yard. This level of accelerated introduction would provide significant benefits throughout the state.

The path for each rail yard includes implementation of the operational changes that the railroads must evaluate under the commitments as well. I'd like to be clear that this is a performance standard we're proposing in these commitments. The railroads might elect to follow the path identified by ARB staff or to use a different mix of technology and operational changes to deliver the same emission reductions.

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ASSISTANT DIVISION CHIEF MARVIN: What would be the benefits in each rail yard from the emission reductions required under the proposed commitments?

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ASSISTANT DIVISION CHIEF MARVIN: The San Bernardino rail yard had the highest health risks in 2005 due to a combination of emissions and neighbors in close proximity to the yard. The actions already implemented have cut the maximum cancer risk for 70-year exposure to about 1400 in a million today.
The existing program and these commitments would steadily reduce that risk down to 400 in a million by 2020. This 85 percent reduction is based on the diesel PM emissions declining from a peak of 22 tons in 2005, down to 3.4 tons. And I'll address a little bit later the question about that 400 in a million remaining risk.

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ASSISTANT DIVISION CHIEF MARVIN: In the Hobart yard, the diesel PM emissions would decline by similar amounts, but the risks are lower because of where people live in relation to the yard.

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ASSISTANT DIVISION CHIEF MARVIN: At the Commerce yard, we see lower overall levels of diesel PM emissions and consistent reductions in cancer risk to the same 85 percent overall levels.

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ASSISTANT DIVISION CHIEF MARVIN: The combined ICTF and Dolores yards have the second highest cancer risks based on the combination of emissions and proximity with the same overall 85 percent reduction by 2020.

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ASSISTANT DIVISION CHIEF MARVIN: As Chairman Nichols noted, this slide illustrates the incremental benefits of the commitments above and beyond the existing
regulation and agreements.

Between now and 2015, the commitments would reduce emissions by nearly 10 to 20 percent above and beyond the benefits of the existing program.

By 2020, the commitments would reduce emissions an additional 30 to 50 percent beyond the existing program.

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ASSISTANT DIVISION CHIEF MARVIN: As I mentioned previously, the railroads would need to accelerate the introduction of cleaner locomotives to meet the performance standards and the commitments. As these locomotives operate outside of these rail yards, they would provide significant benefits to other communities.

The next tier of major rail yards with higher health risks include UP's Northern California facilities in Roseville and Oakland and BNSF's Barstow facility. To begin addressing those facilities, ARB would ask the railroads to commit to develop and submit comprehensive emission inventories in 2012. These inventories will aid ARB staff in evaluating the changes in health risk since the original assessments were done.

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ASSISTANT DIVISION CHIEF MARVIN: I'd like to take just a few minutes to respond to some of the public
comments we've heard in the last month, which we expect
will be also be raised in testimony today.

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ASSISTANT DIVISION CHIEF MARVIN: Based on the
public comments at the early June public meetings we held
in Commerce and San Bernardino on the draft commitments,
ARB staff strengthened the proposal. We increased the
reductions required by 2015, moved up the evaluation of
some of the operational changes at each yard, and
clarified the text of the commitments to emphasize ARB's
commitment to transparency.

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ASSISTANT DIVISION CHIEF MARVIN: The key comment
that we're hearing now is why doesn't ARB just regulate
railroad emissions now rather than pursuing voluntary
commitments?

ARB has already adopted stringent regulations for
every emission source at these rail yards, except for the
locomotives where the Board doesn't have the same legal
authority.

As I previously discussed, because the railroads
are not routinely operating non-preempted locomotives at
these high priority rail yards --

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ASSISTANT DIVISION CHIEF MARVIN: -- and ARB
regulation for these locomotives would achieve virtually
no emission reductions at these yards -- can you go back
to the prior slide, please?

ASSISTANT DIVISION CHIEF MARVIN: The commitments
happen to the much larger pool of emissions and reductions
from all locomotives operating in these yards, including
those that ARB cannot regulate. This means substantial
reductions that are achievable via the commitment approach
that we cannot achieve via regulation.

Next slide.

ASSISTANT DIVISION CHIEF MARVIN: Another common
request from the community is to specifically require use
of alternative fuel yard trucks and electric rail-mounted
gantry cranes at these facilities.

Our analysis in the 2009 technical options report
shows these actions are not cost effective today. ARB's
existing regulation for cargo handling equipment already
requires all of this equipment meet stringent Tier 4
levels by 2015. The remaining emissions available to
control are very low and the costs are very high.

We also note that there may be operational
difficulties reconfiguring the physical layout of existing
rail yards for the electric cranes.
ASSISTANT DIVISION CHIEF MARVIN: Another key question is why the maximum cancer risk at the San Bernardino rail yard would still be high with implementation of the commitments.

We recognize that the risk at this yard will need to be further reduced. The limitation is that the current 85 percent reduction proposal already assumes the use of all the technologies and operational measures that we can identify today, regardless of whether we currently think those technologies and operational changes are cost effective. We simply do not have another pool of measures to reduce emissions beyond that level that we believe will exist or that we know of today.

Next slide, please.

ASSISTANT DIVISION CHIEF MARVIN: To go further to reduce emissions and to address these residual health risks, ARB staff will continue to work with our partners on near-zero emission freight transport systems for the future.

The Southern California National Freight Gateway Collaborative is beginning to look at this effort. In addition, ARB's Scoping Plan for climate change includes a
measure to increase the efficiency of the state's freight transport system that compliments the southern California regional initiative.

Next slide.

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ASSISTANT DIVISION CHIEF MARVIN: So in conclusion, ARB staff recommends that the Board approve Resolution 10-29. With this approval, ARB staff would move forward expeditiously to achieve the intended benefits of the commitments, to reduce the health risk from diesel PM in communities around the high priority rail yards.

Thank you for your attention.

CHAIRPERSON NICHOLS: Thank you.

Could you say another word about the Southern California Freight Collaborative? People may not be aware what of it is.

ASSISTANT DIVISION CHIEF MARVIN: Certainly.

This is an effort that was started maybe three or four years ago. The federal government, State government, both transportation and environmental agencies, and local governments, primarily transportation officials and the South Coast Air District, together with the freight industry, the rail industry, the ports, the truckers, are talking about how to guide southern California's freight
transportation system into the future, what we can do to be looking at both the infrastructure and the environmental needs simultaneously.

And in addition to near-term proposals for infrastructure, that group is starting to talk about how we also keep our sights on that longer-term vision and how we might work together to lay out a game plan and start to seek federal funding for that.

CHAIRPERSON NICHOLS: Thank you.

Are there Board questions before we turn to the public testimony?

If not, then we will be using our usual process of three minutes per witness. And I normally take people just in the order that they've signed up and don't adjust the agenda too much or the order too much, but we also normally take elected officials out of order. And we have one elected official who's also here representing the South Coast. So unless you specifically don't want to, I would call Supervisor Josie Gonzales up to speak and have her be followed by the two other people from South Coast who have asked to testify, so Barry Wallerstein and Peter Greenwald. I see you're all three listed in opposition. So go ahead.

MS. GONZALES: Good morning, Chairman Nichols and members of the Air Resources Board.
I'm Josie Gonzales, San Bernardino County Supervisor for the 5th District. And I also serve as the county's representative on the South Coast AQMD Board. I stand before you in support of our mutual mission to improve air quality and protect residents' health.

I'm here to comment on the BNSF San Bernardino rail yard, which is located within my supervisorial district within the South Coast air basin. As you know, for far too long, our residents have been living around this rail yard have the misfortune to be exposed to the highest level of estimated risk. We cannot compromise when it relates to higher cancer risks.

The 2,500 in a million risk your agency reports in the 2005 timetable is the highest risk level estimated for any rail yard in California and one of the highest risk levels in the entire state. After participating in several meetings which included much in-depth review of the draft and consideration of the efforts put forth to protect the people whom I serve, I have concluded that I cannot support this document as written and/or as recently revised.

The bottom line: The remaining risk after achieving the proposed 85 percent reduction is a disturbing 400 in a million. It is simply unacceptable to
me and the residents whom I represent. For that matter, it should not be acceptable as a proposal to any one of us. While there are no regulatory risk limits for rail yards, the remaining risks under this proposal are far higher than the South Coast Air Quality Management District rules allow. Under the proposal, it will take another ten years to only reach that 400 in a million.

We should be working together to implement much more aggressive measures as soon as possible and reduce the risk as quickly as possible, instead of settling because some improvement is better than nothing. We need to develop a custom designed approach to address our extreme circumstances rather than a one-size-fits-all approach.

This community has suffered a severe imbalance in the quality of the air they breathe for far too long. This plan as proposed continues to tip the scale unfairly. I respectfully ask --

CHAIRPERSON NICHOLS: Finish your statement at least, please.

MS. GONZALES: Thank you so much.

I respectfully ask that this Board give direction to take all actions necessary to reduce the even more risk as nearly as possible. This entails working with all stakeholders to identify specific actions, working through
the rail yard collaborative that you were the lead on in
initiating, and making sure that we include the
environmental justice groups and that we are then able to
reach out to our state and federal elected for guidance
and advice as to how we might best proceed.

The proposed commitment language needs to be
strengthened significantly, and this can happen for the
benefit of all if we unite and work together. My goal is
to do more sooner rather than later, to work together.
And despite my disagreement with the draft, I remain
willing to work with ARB, BNSF, the city of San
Bernardino, community groups, and others in this serious
issue.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you. And thanks for
taking the time to come. Appreciate it.

Peter Greenwald and Barry.

MR. GREENWALD: Thank you very much.

Peter Greenwald, AQMD, South Coast.

All of the high-risk rail yards are in the South
Coast, so we appreciate your efforts. We acknowledge the
difficult task you face in controlling rail yard risks.

Having said that, we urge you to strengthen the
commitments. The main problem is the commitments, as you
have heard, would allow health risks for the next decade
which virtually everyone, including your staff, concede
are too high, most notably 400 in a million at San
Bernardino. This problem arises, because the commitments
to measure the 85 percent emission reduction from 2005
levels, levels which resulted in extraordinary risks, 2500
in a million.

The commitments do not require acceptable risk.
They do not even set acceptable risk as an aspirational
goal for the rail yard. This is a serious problem since
the commitments will establish the risk reduction path for
the next ten years and they will undermine efforts to
achieve more. That's not just our opinion. Please look
at the letter you received from the ports of Los Angeles
and Long Beach where the ports make the point that the
commitments do not contain measures that CARB and AQMD
urge the ports to adopt, such as 95 percent Tier 4
locomotives by 2020. The ports state this inconsistency
will reduce the port's ability to effectively implement
their Clean Air Plan.

In addition to targeting acceptable risk, we urge
you to require all feasible measures as soon as possible.
For example, your staff now says that it is too early to
commit to accelerate deployment of Tier 4 locomotives
since they won't be available for five years, but the
railroads committed in 1998 within the MOU with your
agency to accelerate Tier 2 locomotives. And they did
that seven years before they became available. That MOU
indicates you can get more as part of these commitments.
Your staff says electric gantry cranes, not electric
equipment, is not cost effective. But the railroads have
installed or proposed to install gantry cranes in Memphis,
in Seattle, and at Long Beach. And they've done that for
their own reasons, presumably due to the higher efficiency
of that equipment.

And moving operations away would from residents
could provide early benefits, but the commitments allow
the railroads over two years to decide whether or not to
propose any such actions and then do not require any
implementation.

Now, your staff says said the 85 percent
reduction will require deployment of the emission
reduction strategies I just described. However, the
extent they are needed may change based on new emissions
or CARB data and your staff says the railroads may choose
among measures. Rather than create such uncertainty, why
not just require all feasible measures explicitly,
including the ones I described. Given the unacceptable
risks in 2020, why allow the railroads to claim any
feasible measure is not needed? If the railroads won't
agree to stronger provisions, we urge you to seek
coordinated actions by local, state, and federal
government, including project approvals, conditions of
public funding rules and legislation.

Finally, staff says you should approve the
commitments today, because other approaches are
speculative and would take more time. In response, we
note that the commitments would not create benefits for
years.

In short, there is urgency to solve the problem
rail yard risk, but there's no urgency to approve this
solution. Thank you.

CHAIRPERSON NICHOLS: Thank you.

Staff, the reference was made to a letter from
the ports which was supposedly delivered to us yesterday,
but we don't have it. The Board members don't have it,
and staff doesn't seem to have it either. So if you do,
could you make it available to us, please? Okay. Thank
you.

Mr. Wallerstein.

MR. WALLERSTEIN: Good morning, Chairman Nichols,
members of the Board.

As you've been hearing, our agency has grave
concerns about the proposed agreement. In fact, I have
distributed a letter signed by Chairman William Berg of
our governing board expressing those concerns to you.
I'd like to also call to your attention a letter you received from the railroads signed by Kirk Marckwald. And if you look at the page 3, the second paragraph, in that letter it states that the railroads will withdraw from the commitments as a result of another agency or political subdivision of California adopting requirements that are substantially similar to the commitments. So you have before you an agreement they're already threatening us and the ports and the port lease agreements and others that, if we take action, they'll walk away from this.

So ask yourselves, how enforceable is this agreement? There's no penalty if they walk away. You simply would conduct rulemaking, which you have the ability to do now. And it's interesting that you would conduct that rulemaking or your staff would in four months. Last September, we were told it would take more than a year to do a rulemaking.

So there aren't a lot of near-term reductions. You have more time, as Peter just stated, to work on this issue to strengthen the agreement so it's consistent with our policy proposals to others. And we're obviously here urging you to do that.

Also take note of your resolution very carefully. When you look at the language in the resolution,
(inaudible) basically pursue anything on railroads. Is that really what you want to do? Will that really allow you to fulfill our SIP requirements and other needs of the community and region?

You've also received a letter from an attorney for the community groups raising CEQA issues. I think this is a discretionary action before your Board. I think you need to carefully look at that and decide whether or not your resolution really addresses the issues they've raised to you and to us in that regard.

Please think about the fact that you may hear from the community as being opposed to this. You're hearing from the local Air District. You're hearing concerns from the ports. That should give you great pause here in how you proceed on this. And really ask yourself whether you need to take action today and whether that action actually will erode things we're trying to do.

Lastly, the Chair asked that we and others take action of substance. I want you to know that my Board directed me to go to Washington, D.C. and strengthen the federal program. This will undermine that. In the past, the railroads have used agreements to undermine that type of effort.

We are already funding and in the process of demonstration programs for locomotives. Unfortunately,
we're still in litigation over rules we adopted against addressing locomotive idling.

So it isn't rhetoric, Madam Chair. It is a hand of partnership we're extending to you. And we have something collectively they want: The containers. Let's work the transit agencies, CARB, local Air Districts, and the ports. Let's leverage our assets and get a better agreement for the public.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

We now go back to the original order of the agenda. And Jill Ratner, followed by Devilla Ervin and Elizabeth Adams.

MS. RATNER: Thank you, Madam Chair and members of the Board.

My name is Jill Ratner. I'm the Director of the New Voices Arising Project at the Rose Foundation for Communities and the Environment in Oakland, California. Thank you for the opportunity to speak to you today.

We wanted to come here to support the calls of community members and agency staff in asking that any agreements entered into be the strongest possible and provide the most possible reductions in health risk for communities effected by those agreements.

But since we're from Oakland, we're actually a
little bit concerned about other possible impacts of
agreements that would be limited to the four high priority
railroads. We are concerned that the action to adopt
agreements for those four priority railroads as structured
could actually result in increased health risk in other
rail yard communities, particularly Oakland and Richmond,
if those agreements created incentives for the railroads
to move their most polluting equipment out of the effected
areas and into other parts of California.

I work with students, as I'm sure you guys know
since you've seen my students several times, who are
living in communities that are heavily impacted by the
Oakland rail yard and the Richmond rail yard. When I go
into the classrooms and ask students how many of those
present have someone in their family who suffers from
asthma, I always see more than half the hands in the room
go up. Those students really deserve your protection and
your consideration today. And those students are not
going to be protected by these agreements and might even
suffer increased pollution as a result.

So I strongly urge you to take the strongest
possible action to protect all Californians from pollution
associated with rail yards.

Thank you.

CHAIRPERSON NICHOLS: Thank you.
Devilla Ervin.

MR. ERVIN: Hello. Good morning, Madam Chair.

I'm a resident of west Oakland. I've been born and raised there. And I'm really concerned that the provisions aren't going to help us out in west Oakland. I was born in the part of Oakland called The Bottoms where it's really close to the port of Oakland and the UP rail yard. And we're just really concerned there isn't going to be any provisions up here, since the area I'm from, there's 14,000 people who live close enough that it's 100 in a million. And right outside of that is 50 in a million, or 6,000 people, live in that area.

So we're just wondering, yeah, I mean, it's great we're going to try to get some provision in the four high priority areas, but us in northern California deserve a chance as well.

CHAIRPERSON NICHOLS: Thank you.

Elizabeth Adams and then Eyal Matoy.

MS. ADAMS: Good morning, Chairman Nichols and members of the Board.

My name is Elizabeth Adams, and I'm the Acting Deputy Director of EPA Region 9 Air Division.

EPA appreciates the opportunity to come before the Board to support the proposed efforts to reduce emissions of diesel PM at four rail yards in the South
Coast air basin.

As you know, under the Clean Air Act, EPA is responsible for setting health-based ambient standards for pollutants, such as PM and issuing emission standards for many contributing sources, such as locomotives.

Under the Clean Air Act, EPA only has the authority to develop emissions standards for new locomotive engines and existing engines that are re-manufactured.

In March 2008, EPA adopted standards that will reduce emissions of PM and nitrogen oxide from locomotive engines by: Tightening the emission standards for existing locomotives when they are re-manufactured, setting near-term emission standards, referred to as Tier 3 standards, for newly built locomotives engines which will go into effect in 2012, establishing provisions for clean switch locomotives and idle reduction requirements for new and re-manufactured locomotives, and finally, a Tier 4 standard for newly built engines based on the application of high efficiency catalytic after-treatment technology which will go into effect in 2015. The Tier 4 emission standards will reduce PM emissions by 90 percent and NOx emissions by 80 percent when fully implemented by 2030.

In addition to these regulations, EPA Region 9
has provided over $13 million of funding through the Diesel Emission Reduction Act and Recovery Act Grant Programs for locomotive projects that will accelerate the turnover of the in-use fleet in California. We hope to announce additional funding very soon.

The problem is that even with these efforts, locomotives can be in service for more than 40 years, and EPA's new regulations will take many years to effect the entire fleet of locomotives now in operation. Understandably, California can't wait that long for cleaner air and faces a significant challenge in reducing the remaining sources of emissions that contribute to air pollution throughout the state.

The commitments that are being proposed today provide the opportunity to reduce emissions sooner and improve air quality that we all know that more needs to be done.

Thank you for the opportunity to explain U.S. EPA's role in reducing emissions from locomotives. We will continue to support ARB and the South Coast Air Quality Management District in their efforts to improve public health.

CHAIRPERSON NICHOLS: Thank you.

The next speaker is Eyal Matoy, followed by Rocio Ruiz.
Mr. MATOY: Good morning, Chairman Nichols,
members of the Board.

My name is Eyal Matoy. I'm a recent associate of
Pacific Institute and speaking as a member of Ditching
Dirty Diesel, a coalition that advocated reduction of
diesel pollution in the San Francisco Bay Area, especially
in low income communities of color.

Our coalition is callon on the Air Resources
Board to exercise your authority to protect the public
health of all California rail yard communities. We are
extremely concerned that only four of the 18 major rail
yards are covered by these proposed agreements, agreements
that would achieve only modest reductions beyond existing
targets. We stand with our southern California allies in
calling for quicker progress, greater emphasis on health
risk reduction, stronger air monitoring requirements, and
meaningful mechanisms for enforcement. These commitments
will undoubtedly set a precedent for future agreements at
Bay Area rail yards. They must be as strong as possible.

Nevertheless, let me remind you of the
opportunity cost of not pursuing commitments from rail
yards statewide. Over there is a map of freight train
traffic in the San Francisco Bay Area. The highest train
traffic occurs in the east bay between the BNSF and UP
rail yards in Richmond and Hobart.
Remember that emissions from locomotives constituent up to 70 percent of total diesel PM at some rail yards. These are the same locomotives that travel up and down goods movement corridors in the Bay Area. So by not mandating reductions at rail yards, you affect the health of not only rail yards communities, but communities adjacent to entire systems of rail lines.

Let me also remind you that we're talking here about an environmental injustice. We see that the highest train traffic occurs in areas with the highest poverty rates in the Bay Area, the largest concentrations of people of color, and the highest rates of asthma hospitalization. And what do these communities look like on the ground? They're the parks where we play, the schools where we learn, and the places where we pray.

This is the Richmond rail yard. In 2005, nearly 11,000 locomotives passed through here. According to your health risk assessment, 1600 people have an incremental cancer risk of greater than 50 in a million as a result of rail yard operations.

This is the Oakland rail yard. An estimated 350,000 containers were processed here in 2005. And according to your health risk assessment, 6,000 people had an incremental cancer risk of greater than 100 in a million as a result of rail yard operations.
If these realities don't keep you members of the Board awake at night, they should. And rail yard communities and their allies are going to continue fighting until we see a comprehensive statewide effort to protect public health. You can be one of those allies.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Rocio Ruiz and Enrique Arriola and Anna Arriola.

MS. RUIZ: Good morning. My name is Rocio Ruiz. I'm a student organizer with ICUC, which stands for Inland Congregations United for Change, in San Bernardino.

I have lived in the city of San Bernardino for the past 16 years. That's almost all my life. I'm here representing my community and the people that have been paying with their health while the railroads make a profit.

For far too long, my family and I have had to deal with the health problems with living right across the BNSF railroad.

I'm here because I'm opposed to the proposed actions to further reduce the diesel PM emission, because I feel that it has very minimal commitment. I know it has been pointed out a lot, but I would like to point it out again, that even after the goal to achieve the 85 percent reduction from 2005 emission, there is still an extremely
high cancer risk in my community. I don't know -- I guess
this issue makes me more sad than angry, because I hate
having to go home and watch my little sisters and all the
little kids in my community when they're outside playing.
And they don't know that because we live in this area
they're at that risk of getting cancer. And I see a lot
of the children in my community with asthma and allergies
and they get bloody noses and all this just because
they're breathing. And all the little children, my sister
being one of them, they don't know why this is happening
to them.

So I would just like to urge all of you to find
ways to make sure that my family and my community members
and I don't have to be scared that every breath we take is
putting us closer to the risk of getting cancer.

Thank you.

CHAIRPERSON NICHOLS: Thank you for your
statement.

Enrique Arriola.

MR. ARRIOLA: Good morning, Chairperson and Board
members.

Your proposals to the railroad are not
acceptable. We no longer can wait for emission
reductions. If we, the workers, have to smog our cars,
and trucks have to reduce their emissions, so has the
railroad now, not five years from now.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Anna.

MS. ARRIOLA: Good morning. My name is Anna Arriola.

I have written my notes about five times by now. And when I was coming here, I had one view. But after listening to the news and other events, I changed my mind about all this.

You know, your recommendations are too slow, too weak, too little, too late. All this is just a farce. You're wasting your time. You're wasting my time. And people continue dying and suffering.

I know that railroad is sacred cow. I know the history of the railroad in California, Mr. Stanford and Mr. Huntington and two other men used to rule like the wild west. Those men have been gone since the early 1900s, but why are they still ruling us? I don't understand that part.

Someone told me if I want to change, I have to change. I have to change my expectations, my actions, and I have to change things around me as much as I can.

Times are changing. Other sacred cows have fallen: The burning wall, the iron curtain. I think it's
time to stop worshipping the railroad as a sacred cow.

Railroad is worshipping the mighty dollar. They don't
take people into consideration.

So since the world is changing and people are in
a changing mood, it's about time we change, too. What can
people do to stop being the sacrificed lamb? My people
are dying.

The only solution is hitting the railroad in
their pocket. Why if Union Carbide and BP are setting
precedence and they're being sued, why not sue the
railroad? Why the railroad companies, why can they set
aside $20 billion and these funds used to pay the medical
bills of all the people that are getting illnesses? Why
not set a fund to compensate for the people that have
died? Pay the families that have lost a member. Why not
a fund for the children that have lost a parent so they
can have an education? Why not a class action lawsuit?
Isn't California the lawsuit capital of the world? So a
lawsuit is our answer. No longer are we going to be
sacrificing lambs. We are changing. We will solve our
problems in other way. This Board --

CHAIRPERSON NICHOLS: Your time is up.

MS. ARRIOLA: -- hasn't done what we needed. So
we take it to the judicial system. Maybe they can help
our future. Thank you.
CHAIRPERSON NICHOLS: Thank you.
Sonny Roque and Armando Mejia and Marcos Barbosa.

MR. ROQUE: Chairman Nichols and Board members,
thank you for letting me get up here and speak.

I was told by the group -- I'm with East Yard
Environmental Justice. I was told that I can come up here
and talk to somebody that will listen to us.

You have heard some of the people from the same
neighborhood. And all that reduction sounds good, looks
good on paper. The air is still toxic. There is no
change in the air, especially at nighttime. Sometimes we
got to sleep with our -- at nighttime with our windows
closed. And it's the same thing. Day after day you get
that smell. The city has street sweepers. What does the
rail yard use? It's like the neighborhood near the rail
yard is just like city of Gilmore. You drive in there,
you know you're there. We've been there so long, we can't
smell that pollution that's there. Everybody is getting
sick.

You know, we know the railroad has spills and big
diesels. Diesels engines are leaking. And that railroad
has been here for years and so have we. And we will not
go away. We're going to be here. I'm a grandfather,
great grandfather. And my grandkids, they'll still be
here.
Thank you.

CHAIRPERSON NICHOLS: Thank you, sir.

Mr. Mejia.

MR. MEJIA: Good morning, Madame Chair and members of the Board. Thank you for the opportunity to address you.

I'm an urban planner and urban researcher who has spent some time in the city of Commerce at the beginning of this year trying to understand the environmental inequalities this community and throughout southeast Los Angeles are suffering. And I'm here to offer to you some observations that are pertinent to the process which you've engaged the public in those communities, and they're quite disturbing. They're qualitative and quantitative in nature.

I'd like to first call to your attention that the process by which you've engaged the community has not truly been that kind of process that a democracy like ours demands. In fact, it has been quite weak. When you call for a meeting that a community so desperate in need of your attention to public health problems has only been told that a week in advance there will be a meeting about this, it is actually not democratic in spirit and in practice. So it's very important this Board take notice of the fact that the community needs to be included
genuinely in the process of decisionmaking.

It is not just enough to talk about policy outputs, but also it's most important to talk about the policy process. What kind of a process are you trying to engage members of the community in? Aren't you generally concerned about the testimonies you're hearing? If you are, your actions should demonstrate it.

Secondly, it is very important that your methodology be open for alternative review. It is very important that you disclose how the numbers you're calculating that your estimates be open for other researchers and for the community itself to understand the methodical process by which you're making decisions.

More importantly, I want you to hear the voices I want to share with you. I want you to hear about what lack of trust people have in your actions and how people in those communities feel. Hear Henrietta who says, "We live like prisoners in our homes because we can't open our windows because of the diesel exhaust and emissions. It's heart breaking seeing my neighbors die. The word 'diesel' should be changed to "dieosel" because it kills."

Or hear the mother of Long Beach who says, "Many children have to sleep on a nightly basis with a mask on because they can't breathe. We have to take these kids to the hospital with heart problems, with malformations,"
would respiratory illnesses of all kinds. We want to make sure that whatever you're promising us is real, that you take us into consideration, that you hear our voices."

It is for that purpose I'm here, for you to know that there are real human beings behind those numbers. It is important that you understand that in a democracy like ours that you take into account all voices and you prioritize those that are mostly affected by the policies you are trying to implement.

I urge you to listen to the voices I have brought with me, to listen to those who are dying, who are ill, who are being exposed on a daily basis to these major pollutants in their communities. Take immediate actions and stand for their concerns. In doing so, I believe you will be living up to the spirit of the law and be living up to the spirit of the public service that you were sworn to actually implement.

Thank you.

CHAIRPERSON NICHOLS: That was a very effective statement.

Marcos Barbosa and Manny Goona.

MR. BARBOSA: Good morning, Chair Nichols and to all members of the Board.

First of all, my name is Marcos Barbosa. I'm here from the city of Rose Garden. I'm here because I
oppose your proposal. And my mentality is it's just not right, because we're all humans and we all deserve to live well and not to be ill just for railroad to make profit.

I'm informed of a case in Commerce of a little girl who was diagnosed with cancer due to the air pollution. And I want to say that, as you all know, air has no boundaries and it doesn't just affect the one community. It can transfer itself to other communities and affects all the people, just not that place where it's at. It's affecting everybody, not just the residents.

CHAIRPERSON NICHOLS: Thank you for your statement.

Mr. Goona.

MR. GOONGA: Good morning, Chairman Nichols and members of the Board. My name is Manny Goona. I live in east Los Angeles near Commerce. I'm here today representing our community. We are all concerned about our health, not me in general, but all of us as one. Why can't we start reducing diesel pollution now and finishing in 2020 rather than waiting five to ten years?

I live so close to the rail yards that when I'm asleep, I can hear and smell the train passed and burn diesel. If I was to go outside my house, I can see the train as well.

You say you are going to reduce the diesel
pollution by 85 percent, but in fact you are using old rules and calling it a new thing. That's not going to really change -- improve our health, because it is still going to be a danger.

When you were a kid, did you ever want air to be clean? Because I know that I as a kid want clean air to breathe from. How did you feel when you were growing up? Did you have clean air to breathe from? Well, now us kids in Commerce don't have clean air to breathe from. And I'm representing all the kids that didn't come today.

This will be probably the first and hopefully the last time you will have a kid like me come up and speak to you in person, because I don't want to have to come back and state this issue again.

Thank you for your time.

CHAIRPERSON NICHOLS: Thank you. We normally don't allow applause, but we can make an exception for people under the age of 18.

Mr. Mata.

MR. MATA: My name is Nathen Mata. I'm here with East Yard Communities for Environmental Justice. I'm here today because you repeatedly ignore the needs and recommendations of the community suffering from these injustices of the rail yards. We're tired of waiting for action. Even with agreements, we won't see
anything for another ten years.

And at the staff meetings earlier this month to present agreements, when we showed opposition, your staff just pointed at the charts and said, "Look, this is what we're going to get." We don't feel like it's enough.

It's the same reaction we got from you, Mary Nichols, at the February hearing earlier this year, and we just don't feel what you're doing is enough, because we're the ones that live in these communities. We're the ones suffering, and we're the ones watching our families die.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Madeline Clarke, Angelo Logan, Tim Carmichael.

MS. CLARKE: Hello. My name is Madeline Clarke, and I live in the city of Commerce. And I am a representative from the East Yards Community for Environmental Justice.

My concerns are the same ones that I stated to you in 2006 at a meeting in the State office in Los Angeles with Angelo Logan about locomotive emissions, the effects on my family, neighbors, and on Aster Avenue to cancer alley in the city of Commerce.

I see no real reduction in emissions. A voluntary approach is not the way. It's too slow. Regulation with enforcement measures will include
locomotives and cargo handling equipment is a little bit too late in 2015 for the people in city of Commerce. We are affected by two railroads. We are in the center of two railroads, not one. And it's a little bit too late. 2015, 2020 is a little bit too late for us.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Mr. Logan.

MR. LOGAN: Hello, Chair Nichols and members of the Board. My name is Angelo Logan. I'm with East Yard Communities for Environmental Justice.

I want to recognize the work that you and your staff have put into this effort. We understand it's a lot of work. You put a lot of energy into developing your proposal.

By saying that, we feel it's a little bit too late, little too short, doesn't go far enough, and doesn't come soon enough.

Specifically, between now and 2005, yards like ICTF in west Long Beach and the Union Pacific in the city of Commerce will see no risk or emission reductions.

That's a real issue.

You're going to hear several comments related to some of the technical issues. And we've submitted letters detailing some of the technical issues in this approach.
But I want to point out one specific thing that raises a major concern. That's the item on the top of page 8 in the Resolution 10-29. In this item, it states, "Whereas, ARB would also commit to not taking any action to adopt regulation of rail yard sources or to seek changes in federal law so long as the railroads meet their commitments outlined above."

This is somewhat contrary to the comments that were made today in today's presentation in that this is just a start, a start at looking at the reductions, that we would look at further measures when things become more feasible and technically available.

The way that I translate this is it kind of locks us into this agreement until 2020. So then if a technology becomes feasible, cost effective, and available and you have the authority to implement that through that a regulatory measure, that prohibits this Board to do so. Or if there are other cargo handling equipment that becomes more technically available and feasible, that prohibits this Board from adopting those as a regulation or at least considering adopting those as regulation.

We feel that there is several items in this approach that need to be reconsidered and to be thought through in more detail.

You've heard from the residents from several
communities that surround rail yards. This is an urgent matter. You need to take it into consideration as an urgent matter. And you need to look at this in a way that's comprehensive and addresses all the issues and looks at every measure available to reducing risk and emissions.

Thank you.

CHAIRPERSON NICHOLS: Tim Carmichael, no longer bringing up the rear for the Coalition for Clean Air.

MR. CARMICHAEL: Thank you, Chairman Nichols.

Tim Carmichael with the California Natural Gas Vehicle Coalition. We're opposed to today's proposal, but I'm going to take a slightly different tact than some of the comments you've heard.

We're opposed because we believe this proposal leaves cost-effective emission reductions on the table over the next decade. Specifically, staff's analysis only seriously evaluated electrifying cargo handling equipment, not other options for cleaning up the cargo handling equipment. Unfortunately, the staff's technical options report, which has been referenced earlier, was done last summer, used out-of-date emissions data and out-of-date cost data to conclude that natural gases engines are not a feasible alternative for cleaning up cargo handling equipment.
The clearest example I can give you today is yard trucks. There are thousands of these in operation at the rail yards and thousands more at the port terminals in California that generate -- these are also known as yard hostlers or yard goats. They move the containers around the rail yard, put them either on a truck or on a train. Natural gas yard trucks are available today and in use today. They generate 50 percent lower emissions than the diesel counterparts. In fact, they generate zero toxic air contaminant diesel particulate matter. They also generate 20 percent less greenhouse gas emissions, and they reduce California's dependence on petroleum.

The costs are -- there is a cost premium for the cleaner vehicles. They're $120,000 compared to $80,000 for the diesel alternative. Unfortunately, the staff analysis shows the cost of diesel at 50 or 60,000 for the diesel, so they understate the cost of the diesel. We confirmed the price with the manufacturers this week.

The higher emissions -- so the technical options report uses higher emissions for natural gas engines contradicting ARB's own engine certification data and lower costs for the diesel alternative. So it's not surprising that the conclusion would be that this is not a feasible alternative. But if you use the correct data, you find this is, in fact, a very feasible alternative, so
much so that you have operators using it today.

I have with me a letter from Capacity, the
president of Capacity. This company is one of the two
manufacturers of these vehicles in the world. One is a
Swedish company and one is a Texas company. And it
simply, you know, confirms that they offer for sale and
have clients using the cleaner natural gas options today.

Real quickly, I'd just like to note that the two
companies that are using these today in southern
California, United Parcel Service and Parsec who operates
these vehicles at the BNSF terminal in Hobart, feedback
from their operators, the drivers love them. They're
about 50 percent quieter than diesel. There's plenty of
power, and they don't stink like diesel.

And then savings on fuel over diesel, savings on
the fuel cost over diesel, and they have a better handle
on maintenance costs. They don't have to deal with the
diesel particulate traps and urea emissions control
equipment.

CHAIRPERSON NICHOLS: You're done.

MR. CARMICHAEL: Thank you. We can't afford to
leave cost-effective reductions on the table.

CHAIRPERSON NICHOLS: Thank you.

Debbie Vongviwat, and then Bernice Banares, and
Jessie Marquez.
MS. VONGVIWAT: Good morning, Chairman Nichols and members of the Board.

I'm here on behalf of East Yard Communities for Environmental Justice to present the Board with a letter that over 20 organizations throughout California have signed onto expressing our deep disappointment and concern.

You should have received a copy of the letter through e-mail. However, we also submitted hard copies of the letter this morning. It's about six pages long, so I'll only read the first part and go through and highlight some of our recommendations.

The letter reads: "Dear Chairman Nichols and members of the Board, we, the undersigned, environmental, environmental justice, and public health organizations ask you once again to exercise your authority in protecting the public health of California communities by taking enforceable steps to reduce emissions and health risk from rail yards and locomotives.

"We have read and reviewed the proposed commitments between CARB and the railroad companies and write to express our disappointment with the minimal commitment and specifics that have been outlined."
"Our main concerns are outlined as follow:

"1. Remaining risks too high.

"2. Limiting agreements to four rail yards is a missed opportunity.

"3. Operational changes are not included as commitments.

"4. Health risk reductions are most important.

"5. Progress is too slow.

"6. Regulatory backstop and enforcement must be better defined.

"7. Air monitoring commitments are vague.

"In terms of our community needs, we recommend ARB to:

"Begin regulations on non-preempted locomotives in the state and enhance other regulations you have authority over.

"Implement all available measures, not just allow the railroads to pick and choose which measures they will do, if any.

"Commit to meaningful enforcement. Failure to comply with commitments should be determined by ARB and significant fines should be levied.

"Require community mitigation fund. ARB should actively seek incentive funds for the
community for vegetative barriers, filters for
schools and homes, retrofitting homes, et
cetera."

That was just a summary of the letter. We want
to encourage you to read it more in depth to better
understand why today we urge you, the Board, to reject
these agreements and move to adopt enforceable regulations
to reduce risk in emissions from California locomotives
and rail yards.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Bernice Banares and then Jessie Marquez.

MS. BANARES: Good morning. My name is Bernice
Banares, and I am a teacher at Cabrillo High School at the
west side of Long Beach, which is about a quarter mile
from the ICTF rail yard.

I'm just very frustrated with the lack of urgency
to have emissions reduced now and as much as possible.

I have a student who passed away from asthma this
past October. And I have no doubt in my mind it is
because of where we live -- well, where he lives and where
I work, right next to the rail yard. And I have many
students who are absent continuously because of their
health due to where they live in the community.

If I could put a dome over the rail yard and
funnel that air to where you work Monday through Friday
9:00 to 5:00, I think your urgency would be more. And if
this was a meat packing plant and it was the E. coli that
was over the allowed limit, it would be very harsh
consequences. And I would like you to consider being more
stringent, be more urgent, and hold the rail yards
accountable.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Jessie.

MR. MARQUEZ: Good morning, Chairman Nichols and
members of the Board. I thank you very much for the
opportunity to speak with you.

My name is Jessie Marquez. I'm the Executive
Director for Coalition for a Safe Environment. I have
submitted written comments. I'm the author of those
comments. I'm also speaking as a resident of Wilmington
in the city of Los Angeles, and these are my concerns.

Although we applaud your staff for trying to do
their best job, our organization as well as other
organizations have also spent thousands of hours a day and
evenings and weekends and holidays to prepare our comments
and recommendations.

It's unfortunate that your staff did not find one
resolution within them to recommend. And it was one
proposed for some future date. We have submitted a list
of eight different resolutions that we believe that should
be done now.

Number one: Require California rail yards to
establish a public health risk reduction plan for each of
the 18 major railroad yards.

Require each rail yard to conduct a health impact
assessment.

Require each railroad yard to establish a public
health care trust fund with a minimum of $25,000 a year.

Require each railroad to replace all their diesel
fuel locomotives, diesel-powered transport refrigeration
units, cargo handling equipment, everything with zero
emissions or near zero emissions technologies. In the
case of some of the fuel tanks and things of that nature,
there are such things as a vapor recovery system. In the
case of zero emission vehicles, we have electric battery
trucks and we also have hydrogen fuel cell powered trucks
that are available.

We ask that you establish another rulemaking for
the maximum achievable control technology. We've had it
with the best available control technology. It means
nothing. Basically, anything that's better than what
exists is considered the best. We want the maximum
achievable control technology standards.
We also want to have real time 24/7 air quality fence line monitoring of all categories of air emissions, not just one or two selected by the CARB Board.

We require and ask that dispute administrative panel include one public rail yard community member nearest the railroad yard, one AQMD member nearest the rail yard, one medical professional, and one technology professional.

We ask you establish a schedule to phase in 50 percent of the drayage trucks to be electric or hydrogen cell battery operated, 25 percent to be LNG or natural gas, 25 percent to be ultra-low sulfur diesel fuel or biodiesel fuel.

We also believe that any commitment, any agreement, any MOU that you agree to is subject to CEQA and will require an environmental impact report, also subject to AB 32 greenhouse gas reductions, subject to the Clean Air Act, as well as Title 6.

There are two technology companies who have proposed technologies which have been proven. The advanced locomotive emissions control technology was proven here at the Roseville railroad yard as being 92 to 98 percent effective in capturing all technologies. It was not recommended. America Maglev Transportation Corporation has proposed a Maglev train to be used. And I
invite every one of you to fly to Georgia because I have been here. I saw it. I rode it and loaded a container on a Maglev train. It is no different than loading a container on a regular train.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

BOARD MEMBER BERG: Could I ask a quick question?

Jessie, could I just ask you a question?

Hypothetically, if we could implement your suggestions, what time frame would you suggest?

MR. MARQUEZ: We believe all resolutions could be within six to ten months.

BOARD MEMBER BERG: The railroad could make all those changes within six to ten months that you listed, that entire list?

MR. MARQUEZ: There would be a resolution in some cases --

BOARD MEMBER BERG: No. What is the time frame years-wise to accomplish the list? Hypothetically, if we had all the money, everything that we could do, if money wasn't an object, what could be the time frame that you would see for that?

MR. MARQUEZ: We feel comfortable in talking with the various manufacturers that in five to ten years it could be accomplished. The Maglev train is available to
be built now. American Maglev Corporation has volunteered to build a prototype demonstration project at the port of L.A. port of Long Beach to the ICTF terminal free, at no charge to the public, yet they have not gone forward to it. They are messing with around with other proposals and evaluating things--

BOARD MEMBER BERG: Thank you, Jessie. I just wanted to note the time frame. I appreciate your input.

CHAIRPERSON NICHOLS: Okay. Bonnie Holmes-Gen and then Grace Hernandez and Brandon Kitagawa.

MS. HOLMES-GEN: Good morning still, Chairman Nichols and Board members. Bonnie Holmes-Gen, I'm with the American Lung Association of California.

And the American Lung Association is strongly committed, as I know you are, to reducing diesel emissions near rail yards and addressing the health risks faced in the communities living near the rail yards. And we are very concerned about the increased rates of asthma and other lung and heart illnesses and increased rates of cancer and premature death.

We appreciate the hard work by the staff on this issue. We appreciate the commitment to making progress at the rail yards and improving air quality. However, we do realize that there have been a lot of critical issues and a lot of critical concerns that have been raised over the
past week by the community and Air Districts around the agreement and the level of health risk reduction to be achieved. And we want to make sure that we are through this agreement reaching all feasible -- getting the benefit of all feasible emission reductions.

And we are not usually a group that would recommend a delay or stepping back, but we do think it would be important to spend a little more time to work with the community and to further explore some of their recommendations that have been raised to strengthen the rail yard risk reduction programs and specifically to look at whether there are additional measures that can be incorporated to reduce rail yard risk below the 400 in a million level, looking at strengthened enforcement provisions, look at developing additional rail yards beyond locomotives, also to look at accelerating deployment of the cleanest locomotives and how the airborne can increase coordination with both local and federal government agencies.

So those are some issues in addition to looking at what could be done earlier and other rail yards beyond the highest risk rail yards. So we would appreciate your attention to look at some of these additional issues.

We thank you for the work that's been done. We recognize there are unique complications posed by the
limit on regulatory authority in this area, but we urge
you to take a look at reducing diesel emissions in rail
yards.

CHAIRPERSON NICHOLS: Thank you.

Grace.

MS. HERNANDEZ: Good morning, Chairman Nichols
and members of the Board.

My name is Grace Hernandez, and I come from Long
Beach. I'm opposed to this draft because we're all at
risk. And I don't want to be offensive, but many of you
sit there and it's seems like you guys don't care. We're
not letters. We're not numbers. We're people who breathe
this air. And you guys are destroying our lives.

And it's just -- I have younger brothers. I have
siblings that lived around the area. And my cousins lived
in Wilmington and they moved to Texas. And they have
heart problems. They have asthma. They were at high risk
of cancer. When they moved, it was all gone. And I mean,
this is just heartbreaking that 400 in a million at cancer
risk. That's ridiculous. From what I've heard, it should
be about 20 in a million, about ten in a million. And to
have 400 in a million people, it's just ridiculous. It's
heartbreaking, and I don't think that should be done.

It's not right.

You're getting them the minimum. It's not even a
deadline. It's just maybe we'll do this; maybe we won't.

We don't know what will happen. I just don't think it's right. And I think that you guys should do something about it to help the people who you represent, the people who you are working for.

Thank you.

BOARD MEMBER D'ADAMO: Thank you.

Next, Brandon Kitagawa from RAMP.

MR. KITAGAWA: Good morning, Board members.

Thank you for having us today. And thank you for taking on this important and challenging issue of reducing the public health impacts of rail yard.

My name is Brandon Kitagawa with Regional Asthma Management and Prevention. I'm here today on behalf of a statewide network of 18 asthma coalitions that we coordinate called Community Action to Fight Asthma. They focus on reducing exposure to environmental triggers to asthma for school-age children.

Many of our members work in communities that are impacted by rail yards, and most of them are not covered by the four agreements being talked about today.

So my comments today are focused on some of the concerns of the communities that are not covered by these four agreements.

First, our members really see this as a really
big missed opportunity to reduce the health risk of rail yards across the state. When they look at the analysis of these agreements and see that these four communities will see the benefit five to ten years from now, they wonder when they can expect to see additional health reductions in their communities and feel that a regulatory approach when it comes to all rail yards would essentially be a better approach for the Board to take.

Second, seeing the Board is going through an agreement by rail yard, if you're moving from this process, they see these four agreements are going to set a precedent for any future rail yards in community. When they look at the analysis, they see the emissions reductions as looking impressive, but to them, the important piece is the health risk reductions. And I want to encourage that any agreements set, the goals be to achieve an acceptable level of risk rather than looking at emission reductions themselves.

And third, they have a concern that as these four rail yards address emission reductions in their rail yards, they're going to move dirty equipment into their own communities. And while staff analysis suggests that is unlikely, we certainly would like to see in the agreements more explicit language or specific provisions that would prohibit such activities.
So again, want to thank the Board for taking this issue on. I think we certainly encourage a different approach so that we can see efforts that are as productive as possible as soon as possible.

Thank you.

BOARD MEMBER D'ADAMO: Thank you.

Nidia Bautista, Coalition for Clean Air, followed by Gideon Kracov.

MS. BAUTISTA: Good morning. Thank you.

Nidia Bautista, Policy Director at the Coalition for Clean Air. I'm also here on behalf of our colleagues at the Natural Resources Defense Council, who aren't able to join today.

We did also want to express our appreciation to the CARB staff and the Board for really staying committed to this issue. And we ask you to stay committed in terms of reducing the pollution from the source.

We understand it's been very challenging in many respects. But we do appreciate that you're taking this on. It could be a moment of great pride for the state of California in terms of making sure we're taking this on. And that's the petition we always have for the Air Resources Board.

We do believe the agreements are -- there's a lot of things in there that are a step in the right direction.
And so with that in mind, I just want to make sure to caveat my comments with that. We understand that and appreciate the need for a building off of existing regulations, including the truck rules and the cargo handling equipment, so we know some of those reductions are actually coming from those regulations.

However, we do expect and would like to see more reductions coming from others. And I think as community residents have already stated, I think none of us can really leave here today if this is adopted as is and feel very safe either visiting and/or knowing people that will be living in this community with such high risk from the pollution source.

We also are seriously concerned if you adopt this as is, you're missing out on opportunities to tackle the source further. We're particularly concerned by page 8, both the comments that were identified in the first paragraph, but also the fourth bullet point on page 8. Our concern is you'll be closing those doors on those opportunities in the future.

In addition, as our organization and many organizations, we know the ARB is as well, wanting to fulfill our commitments both in terms of health risk, as well as reducing diesel pollution, maintain our clean air commitments, and our AB 32 commitments. And again by
closing that door -- what feels like you may be closing that door, you may be missing out on those opportunities. We're asking many others to participate in those reduction efforts. And that includes making sure that we'll really looking at electrification and other alternative fuel sources, including natural gas, as other opportunities to -- alternative to diesel from these operations.

Several years ago, I visited Commerce. And I grew up in southern California, was familiar with the area, but I had the opportunity to be there with Angelo Logan from East Yard Communities and kind of walk the streets and the neighborhoods there. And hearing the history about knowing those residents -- have their initial reaction in terms of trying to work with the rail yards was like any one of us going to our next door neighbor and talking to them and saying, "We want to work with you because we have these concerns."

I believe that my understanding is in those days, the response wasn't very -- they didn't see a very good response from the industry.

I'll try to wrap up.

But knowing we've progressed since then, we're here today at a hearing, I think many residents never expected they would have to be in Sacramento talking about this issue when they were looking to address it directly
with their neighbor. So I do applaud both the agencies, 
the community residents in particular, for staying 
committed to this. I understand the frustration and 
wanting to work through that.

And I want to applaud the industry for stepping 
up to the table, but as you asked us all to stay committed 
to this, let's look at this document not as a completed 
final document, but rather as a work in progress and come 
back to the table with more specific recommendations in 
there.

Thank you.

CHAIRPERSON NICHOLS: Thank you, Ms. Bautista.

Gideon Kracov. And is Andrea Hricko here? Okay.

You're next.

MR. KRACOV: My name is Gideon Kracov. I've been 
working on this issue for five years with my client, East 
Yard Communities.

In January of last year, our lawsuit was 
dismissed when James, on behalf of the Board, granted our 
petition for rulemaking, in part. Since then, we've 
worked with the Board Chair, other Board members, and 
staff and we appreciate these efforts, especially in these 
budget times. But I know we're all sick of each other by 
now. But clearly there is a lot more work to do. We have 
provided legal and expert consultant comments, and I'm
going to touch on three things we've raised.

First, from day one, we have argued that the CARB has the duty and authority to adopt cost-effective and feasible regulatory measures. In the beginning, CARB said we'll do that, just find us what's not preempted. And after a lot of work -- and the conclusions have changed from the beginning -- we have found literally hundreds of locomotives in this state that are simply not preempted, up to 25 percent of the fleet.

In August of '09, your technical staff did the options report and found that measures for these locomotives are cost effective and feasible.

In September '09, your legal staff concluded they're not preempted. EPA's told you their authority, but they agreed it's not preempted. They said it in writing. The South Coast was sued, and in that case, the district court held that South Coast didn't have the authority but that the ARB did. That's why we're here today. We're not here to waste time. But you have special authority. You stand in the regulatory breach, and we need you to exercise that authority.

Now, staff argues that these locomotives are not at the four high priority yards. But we've said they are present all throughout the state at the other 14. And you see today these are the residents of those four yards.
They're asking for the regulations. It's the railroads that are fighting the regulations. If you're going to vote today on this letter of exchange proposal, please keep that in mind.

Second, CEQA procedures. The letter exchange proposal focuses on four yards, but there is no prohibition of backsliding at the other 14 yards which are very high risk. There is no CEQA or California Administrative Procedures Act study or alternatives, and the staff simply gave short shrift to the statewide benefits. Instead, we have the letter exchange proposal with the public not a party. We were promised third-party beneficiary status; it's not in your resolution. What do we have? We have another MOU, and it appears it's going to prevent additional regulations.

Third, and with all respect, the staff report data is not ready for approval today. The three percent growth rate that's used for all your calculations is too high. The baselines and reduction benefits are inaccurate. And no backup data is given, so the public can't verify any of this.

One last point. In September, this Board rejected the incentive-only approach that staff brought you. We urge you to take that same courage and reject what the staff has brought you today. We can continue
working to improve this.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

MS. HRICKO: Good morning, Chairman Nichols and members of the Board. My name is Andrea Hricko, and I'm a professor of preventative medicine at the Keck School of Medicine at the University of Southern California. At USC, I also direct a community outreach program that works with the public and with community-based groups to reduce the impacts of air pollution, including near rail yards.

As everyone in this room knows, the ARB has estimated extremely high cancers risk at many rail yards in the state. If any of you as Board members have not visited one of the four high priority rail yards, I urge you to do so before you finalize another MOU.

In preparing my comments -- I do thank you for the opportunity to speak today -- I decided I needed to know how the public can verify or validate these emission reductions had actually taken place between 2005 and 2010. I didn't set out with any foregone conclusions. I wanted to do research on the documents that had been submitted as part of the MOU. And I greatly appreciated the enforcement staff time, Cynthia Marvin and others, who over the past month have assisted me in finding documentation that could help me analyze what's been
Here are some of the things I learned. Although surprise inspections are a mainstay of public health regulatory agencies, including ARB, OSHA, and even county health restaurant inspections, ARB inspections at the rail yards provide advanced notice 48 hours. According to ARB enforcement personnel, the rail yards requested the advanced notice clause in that inspection protocol.

It goes like this. The ARB calls the rail yards and says we're going to come visit you in two days. And the railroads have a day to call them back to say whether that's a good time for them or not. I would be surprised if any of you on the Board had any idea this enforcement loophole was happening. It was adopted in October 2006. Mary Nichols wasn't Chair then. Catherine Witherspoon, to my knowledge, was still Executive Officer.

I asked for the annual reports from BNSF and UP that are required under the 2005 MOU that described their progress under the MOU. I haven't received anything. Without them, I can't analyze whether or not the changes actually occurred at these rail yards.

Lack of transparency is a major issue. And Cynthia Marvin has assured me that changes will be made in the website to help the public. But until a week-and-a-half ago, no inspection reports under the MOU
had been posted. They've now been posted at my request.

When I looked at them, I found this had been -- they look very comprehensive, and yet they show only one inspection for BNSF Hobart in the five years of inspection data. I can't believe that's possible, but that's what they show.

They're also very confusing to an outside observer. There's a column that says how many locomotives were observed idling, how many were observed not idling. And when I did all the calculations, I was then told the word "idling" actually means observed. It doesn't mean idling. It means how many locomotives were observed operating at the rail yard. I couldn't do those calculations.

In my research, I did learn there is a rail yard in Canada with an outside auditor charged with ensuring that all the information submitted by the railroads is accurate. I would ask you to look at that.

I also think you should look at having monitors at all four of the rail yards, not just the two. And I know my time is up, but there was one other thing.

So I would suggest that you really think carefully about advanced inspections, contracting with an outside auditor, the needs for transparency, and finally, to close, I don't understand how you can actually go
forward today in light of the letter from the ports of L.A. and Long Beach and the other letter with evidence from Kirk Marckwald. The ports of L.A. and Long Beach say that this MOU does not go as far in regards as to their CAP program they've adopted at the two ports does. So I'm not sure how you can proceed in light of that.

CHAIRPERSON NICHOLS: Okay. Thank you.

We will now turn to the railroads. And I have four witnesses signed up: Mark Stehly, Larry Schmid, Mike Barr, and Kirk Marckwald. So let's start with Mark.

I want to acknowledge I believe this is his last meeting with the Air Resources Board. I know he's due to retire imminently. And I want to thank you for having taken a leadership role in making the progress of the rail yards.

MR. STEHLY: Chair Nichols, Board members, my name is Mark Stehly. I'm the Assistant Vice President for Environment and Research and Development at BNSF Railway.

First, I'd like to thank your staff for the significant time and energy spent since the February Board meeting to develop these commitments.

Second, make no mistake about it, this is an aggressive emissions reduction program. We will only meet the required reductions in future years by using technologies that do not exist today. This is
technology-forcing in the truest sense of the word. Both
railroads have to develop and then purchase and deploy new
technologies in the near future to meet emissions
reductions. Your staff's estimate of past and current
railroads cost to carry out these programs sound about
right.

Third, BNSF would deploy such technologies on a
preferential basis in our San Bernardino yard. This is
the yard that has the highest emissions and it deserves
the first crack at applicable technologies.

Fourth, we have developed a 15-year track record
of meeting our commitments to the ARB to reduce emissions
from our operations, and we will continue to do so in the
future.

And, lastly, I'd like to recap some of the
progress we've made in reducing emissions from our
operations since we were before you last February. Other
people have mentioned, and I'll mention again, that we
were awarded $9 million in DERA funds which will bring
eleven ultra-low emitting switch engines to the South
Coast region. Six will go to Commerce, three to San
Bernardino, and two of them to the Watson yard.

These switch engines reduce emissions by 90
percent. They'll be on the ground in six months. And the
one that is displaced will be retired from service or
they'll be sent out of state. To the extent that some of them are Tier 0 locomotives that can go to other locations in other yards, they would be cleaner than the switch engines in the other yards. And it would be a net benefit for those other yards.

But we will not take non pre-Tier 0 or pre-Tier 0 locomotives and put them in other yards, contrary to what a number of people say is likely to happen. It won't happen.

We also been awarded $3 million of Prop. B funds to match our $3 million for four additional ultra-low emitting switch locomotives for the San Bernardino rail yard.

We applied through the South Coast for more 1B bond money. That would be an additional eight switch engines. So all of the switch engines in San Bernardino and Hobart would be replaced -- to the extent they operate 25 percent of the time or more, they would be replaced in those two yards.

Additionally, the implementation of the fleet average agreement continues to have a dramatic impact on the mix of locomotives currently operating in the South Coast. We have virtually all of the switch engines and all of the line haul locomotives in the basin are EPA certified Tier 0 or cleaner.
CHAIRPERSON NICHOLS: Would you please sum up?

MR. STEHLY: I will strongly recommend that our management approve the commitments to commence the program. I believe my management is receptive to this approach.

Thank you.

CHAIRPERSON NICHOLS: Okay. Mr. Schmid.

MR. SCHMID: Good afternoon, Chair Nichols and members of the Board.

My name is Lanny Schmid. I'm the Director of Environmental Operations for Union Pacific.

I urge the Board to approve the staff's proposed program to reduce emissions at Commerce and ICTF by 85 percent by 2020 compared to the 2005 baseline. Assuming you do so, I will recommend to our management that we promptly sign off on these agreements. We're ready to begin to implement the commitments next month.

We have spent a significant amount of time working to figure out ways to reduce emissions from those yards. Commitments are tough. I can tell you that we don't exactly know how we're going to meet them. Many of the technologies that we will need to use to meet these commitments don't exist today. We're confident, however, that many of the emerging technologies will be proven over the next few years.
For example, we're expediting the development of the diesel particulate filter and that technology on an ultra-low emitting genset in cooperation with the ARB, the ports, and the equipment manufacturers.

In addition, we're expediting the demonstration of a retrofit of a DPF on a new Tier 2 3000 horsepower locomotive in conjunction again with the ARB, EMD, the locomotive manufacturer, and the Sacramento Air District. You will be considering both of those technologies on your agenda later today as part of the AB 118 Research and Development Program.

We estimate it will cost approximately 100 to $150 million for both railroads to comply with these new commitments. This is on top of the $400 million we already spent to implement the provisions of '98 and the 2005 MOUs.

Going to provide a little background and update on some actions we've already taken to address community concerns over the past few years and reduce emissions at our facilities. We purchased over 70 ULELS, ultra low emitting, genset switchers and put them into service in the South Coast basin. We did that over the past three years, mostly further out than more near term. The benefits of their presence is manifested in the PM reductions that we've achieved to date at both of our
facilities, ICTF and Commerce.

At Mira Loma, we conducted a detailed gate study and found that moving the gate from Golina Street to another location slightly increased the total emissions, but did not impact the DPF.

We moved other operations also to Mira Loma and made improvements to reduce localized impacts. Moved the work location of trucks and their maintenance and idling and parking.

The following quote was submitted to your Board by a resident that lives in the home adjacent to our track and it best sums up our progress. "Since the 2005 MOU, notice very significant reduction in idling near my home. Number of calls I've made to the railroad has dropped on average of more than one a week early in 2005 to a current average of about one every other month. While not perfect, the situation has vastly improved."

We at Union Pacific will continue to meet the commitments and our commitments to reduce emissions in California, as we have for the past 15 years.

CHAIRPERSON NICHOLS: Thank you.

MR. SCHMID: Thank you. I'll be happy to answer any questions.

CHAIRPERSON NICHOLS: I'll ask you to stick around. We may have some questions when we get into
Mr. Barr.

Mr. BARR: Thank you, Madam Chair and members of the Board.

My name is Michael Barr for the Association of American Railroads.

Over the last decade, the ARB has used all of the tools of regulation where it had authority, incentive funding, which has been increasingly available, and agreements where necessary to reduce emissions from locomotives and rail yards in California. ARB regulation of equipment like TRUs and early compliance by the railroads has achieved substantial emission reductions. Enforceable ARB agreements have avoided preemption issues and achieved more reduction earlier than state or local regulation.

Railroads are federally regulated, as you know. And federal agencies like U.S. EPA have the authority to regulate railroads, not state or local agencies in general. Broad consistent preemption ensures consistent and uniform regulation that doesn't unnecessarily or unduly restrict railroads operations. By signing up for the 1998 MOU and then the 2005 MOU and possibly these new commitments, the railroads are not waiving federal preemption. For a century or more, Congress has
recognized the need to protect interstate commerce. The railroads are achieving substantial reductions from all sources in California but cannot give up the protection of nationwide federal preemption.

It's clear only ARB has the ability and authority to monitor and carry out the current new commitments on top of the 1998 MOU and on top of the 2005 MOU and on top of the EPA and ARB regulations.

As with prior California agreements, in order to properly maintain essential operations and functions at the rail yards, the railroads cannot comply with multiple state and local regulations that are substantially similar to the commitments. If other California state or local agencies propose to adopt regulations similar to the commitments, the railroads are committing to consult with ARB. And like prior agreements, if some other state or local agency actually goes ahead to adopt regulations like the commitments, the railroads also are committing to notify ARB before deciding whether to withdraw from any of the affected commitments.

As you've heard, each railroad is willing to make these new aggressive commitments to reduce emissions at specific rail yards of greatest concern on top of their prior agreements and on top of prior regulations. This commitment approach will achieve greater emission
reductions earlier and more reliably than regulation.

The railroads together look forward to continuing
their partnership with ARB. It's an extraordinary and
unique and successful partnership.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Kirk Marckwald. Is Kirk the last witness?

MR. MARCKWALD: Madam Chair, good afternoon, and
members of the Board. Thank you for the opportunity to be
here today.

My name is Kirk Marckwald. I'm here for the
California Railroad Industry.

I would like to touch upon a few items before you
today. Some commentors I think have erroneously claimed
it would be better for the Board to pass a regulation than
the commitment approach. Yet, in my opinion, this
assertion is wrong and could lead to far fewer diesel
particulate emission reductions than the staff's proposal.

First, your staff has concluded regulation would
provide no additional diesel particulate emission
reductions at the four yards. Whereas, your staff
proposal would reduce emissions somewhere between 30 and
50 percent over existing regulations, or about 1300 tons
during the life of the agreement.

Second, were the regulatory route to be taken,
not only would your Board lose the benefits of the
commmitment reduction, but such an action could stifle rail
yard investment in promising new technologies. Let me
tell you why that is. If this Board were to adopt a valid
regulation and if there were any non-preempted locomotives
in California when you did, the railroads compliance
dollars would be focused on ensuring all locomotives were
federally certified most probably with Tier 0 or Tier 0
plus technology, which provide few DPM benefits and
certainly none at the yards that are before you today.

Also, because the fleet average agreement is in
effect in the South Coast air basin, there are very few
non-preempted locomotives in that region. So ironically,
the air basin that needs the reduction the most and would
get them under your staff's proposal would, in fact, get
fewer benefits where they're needed most under the
regulatory approach.

A couple of other things to note. I think
meeting these reductions regardless of growth is an
historic commitment that you are asking the railroads to
make and they are going to do so. So what assumptions the
staff used about it or not whether they're right or wrong,
we will meet the tons to be reduced in any case.

Secondly, your regulatory authority is readily
available were you to need it. We are proud of 12 years
of accomplishments and never having not done what we said we're going to do. We believe that's true, but you have a hair trigger on your regulatory process were you to choose to use it.

And finally, the assurance that non-preempted locomotives were placed at one of these yards will not be in service at any other yard in California, as Mr. Stehly explained, is a very important aspect of what our commitments are.

And finally, a full-on evaluation of many of the things that were considered and suggested by commentors will be a part of this agreement looking at three or four different operational changes at the yards. Mr. Carmichael said we shouldn't be leaving LNG tractors off the table. We haven't left anything off the table. We are going to look at anything. That's the wisdom of the performance basis. You will get the reductions that come the soonest and come most cost effectively.

And finally, a suggestion that nothing is going to happen until 2015, I don't believe that's true. Your staff shows what reductions will have already been achieved by 2015. But we can't have achieved them by 2015 if we don't begin in 2011, '12, '13, '14. So I think you're going to get these reductions. You're going to get them now. And to the extent that you move forward and
going this route, I think both railroads have indicated
they will recommend to their management they proceed.

Thank you for your time. Happy to answer any
questions.

CHAIRPERSON NICHOLS: Thank you very much. That
does conclude the testimony on this item. As has been
noted a number of times, there isn't a record to close,
but there's obviously going to be a lot of discussion.

And I think the Board members are going to have questions.

And we do appreciate if people will stick around
and be available for that discussion. However, I think at
this moment we also need a break. And we really have two
choices. We can take a lunch break a short lunch break or
we can just take like a ten-minute stretch break. I
would -- take a short lunch break is what I'm hearing from
this end here. Anybody here? Could we make it a half an
hour? Would that be possible to really do that and be
back by a quarter of 1:00? All right. Let's do that
then. We'll be back at quarter of 1:00. Thank you.

(Thereupon a lunch recess was taken.)

CHAIRPERSON NICHOLS: Okay. We are back. And
thank you all for your patience. The Board members had a
chance to get a bite of lunch, and I had a chance to talk
to staff also.

Before we resume the discussion, and I know a
number of people have questions and issues they want to raise, I want to say two things.

First of all, I really want to thank everybody who spoke today, because your comments were substantive and your tone was civil. And we appreciated it a lot. And we also have heard a number of points that I think have caused us to think about things, which is always good, even if occasionally painful.

So one of the things that I think has been brought to me, and this is what I wanted to talk with staff about over the break, is that we need to bend over backwards to make sure that we are in compliance with CEQA. It is an often a maligned and sometimes abused statute, but it's served us well and we wish to abide by it. When important issues are raised, it's incumbent upon us to address them. So when we come around to the resolution, my request is going to be that the Board give some direction to the Executive Officer about what we want him to think about and what we want him to be evaluating in terms of environmental issues that have been raised, but that we not direct him to take any particular action until he's had a chance to do that. So in other words, we leave him some discretion with some guidance from us as to what we want him to think about, but that we not formally take action as a Board today on this item.
So for those of you who were hoping that there would be more time to address some of the points that you made, you made your point and that will happen. So that's the beginning point here.

But there's a number of other specific points that were made as well, and I think I want to start down at the end of the podium here with Mayo Loveridge, who lives closer to the rail yards than the rest of us do and has a couple of questions I know.

BOARD MEMBER LOVERIDGE: Well, Mary, thank you. I want to make just a brief personal comment. I do have five questions; two are specific to San Bernardino and three are to what we've been talking about this morning. And then I'd just like to conclude with overall direction in terms of my position.

I'm speaking and participating in this not so much today as a member of the South Coast Board, member of the CARB Board, but really as mayor of the largest city in the inland area and also somebody who's dismayed and worried about air quality ever since I first arrived at the University of California Riverside campus in the mid 60s.

One comment that Mayor Pat Morris of San Bernardino made, and I would concur with the comment, he said it was unfortunate that the two best and most
important air quality agencies in the country would not be working together and coming to some agreement on what is before us today.

We started just looking for commitments I think because we heard the stories. We heard the pain. We understood the risk factors. And I think this is maybe the third or fourth time that we've had that kind of powerful, eloquent, and some way painful testimony before us. I thought the premise of what we heard led us -- it's much the same language that Josie Gonzales made. We need something to happen sooner rather than later. There are real risks, real consequences for what is taking place.

So let me ask if I can just five questions and then a final comment. First question is really to James Goldstene. Why not just take more time and go back and work on the agreement some more and why not more time?

EXECUTIVE OFFICER GOLDSTENE: I think Mr. Marckwald articulated that in his testimony. And I think in our staff presentation we tried to be clear about that, but I'll ask Bob or Cynthia to explain that more clearly.

DEPUTY EXECUTIVE OFFICER FLETCHER: Okay. This is Bob Fletcher.

When we were going through and developing commitment, we really were turning over everything that we thought could be brought on line. And I think as was said
earlier, as we proceed through now through 2015, 2020, we actually do believe there are going to be reductions that are going to occur, because you can't wait until the end of 2014 and decide what to do. So we know there are going to be continuous improvements.

We do believe we have incorporated the all-feasible measure at this time based on the cost effectiveness cost and sort of other -- a lot of the technology is simply not available yet that we expect to play a role here. So we don't think that adding any additional time is going to allow us to strengthen the commitments any more than what they are now.

In addition, the way the commitments read right now, beginning as early as September, there are commitments that start to come into play for emissions inventories, followed by emissions reduction plans, both draft and final, by the end of the year. So if we move this back, we have to redo pretty much the entire schedule for the early part.

BOARD MEMBER LOVERIDGE: Thank you again. Action sooner rather than later.

Two San Bernardino questions. One is the 400 risk level. Are there any future choices, commitments, rules that could reduce that high level of risk?

And a question the mayor of San Bernardino wanted
to ask: When the green technology is available, shouldn't San Bernardino, given its high risk factor, be a site of choice?

DEPUTY EXECUTIVE OFFICER FLETCHER: We certainly would like to use San Bernardino as a testing ground. I know there are some electric yard trucks that are running around now. I think South Coast has one in their possession. It would be good if we could put that in San Bernardino.

I do think that the level of emissions at San Bernardino and their ramp down to emission reduction requirements is going to require them to really look at the advanced technologies. When we're out in the 2020 time frame, even though we think some of these measures are not cost effective, for example, the electric mounted gantry, we are, in effect, requiring -- or not requiring, but the commitment is based on the imposition of that type of technology. So whether it ends up being placed on the ground there or not is uncertain. And we've established that the performance standard to ensure that we can encourage and innovate to find the most cost effective way to meet the commitments. But with the ongoing tracking that we're doing between now and 2020, so there's touch points at 2011, '13, '15, '17, and '20, we hope to be able to track and see what else can be done.
BOARD MEMBER LOVERIDGE: Okay. I guess the third question is one you just answered in part is this is not an agreement for ten years. This is one that's closed. This is one that we're going to take a look at periodically?

DEPUTY EXECUTIVE OFFICER FLETCHER: Of course. There's nothing in the agreement that precludes us from revisiting it. When you look out ten years down the line, a lot has changed. There was comments made about the -- written comments about the appropriateness of the growth factor. We don't know what the growth factor is going to look like, but we need to set a growth factor in order to establish the baseline and provide some certainty and calculations. If it's less, then theoretically the railroads don't have to do as much to meet the limits. But it's still that cap. It supplementally provides some certainty that the emissions will not be any greater. If the growth is higher than what we projected, then it becomes a really (inaudible) requirement.

BOARD MEMBER LOVERIDGE: As a Board, we're going to come back and look. We're going to have inventories and the risks we're going to examine and evaluate?

DEPUTY EXECUTIVE OFFICER FLETCHER: There is a provision in the resolution right now -- I think it's the last provision -- that indicates the staff is to report
back to the Board in the summer of 2012, '14, '16, '18, '21, I think. So you will have frequent feedback on what is happening with --

EXECUTIVE OFFICER GOLDSTENE: That coincides with the voluntary.

DEPUTY EXECUTIVE OFFICER FLETCHER: It coincides with the major compliance years, which are 2013, '15, '17, and '20.

BOARD MEMBER LOVERIDGE: Two final questions. Question that was brought forward by the USC professor about auditors struck me as an interesting concept. Trust is good, but it's better to verify, to borrow language from a former Governor. What about the concept of an auditor as a way to enhance the trust with the information?

DEPUTY EXECUTIVE OFFICER FLETCHER: Right. We got that comment a couple days ago as well. We actually agree that would be a good idea.

We would propose to add a resolution statement that would indicate that CARB is to go forth and track down an auditor. I think we would like to start with the U.C. system or the Cal State system where we can contract with an expert that would be willing to kind of look at the information that's provided and provide that sort of third-party auditor. So we support that. We would like
to add a resolution provision for your consideration along
that line.

BOARD MEMBER LOVERIDGE: To the Board, I'd like
to see if we can't do that.

Finally, there was a port letter of -- I realize
that arrived late -- there was some judgment that we
should not go forward because of the port letter.
Wondered if you would comment on that.

DEPUTY EXECUTIVE OFFICER FLETCHER: I'm going to
ask Cynthia Marvin to address that one since she's been
involved in that.

CHAIRPERSON NICHOLS: Cynthia is the liaison to
the ports.

ASSISTANT DIVISION CHIEF MARVIN: Thank you.
The ports of L.A. and Long Beach raised a concern
about whether these commitments were aligned with the
port's proposed Clean Air Action Plan. This is a plan
that ARB and the South Coast staff worked very closely
with those ports on.

Frankly, we worked with those ports very hard to
set the goals for the entire port complex. The primary
goal is an 85 percent reduction in health risk from diesel
PM by 2020. So that's consistent with the Board's own
action.

The concern they raise in the letter is whether
the specific commitments we're proposing here would support that 85 percent risk reduction goal. I believe that we're both heading towards the same place, the 85 percent emission reductions, that would be required under these commitments with roughly corresponding health risk is going to bring in the same kinds of technology that the ports are talking about specifically requiring for locomotives.

What we're talking about is upgrading switchers to essentially meet Tier 4, the most stringent PM levels by 2015. And we're talking about upgrading the line haul locomotives to roughly equal Tier 4 levels by 2020. The port's plan calls specifically for those things to happen. The commitments basically take credit or build in the reductions that would occur from those same actions into the performance standards. So from my perspective, they are complimentary. There's simply a bit of a different philosophical approach about how you get the same 85 percent reduction goal.

CHAIRPERSON NICHOLS: So you don't see any fundamental conflict there?

ASSISTANT DIVISION CHIEF MARVIN: I don't think so. And in fairness, the ports did try to reach me to talk about this. I was unfortunately unavailable when they called. I will remedy that, and I will ensure we
will sit down and talk.

CHAIRPERSON NICHOLS: I think the communication is obviously important.

ASSISTANT DIVISION CHIEF MARVIN: My apologies for that.

CHAIRPERSON NICHOLS: I'm going to proceed -- sorry. You had more?

BOARD MEMBER LOVERIDGE: Just three quick comments.

One, this is not a perfect plan that we have a blank sheet of paper and we tell them -- I guess the general premise is don't see the perfect stand in the way of good.

I'm compelled by this certain action now and the need to do something for the rather large number of residents that live around the four high priority yards and if there are ways the Board feels it could help or be useful to strengthen the document, I would like it.

CHAIRPERSON NICHOLS: Well, I have had a suggestion along those lines which I'll allude to when it gets back to my end of things how to do that.

Other questions or comments at this point from Board members?

Ms. Berg.

BOARD MEMBER BERG: First of all, I'd like to say
congratulations to Cynthia Marvin for joining the team.

Congratulations on that.

I'd like to go back to some of the public testimony. And specifically we did hear from the railroads they will not be moving the dirtier engines from the four railroads to the other yards. But I would like to know in the agreement does it specifically address the fact that we do not want any what was categorized as backsliding or increased emissions in the other remaining railroads within California?

DEPUTY EXECUTIVE OFFICER FLETCHER: No. There is nothing in the commitments that specifically address that issue.

BOARD MEMBER BERG: And could we -- I mean, I would be concerned about that. I mean, they're willing to say they're not going to do it, then what's the problem with putting it in the agreement?

DEPUTY EXECUTIVE OFFICER FLETCHER: We would just need to chat with them about that.

BOARD MEMBER BERG: I would be interested in that.

On the port side, what I heard from the port is the fact that because there is language that states that the railroads, if other agreements are made or they're approached in other ways with other regulations or other
commitments, that they could then negate or stop this agreement. I'm hearing from the ports that they feel that their hands might be tied in doing certain things.

So could you address that, Cynthia, from the perspective that if they wanted to execute their agreement in a certain way, does our agreement prevent them from doing that?

ASSISTANT DIVISION CHIEF MARVIN: I would hope that we'd get a legal supplement to my response, but let me just start out.

The primary leverage that the ports had with the railroads is the railroad's desire to expand their facilities in southern California. And each of the ports is essentially the authority that would be approving the environmental impact reports and approving those projects.

So the way that the ports deal with the railroads is primarily based on that authority and the ability to say yea or nay to those expansion efforts.

BOARD MEMBER BERG: And I do remember in 2005 we had the poison pill and the lease and the expansion was also brought up. And it was also brought up at the time that obviously if people want to expand and there's conditions to that, that this seems to be -- this poison pill concern seem to not apply.

ASSISTANT DIVISION CHIEF MARVIN: From a
non-legal perspective, I look at those differently, but I would defer to our legal counsel on that question.

CHIEF COUNSEL PETER: In the 2005 MOU, I was not here when that was entered into. There was a specific provision about if anybody else did it, then everything was off. That is not in the current commitment letters. And you're exactly right, if someone is choosing to expand, they have to comply with CEQA. If the ports then want to impose conditions on that expansion, that is totally separate from this. And so I don't think that the same concern that was raised in 2005 applies in this current discussion.

BOARD MEMBER BERG: So when we look -- that leads me into the page 8 of the resolution where a testimony was brought up that ARB would commit not to take any action to adopt regulation of rail yard sources or seek changes in federal law. What we're really doing is saying we're entering this voluntary agreement. And as long as voluntary agreement, then we would not pursue the regulation for the preempted or the non-preempted locomotives?

CHIEF COUNSEL PETER: Right. This isn't what ARB is doing. It doesn't direct what -- and maybe it could be read that way. But it's not directed at the other local agencies the way I read it.
Also, the comment that was quoted making a representation as to what the railroads would do, that came from a comment letter. That was not in the resolution. A specific thing which referred to the other agencies not doing it, that is not part of the commitment letter or part of the Resolution.

BOARD MEMBER BERG: And this language essentially -- go ahead.

DEPUTY EXECUTIVE OFFICER FLETCHER: I was just going to provide more clarity on the context of that statement starting with that whereas on page 8 at the top there. And I think part of that language that people are looking at is -- the context for that is that we are entering into this set of commitments with good faith. And as part of that good faith, what we're saying is that we will not exercise our authority to adopt emission reduction requirements, regulatory requirements for the sources within these specific yards. But we were concerned about the broader issue of regulatory authority. We know this is simply one of the programs that we have in place.

So on page 9 of the -- not page 9. Section 9 of each of the commitment letters, there is actually a statement that says, "Nothing in this agreement precludes ARB from developing regulations within its authority as
required to achieve the goals of the State Implementation
and Climate Change Scoping Plan."
So we are not cutting off our authority to adopt
regulations that have SIP or climate change
considerations. And I think that's an important point to
make here.

BOARD MEMBER BERG: I really appreciate you
clarifying that, because that is a very important point.
And I think the other thing, too, is the ten-year
period is a long time. And as new information and new
technology is developed, we might have some additional
opportunities. And I think absolutely we've heard loud
and clear sooner. And I don't think there is a Board
member that would disagree with that. And certainly I
would love to have this all done as quickly as possible.

Just two others. I agree with the oversight.
I'm glad you brought that up. I appreciate that we're
going to look at the CEQA responsibility. That was on my
list.

I don't want to -- I think the cap is a huge part
of this agreement and the fact of everything over the cap
is really going to be handled at 100 percent; isn't that
correct? So when we look at that aspect of it, I do think
that that is a major cornerstone of the agreement.

And maybe somebody could comment on the
transparency and what we're going to be doing in communicating more effectively with the stakeholders, all stakeholders, specifically in light of the testimony and some of the testimony I've had over the last couple of weeks with the data. So if someone could make a comment on that.

ASSISTANT DIVISION CHIEF MARVIN: I think as we recognized in the presentation, there is a couple different elements to this. I'll deal with the easiest one first; that's making the data available so the public can assess for itself the degree of compliance with the commitments and what's happening with emissions and equipment within each rail yard. It's something we made good strides to improve the data posted on the website.

I will tell you I recognize Professor Hricko's work in the last few weeks has certainly pointed out to me there are many areas where we need to do a lot better. We need more comprehensive data that we put on the system and we need to make it useable. And we need to help people find it more easily. And we need to post it and process it in a format that people can actually download it and look at it and do their own analysis. So we are making the commitment as ARB staff to do that. And I personally plan to be involved in that and get that started this summer. We would very much appreciate her involvement in
the process, consultation, and advice as well.

BOARD MEMBER BERG: I did have one other thought.
And I appreciate that comment. That's great.
Whatever we can do or I can do also to help, I AM happy to
do that.

On the operation improvement and the studies that
will be done and the recommendation that will be made,
will that fall into the performance reductions? Some of
the testimony that we heard today is that we're doing
another study, but where is the implementation? What is
the responsibility to do something about the findings of
the study? So could you comment on that?

DEPUTY EXECUTIVE OFFICER FLETCHER: Sure.

One of the difficulties we've had with the
operational measures over time is that there's been a lot
of discussion about you should do this and we say it's too
expensive.

What we're trying to do is bridge that gap and
say, okay. Let's take a good hard look at these. Let's
put the information out there. Let's do the studies.
Let's look at the cost and the implication. Let's look at
the emission reduction benefit. Let's look at the public
health benefit, because some of these measures will get
you public health risk reductions without getting you
emission reductions because they simply move the source
further away from the population.

But what has been missing to date has been the real analysis. So we were -- actually, we didn't think it was appropriate to require them to do something where the analysis has not been done, where we said, well, move the truck gate and it turns out there's higher emission impacts or higher risk impacts on a different segment of the population. We didn't think that was a good idea to do.

So in direct answer to your question, no, there is no requirements that they do. It's not incorporated in the performance standard, but once the analysis is done and everybody can view it, we think it's going to stand on its own merits as to the value of doing it. If it's cost effective, then the railroads need to take a look at that as to how it fits into achieving the benefits of the performance standards and some of those -- maybe some they choose to pursue.

BOARD MEMBER BERG: But if we're looking at the amount of emissions is going to require future technology -- in other words, we heard many times that we don't know exactly how we're going to get things done. It certainly would stand to reason if they, in fact, found something cost effective or that would achieve the goal, wouldn't we push them? I mean, I can't imagine they
couldn't embrace that.

DEPUTY EXECUTIVE OFFICER FLETCHER: I think we would push them. The communities would push them. They have to do an emission reduction draft plan every couple years to show how they're going to meet the standards, and we have to identify explicitly what those measures are. So there will be a lot of information out there about what they're choosing to do so people will know what's happening at the railroads much more so than they've ever known before.

BOARD MEMBER BERG: So Mayor Loveridge, I think your point to the fact this is going to come back to the Board on a regular basis, this would remain incumbent on the group to hold everybody's feet to the fire, including our own.

I really appreciate the work. I do appreciate the testimony. I did meet with people, and I sit up here in angst over this whole subject, because there isn't an easy fix. And so I do appreciate all the input.

CHAIRPERSON NICHOLS: Thanks.

Dr. Balmes.

BOARD MEMBER BALMES: Well, first off, I want to thank everybody who presented testimony today. And we heard from a number of the witnesses that they didn't think that the Board listened to them. And I think we
have listened to you. And while we aren't going to be able to craft a perfect response that you'll be completely satisfied with, I think we all start from the premises that the cancer risk in these four communities next to rail yards remains unacceptably high and we can't rest until we bring it back down to something that is more acceptable.

I also want to thank the staff for working hard on this and for being pretty responsive to the Board's directives last February.

So with that said, I've got a few points. I can be more brief than I expected to be, because Board Member Berg highlighted several of the points I had down.

With regard to Professor Hricko's work, her detective work, she noticed that advanced notice of inspections was being given. I thought I heard Cynthia say this in the presentation that that isn't going to continue. Maybe I misheard. Giving the railroads 48 hours to stop idling engines seems to be not a good way to actually assess what the exposures really are.

I really want to commend Cynthia for her stated commitment to transparency, another one of the issues that Professor Hricko brought up, because when I heard idling isn't idling, given that the community rightfully is so concerned about idling, we need to know about what the
data are, about how much idling does or does not occur.
I was glad to hear Board Member Berg mention the
other rail yards. I live in the east bay of northern
California, and I hear a lot about the Oakland rail yard.
I see that it's in the next list of rail yards to be
considered. But while 400 in a million cancer risk for
San Bernardino really makes one stop, you know, 100 in a
million is not room for complacency either. So I think we
have to remember the other rail yards. And I, for one,
will want to see us move from these first four rail yards
to the other 14 as soon as we can.

So operational changes is something I made an
issue about in February. I'm glad to see that the
agreement includes a commitment to look at operational
changes. But I think we need to be pushing -- as both
Mayor Loveridge and Ms. Berg pointed out, we need to push
for adoption of technically and economically feasible
operational changes. I'm glad we're going to be looking
every two years at the performance with regard to emission
reduction. And I want to underscore what's already been
said. Those reports have to come back to the Board so we
can see them. They shouldn't be stuck off someplace in
cyberspace or printed report space.

And I want to also support the outside auditor
idea. I think that's an excellent idea.
And just finally, when Tim Carmichael brought up natural gas vehicles -- I realize he's lobbying for a group that supports natural gas vehicles, but it does seem like that's something the railroads should consider with some of their lighter-duty vehicles. Plenty of other major corporate entities are going to natural gas vehicle fleets. So I think it is something that -- there are many other things that should be considered, but it seemed to me like a potential early fix.

So with that, I think I'll conclude and am pleased that several other Board members have the same thoughts that I do.

CHAIRPERSON NICHOLS: Thanks. Did you want to comment on the natural gas vehicle issue just quickly?

DEPUTY EXECUTIVE OFFICER FLETCHER: Just real quickly. It certainly is a tool in the toolkit. And Tim was correct in that when we did the technical options report, we were using data that has been subsequently improved. And the PM differences are not that much difference. Obviously, LNG is not a diesel PM. They're meeting similar standards.

We have tested LNG yard trucks specifically in that duty cycle, and the results were not all that favorable. And so we have contracts in place now to test
new technology to 2010 that are coming. So we can get a better handle on the difference between 2010 LNG and 2010 diesel trucks. So that work is trying to find yard trucks to test basically.

Part of the issue with LNG is you just can't pop them on the ground. You have to have the LNG infrastructure to do it. That's one of the issues going on right now in the rail yards and the yard tractors that are at Hobart actually, is there is not an infrastructure to support that.

BOARD MEMBER BALMES: Thank you. I'm glad I asked the question.

CHAIRPERSON NICHOLS: Yes, Supervisor Roberts.

BOARD MEMBER ROBERTS: I'm also hesitant to mention this. But we're going to have some issues with LNG here in the very near future that cause me grave concern to be thinking that may be a solution when we're being threatened with possible cutting off of all the suppliers here in southern California.

CHAIRPERSON NICHOLS: Comments down at the end here or questions from other Board members?

Yes.

BOARD MEMBER KENNARD: I actually have three questions.

But before that, I want to congratulate the
public who came to share their thoughts on this very important issue, and particularly those who traveled long distance to come up and testify with us, and most specifically, the two very young men who provided very articulate statements, both of their concerns.

My three questions are somewhat interrelated. The first is I'd like some confirmation or denial of the comment from the railroads that, in fact, regulatory action would be less effective than an MOU. Related to that is the comments about the litigation connected with South Coast on their proposed regulation and how effective CARB may be should we decide to impose a regulation rather than this voluntary program.

And lastly, for those of us who remember the very difficult 2005 hearings that we had on the voluntary program, I'd like to kind of understand how effective the 2005 MOU has been, what its failures may be. And this is hopefully a quicker response. And possible magnitude of investment made under that 2005 by the railroads.

DEPUTY EXECUTIVE OFFICER FLETCHER: I'll take a crack at one and three. The second one we may need to ask for more clarification.

The issue of regulation versus the MOU is one we essentially have been struggling with for a long time. And we have looked at this in a number of different ways.
We do have regulatory authority. We've been very clear that we have authority over these what we call non-preempted locomotives. And it's a subset of locomotives. When we did our reports on the technical options and some of the other information back several years ago, there were a lot of these non-preempted locomotives running around California. Since then, that number has gone down substantially. So the total number of units that we have control over has gone down.

And essentially, in these four yards, you've heard they're not operating. They may come back from time to time, but they're certainly not operating on a routine basis.

So when we look at regulations, we say, okay. We have this subset of locomotives that we can regulate, then what? So if we were to adopt a regulation, we say, well -- and probably how we'll structure the backstop regulation to this commitment is that if you're operating a pre-Tier 0 non-preempted locomotive, we would require you to go to the Tier 3 or the most effective technology.

Well, what the railroads could do if they so choose is move those out of state and bring in a Tier 0 locomotive to replace it. They may bring in a Tier 2 or 2 or 3. But they could bring in a Tier 0. And the Tier 0, PM are nothing. There's no difference between a Tier 0
and there's about a 25 percent NOx reduction.

So you know -- and then we also have the other consideration. We have this 1998 MOU that says if we were to adopt regulations for locomotives, they could pull back from the '98 MOU. The '98 MOU is a big deal. It means in 2010, this year, all of the locomotives operating in southern California are on average equivalent to a Tier 2, which is the very best locomotive. So we have -- and everybody says, well, they wouldn't do it. They're not going to bail from that commitment. We don't know.

I think we keep going back to the benefits we would achieve are not anywhere near what we would achieve from this commitment. Even if we controlled all of those locomotives, we think the commitments are much better here than they would.

On the third one, on how effective the 2005 MOU has been, our estimates are we've gotten about a 20 percent reduction in diesel PM which is approximately what we estimated. They have installed all of the idle reduction devices they said they were going to do. They had a requirement to burn a certain amount of CARB diesel. I think it might have been 80 percent. They are at over 95 percent for sure. Harold knows that exactly. But the smoking locomotives were, that program went into effect. So all of the provisions of it that they said they were
going to meet, they set, including the compliance of draft mitigation plans. In my opinion, that was the weakness of it. They did the draft mitigation plans. They reflected what the existing measures and agreements were and they weren't effective. But they met the requirement.

That's where that agreement was not as strong as this one, because there was no specific requirements that the draft mitigation plans do anything. So that was the one weakness and I think the one area where that did not live up to its expectation.

EXECUTIVE OFFICER GOLDSTENE: And Ellen Peter can answer the question of the litigation.

CHIEF COUNSEL PETER: One of the commentors indicated that a court had found that ARB had authority to regulate railroads, and that's not quite correct. The case that was discussed was South Coast Air Quality Management District had a regulation. The railroad sued and said, no, you can't do that. You're preempted. And the court said, South Coast, you cannot do these regulations. And in passing, the court said, and if anybody could, Air Resources Board could. But it was a passing dicta comment. So it was not a finding of the court. ARB was not a party to that litigation. It's not going to get resolved in the current litigation ninth circuit.
So there is always a question on preemption where do you draw the line. What can local and states do in light of a long-standing federal rule that the red, as Bob just indicated, there is a certain subset of locomotives which is the oldest locomotives that everyone agrees is not preempted. That's a very small amount of locomotives in the state at this time from the information that ARB has. So if you start regulating in either other locomotives or operations effecting rail yards, there's always a factual question where do you draw the federal preemption line. So we know basically this does not apply to the railroads. It applies to the auto industry and everywhere. This is, from my experience at the Attorney General's office, when you come up with a federal preemption, you start regulating, the industry has to sue. That's just inevitable.

So if ARB started having regulations, it would inevidentally in my opinion lead to litigation. So then the question is: What's your next option? And what you could do with these voluntary agreements, which is what the railroads are doing now, is you can agree to disagree on the scope of preemption. So we would draw the line in different places between the railroads' lawyers and the environmental regulatory lawyers. But what you can do is say if you're not regulated, if it's voluntary, you don't
have to reach that resolution. That's the end of that, is
instead of wasting the time and money working out the
specific problems, you can get these reductions early.
So that's basically what this agreement does, is
you just basically say we don't have to deal with the
actual scope of this litigation, which then would go up to
the appellate courts for sure. So that's kind of the
class context that we're operating in.

And I just wanted to say that statement I think
was a slight over-misstatement of what the district court
had said in the South Coast.

BOARD MEMBER KENNARD: Thank you. That's very
helpful.

CHAIRPERSON NICHOLS: Dr. Telles.

BOARD MEMBER TELLES: Yeah. I have some
questions, but I wanted to finish my understanding of what
we were just talking about.

Mr. Fletcher mentioned that in 1998 there was an
MOU that could potentially be reversed by the railroad
industry and there's some concern that could happen.
Maybe it won't happen, but there's concern that could
happen.

Now my reading of the resolution suggests we
would be under the same process that the railroad
community is not necessarily committed in perpetuity to
continue whatever they did based upon this resolution. It seems to be as weak as the resolution in 1998. Do you understand what I'm trying to say?

DEPUTY EXECUTIVE OFFICER FLETCHER: Well, to the extent that we are saying that we would not take specific regulatory action with that their -- actually, I'm sorry. There is the understanding that if -- let me think about this.

EXECUTIVE OFFICER GOLDSTENE: Well, there is a distinction between --

BOARD MEMBER TELLES: The way I see it --

EXECUTIVE OFFICER GOLDSTENE: I think I understand.

BOARD MEMBER TELLES: The way I see it is this is a very weak resolution, because it doesn't establish any ability to get around the weakness of the 1998 resolution. And we're up against the same vine. You know, come five years from now, we'll have the same conversation that we got to do this, because if we don't do it, the railroads will back out. That doesn't seem like the type of thing you want to get involved in from a negotiations point of view.

EXECUTIVE OFFICER GOLDSTENE: Well, with regard to the '98 resolution, the fact is it's been very effective, although I suppose either party could have
walked away.

In this agreement, we always have the ability, if they fail to meet the cap, if they fail to meet the requirements of the commitment, to come back to the Board and propose regulations. That still is a tool that we have to use.

BOARD MEMBER TELLES: What I'm asking is: Is the railroad industry committed not to reverse anything they've done should this thing fall apart? Does that say that in the resolution? I don't see it anywhere.

DEPUTY EXECUTIVE OFFICER FLETCHER: I don't think this one is quite as rigorous as that one. We do have -- and I think in Mr. Marckwald's letter that Mary referred to there is a statement that indicates that should other entities adopt, then they would meet and confer with us to talk about what impact that may have. And I think that's in point targeted towards ensuring they don't have duplicate requirements or potentially conflicting requirements that they have to meet. So we've set up a process where they can come and talk with us.

BOARD MEMBER TELLES: I just want a yes or no. A yes or no in the sense does this commit the railroads to not backing out of something that they've already committed to doing? And if we go forward with this, are we going to have the same conversation five years from
now? Because if we do, I wouldn't be in favor of this at all. I think it's a very weak negotiating point and it just puts -- just kicking it down the road.

DEPUTY EXECUTIVE OFFICER FLETCHER: I would say yes, it does have -- you know, the backdrop is that if there was something that came up that would cause them to be conflicted, then they would have the opportunity to walk away from the commitment.

BOARD MEMBER TELLES: Then it's a no.

DEPUTY EXECUTIVE OFFICER FLETCHER: My yes is your no.

BOARD MEMBER TELLES: It's a no. It's a very weak negotiating point.

SENIOR STAFF COUNSEL TERRIS: I would like to add it's different in if the railroads were to back out of the commitment, we could adopt regulation. The railroads are concerned about regulations, even though they apply just to the non-preempted locomotives, because other states could then opt into similar types of regulations and the railroads would not want that. So there is some motivation on the part of the railroads to meet their commitment of this agreement.

CHAIRPERSON NICHOLS: Ms. D'Adamo.

BOARD MEMBER TELLES: That's not a promise. It's a presumed they may not. I mean, in other words, it's not
down in paper that we will not backslide no matter what.
If you regulate, we just stop everything. And that's the
kind of thing I would like to see in this.

But at any rate, I have one question. Is there
any other place in the United States that is as impacted
as these railroad yards in exposure to PM?

DEPUTY EXECUTIVE OFFICER FLETCHER: I'm going to
ask Harold to answer that question, because he's spent a
fair amount of time with folks in Chicago.

ENGINEERING EVALUATION SECTION MANAGER HOLMES:
I've had a couple opportunities to go to Chicago, and they
have 30 major rail yards within the city limit. Most of
those rail yards are larger than the rail yards we have in
California.

There have not been studies done of course
anywhere else in the country other than California for
health risk assessments. There was a recent brand-new
rail yard in Kansas.

What you have in California is a very unique
situation when you look at the air pollution levels
potentially in Chicago with 1200 trains per day, which is
equivalent to 4,000 locomotives. And in California, we're
looking at around 1200 locomotives. You can sort of see
that within the city limits of Chicago they have some
serious potential problems. So they're very much watching
what we're doing here in California because of the potential issues they have there.

DEPUTY EXECUTIVE OFFICER FLETCHER: I would just augment with that by saying that nobody else in the country is doing anywhere near what we've done in California dealing with transport refrigeration units, cargo handling equipment, drayage trucks, cleaner fuel for intrastate, interstate locomotives, not to mention the health risk assessments. So we are way ahead.

BOARD MEMBER TELLES: I just have one final statement and question. I mean, this is a tremendous risk and a tremendous injustice to these communities. And I think the one school teacher who made the comment that if somebody piped this air out into your bedroom or into your neighborhood, you would look differently. And I think we need to look at it from that perspective.

In our resolution back in September, there was one statement there that said that we would get together with the railroads, the communities, and the Air Districts. And it seems like two of those entities are very dissatisfied with this. The Air Districts and the communities are very dissatisfied with this proposal. And I think the Air Districts in any area have a pretty sound understanding of the economics and the social and health impacts. And I really think we need to listen to the Air
District in this area. They're making a plea that the
resolution don't be passed or that some of the issues that
they put in their letter -- do you have that letter? And
I would ask as some of the specific points -- and there's
a second and third project that they went through with the
electric cranes, et al. Why is that not -- why wasn't
that addressed and why can't it be addressed?

DEPUTY EXECUTIVE OFFICER FLETCHER: The nature of
the voluntary agreements is one of a performance standard
approach. And we've tried to use performance standard
approaches throughout our rulemaking operations, because
it generally provides the most cost-effective way to
achieve the reductions.

When we looked at establishing, for example, the
San Bernardino rail yard commitment and the emission
reductions in 2020, the only way to achieve that is --
effectively one pathway to achieve that is doing exactly
what the South Coast has said, do electric cranes, Tier 4
locomotives, electrification, transport refrigeration
units. So that is in the documents, the staff report,
that says that is the basis of what we're doing.

We haven't gone so far as to say we must do it
this way, because we are not experts in railroads
operations. We think they are in the best position to
make those sorts of judgment. And quite frankly, the cost
effectiveness analysis, which we've done which actually nobody has challenged, indicates that the cost effectiveness for PM reduction is somewhere on the order of $400 per pound, which is about five to ten times higher than what our particulate PM measures are. And it costs somewhere on the order of over $200 million and it achieves a two-tenth of a ton of PM. 

And, you know, the decision that I think the railroads need to make is can they spend that $200 million better on something else? I mean, 200 million is quite a few locomotives, for example. And the two-tenths is out of three-and-a-half tons or three-and-a-half tons per year. So it can be done. It is probably technically feasible.

There are operational considerations for that electric crane, because there is a major roadway that goes through the middle of the San Bernardino rail yard. So there are considerations of how you would practically do that. That is why we have not embraced some of the specific technology requests that the South Coast has had. Electric yard trucks, yes, there's some in service. They haven't been tested on the duty cycle. There are some running around the ports right now. They cost three times the cost of the diesel, as we heard, at least twice the cost of an LNG. So it's emerging
technology, but we don't think it's appropriate for us to
specify that technology when the railroads have not had
the opportunity to fully test it in service.

BOARD MEMBER TELLES: One final. Has CARB and
the districts and anybody else gone to Washington together
to kind of work on this issue? I mean, primarily for
funding and -- have we really uncovered every leaf on
this? This is really a Fed problem and we need Fed help.

DEPUTY EXECUTIVE OFFICER FLETCHER: We haven't,
actually. One of the recommendations in September on the
incentives was to do just that, to pull together a
coalition of stakeholders to go back and seek funding.
But we've been side-tracked on this issue, so we haven't
gotten to the back of that. I still think it's
appropriate.

I did talk to U.S. EPA Region 9 folks about a
month ago on how we could collaborate better. The DERA
funds, as you heard this morning, are flowing into
California at least in small amounts, but that's helping.
That's getting these switchers off the properties and
being rebuilt. So that's a good thing. But still --

CHAIRPERSON NICHOLS: I would say that relative
to the size of the problem, we haven't got as much help as
we need. But compared with what EPA has ever done before,
the flow of funds to California for this purpose is
actually extraordinary.

And one of the things that I think we, together with South Coast and the community, have done is to highlight for them that that issue is our priority and this administration. That has made a big difference, because they are much more receptive than has been the case for the past eight years, at least in terms of the focus on environmental justice as a concern, because it is clearly at the top of the list as far as EPA is concerned.

Dr. Balmes.

BOARD MEMBER BALMES: I forgot to bring up a technical issue. I'll address this to Cynthia.

In your presentation, you mentioned two community air quality monitors in collaboration with South Coast Air Quality Management District. Did you say which communities? You probably did and I missed it.

ASSISTANT DIVISION CHIEF MARVIN: The commitment would be to locate one in San Bernardino in the community very close to the rail yard. We don't know the specific location yet, because we need to assess it. And then one near the combined Commerce and Hobart yards in the Commerce region. Again, we need to look at what makes sense for the monitoring standpoint. But the point is to be doing our best to measure what's happening in those communities.
BOARD MEMBER BALMES: I understand. So that would get three out of the four years.

ASSISTANT DIVISION CHIEF MARVIN: Certainly, yes.

BOARD MEMBER BALMES: And the reason we're not doing the fourth one is expense or --

ASSISTANT CHIEF COREY: I think so. Honestly, I don't remember whether they are monitoring.

DEPUTY EXECUTIVE OFFICER FLETCHER: In Long Beach.

ASSISTANT CHIEF COREY: That was the expense issue was a consideration. And also we have with respect to the two, we gave some discussions with South Coast and are hoping to collaborate and maybe one where we can provide some assistance in that area.

BOARD MEMBER BALMES: So we are involving South Coast. We said we would collaborate with them. Are they part of the collaboration with them already? Could be --

ASSISTANT CHIEF COREY: They are prepared to collaborate with us on this and do some sharing.

BOARD MEMBER BALMES: And the data from those monitors would be part of the every two-year preview?

ASSISTANT CHIEF COREY: It would be public information posted and available.

DEPUTY EXECUTIVE OFFICER FLETCHER: And I think the other consideration is there are other monitors around
there. And one of the analysis that we could do is sort
of kind of do the analysis on what the impacts are.

CHAIRPERSON NICHOLS: Okay. I think it's time to
wrap this up and move towards a conclusion. There is a
couple of things that I think have been identified. And
maybe staff has others they want to comment on, but I know
that none of the issues was about the Tier 4 locomotives.
I heard the staff agreeing to the third-party monitor.
And we discussed CEQA and what we're going to do about
that and review of technologies. I think that's pretty
straightforward.

What about the Tier 4s?

DEPUTY EXECUTIVE OFFICER FLETCHER: There were
two kind of technology-related considerations that we'd
like to put on the table for your consideration. One of
those has to do with Tier 4 locomotives. And as EPA
indicated, the requirements don't begin until 2015.
Typically, what happens when you introduce a major new
technology like the Tier 4 locomotives, then you put those
into demonstration and prototype testing.
And what we would recommend is that you direct us
to basically prepare a report back to you folks by the end
of 2013. That would provide a status report on progress
being made on these locomotives. And also that would
include an assessment of the potential for operating these
through California. Obviously, when they test them, they're going to run them from here to Chicago because they need to run them across the entire lines. So they can't exclusively operate in California and get the type of test data. But we do want to be an integral part of the test programs and prototype, and we will be continuing to work with the manufacturers. But we would address the resolution language in addition on that.

Under the technology under the 2005 MOU, we committed to run a technology symposium every year. So what we could suggest within the next year or so we dedicate one of those technology symposiums to the vetting of this near zero and zero technologies and try to get some consensus from the experts in the field on what is this real status, what is the real cost, what are some of the operational issues, in an effort to kind of continue to move that dialogue.

CHAIRPERSON NICHOLS: But that's more broad than just these four high risk rail yards.

DEPUTY EXECUTIVE OFFICER FLETCHER: Yes, of course.

CHAIRPERSON NICHOLS: Well, I guess the major points that I wanted to raise have been covered with one exception, and that was this issue of the communities rights in this situation.
There is one item that also has been identified that I would like to see strengthened in the resolution itself. And obviously the resolution is going to have to be substantially re-written in order to reflect all these comments that we've just made.

But the one that was alluded to by Mr. Kracov and also by Mayor Loveridge is this issue of since we're all talking about litigation and who's going to sue whom, there is a difficulty about the community's rights in this situation that's clearly been a problem and contributes to the sense of frustration that I believe that residents feel when they're dealing sort of through us with the railroads but have no real ability to enforce this commitment.

So I had suggested at one point in a conversation that we could adapt some language which is not normally used in administrative law, but it's used in business law, which is the concept if this is going to be an in effect contract between us and the railroads that we would name the communities that live around the rail yards as third-party beneficiaries of the agreement. Meaning, they would be given access to court as if they were parties to the agreement.

And I asked counsel to look at this and have been advised that this is something that we could do. And I
think although it's a somewhat novel idea -- nobody jumped up and saluted it at first -- I gather some people have given it thought and decided maybe it would be a good idea after all.

So the idea is we would add a section that would say that the residents of the areas immediately around these rail yards are the intended beneficiaries of this agreement and that it's our intention they would have the ability to enforce it through legal action, so that if, as a result of the data that is going to be published and the other information that's going to be out there the community feels that we're not living up to the agreement, this would give them essentially an expedited way to go into court and bring an action for mandamus to order us to carry out the agreement.

It doesn't give them any rights against the railroads directly, because we don't have the ability to do that. And I'm sure the railroads will not agree to it. But I think it still does at least give the community an enhanced right to hold our feet to the fire. And I would recommend that we do it. It's somewhat risky, but I think it's worth trying.

Ms. Kennard.

BOARD MEMBER KENNARD: Yes, Chairman Nichols.

I actually think that's a very novel and actually
maybe effective idea.

My only concern is a clear definition of what that third-party beneficiary class is, because if it is not well defined, you might jeopardize everyone within that potential class. That would be my only concern that it's very, very well defined.

CHAIRPERSON NICHOLS: I think that's a good idea.

I agree with you about that. And I don't know whether it would be a geographical definition or an organizational definition. Probably better to do it by geography rather than the names of the organizations, but what the exact limit of the area is we're talking about. Is it 50 feet? Is it a mile? I'm not sure what the right answer is there. Maybe somebody will have a suggestion about what they would recommend in that regard.

The other thing that I want to propose is since this is just resolution language, but it kind of ties together a number of the themes that have been out there. I do think the Board needs to put itself on record as saying that a risk to the community of 400 in a million is not acceptable and that it's the Board's intention to pursue technology and other solutions to try to get that risk down so that it doesn't -- I don't know that we set a number, because we don't think that what people in Oakland are experiencing is okay either. But to drive it down
continually to as close to zero as we can get is something that should be part of our agenda.

The thing that has been a continuing obstacle I know is this definition of what is cost effective. But without having a goal in mind, it's pretty hard to evaluate what cost effectiveness really means.

So those would be the two additional suggestions that I would make. And with those, the resolution here, which has now been cobbled up a bit, would be to delegate to the Executive Officer the decision on final approval of the staff recommendation for the exchange of letters between ARB and the railroads, subject to his performing such appropriate environmental analysis as is required under CEQA, including the review and written response to all the significant environmental issues that have been raised in response to this hearing.

And we would further recommend that if he does approve the recommendations, he would sign the cover letter with the commitments to each of the high priority rail yards, and then that the staff would go ahead -- and we would direct that the staff go ahead and meet those commitments in order to reduce the health risks from these rail yards and to do it in a way which is real, verifiable, and enforcement.

So that's the resolution. And I would welcome a
motion and a second on that.

Yes.

BOARD MEMBER LOVERIDGE: I second the motion with the understanding the auditor --

CHAIRPERSON NICHOLS: Yes, we have added the addition of the third-party monitoring auditor to oversee the implementation of the agreement. So how that person or entity would be selected is also subject to some further discussion, but it would be someone that the ARB would choose and would retain for this purpose, but would be a non-ARB person.

BOARD MEMBER BALMES: And third-party beneficiaries?

CHAIRPERSON NICHOLS: And the third-party beneficiaries language would be added to it. We have a motion. Do we have a second?

SENIOR STAFF COUNSEL TELLES: Madam Chair, with regard to the delegation to the Executive Officer to do the CEQA analysis and then approval of the commitments, it makes sense that the Board strike the provisions about Board funding regarding CEQA and the Executive Officer --

CHAIRPERSON NICHOLS: From the draft that was presented to us? Yeah, that would just be taken out of the resolution, correct.

DEPUTY EXECUTIVE OFFICER FLETCHER: Chairman
Nichols, just as we're mucking up the resolution here, I just want to make it clear that if you want the Tier 4 locomotive and the technology symposium added to the resolution, that should be part of the motion as well.

CHAIRPERSON NICHOLS: Okay. We can do that. I think I'm still waiting for a second.

BOARD MEMBER KENNARD: I'll second the motion.

BOARD MEMBER TELLES: I have some other things I would like to add, maybe the rest of the Board would not like to add.

As you can tell, I was rather interested in having some stronger language. And I would like to put that in some kind of resolution form in the sense that should this fall apart and that regulations are triggered that the railroad industry is committed not to backslide from where they are either from their 1988 agreements or to whatever their agreement may be up until 2008 or '09. Otherwise, I think it's just a very weak resolution that the Board shouldn't vote on.

CHAIRPERSON NICHOLS: I think it's a valid comment, actually. I agreed with you at the time that you made it.

I'm not quite sure how we do it in the form of the resolution, because it should be in the commitments themselves. And I don't necessarily want to call up them
to the podium to extract anything from them verbally,

because I don't know that would solve the problem or be
particularly appropriate. But I think we should put it
in. I mean, I think we should add that to list of items.

So I would accept that as a friendly amendment.

DEPUTY EXECUTIVE OFFICER FLETCHER: Can I make a
comment here? I'm not sure how we do that.

CHAIRPERSON NICHOLS: Well, here's the problem.

And I think we think we know, because we think we
understand how the railroads think, that the threat of us
doing regulation is sufficient to keep them moving forward
as long as we don't do anything that's too far over the
edge. But they want to reserve their rights, because, you
know, they're the railroads and they've spent a century or
more fighting to preserve their rights.

However, this issue of, well, if they don't like
it, they might back out and, you know, take away all the
clean locomotives that they've brought into California and
bring back dirty ones is a threat that sort of hangs over
all of this in a very unpleasant and I think sort of
unprofessional way. And so it's kind of a bullying tactic
in a way, and we don't approve it. We don't appreciate
it. And we don't think they need it. And we'd like it to
go away.

So I suppose if we put this in the resolution and
they decide that's enough to make this whole deal come to
an end, well, then we have a bigger problem, although it
might make some people happy. But I think we should try
it. See what happens.

EXECUTIVE OFFICER GOLDSTENE: To be clear, this
is anti-backsliding.

CHAIRPERSON NICHOLS: It's an anti-backsliding
provision. Thank you. Well said.

Well, the mover and seconder agree to that. I'm
going to call the question, and I think we can do it by
voice vote. So let's try anyway.

We have a motion and a second. All in favor,
please say aye.

(Ayes)

CHAIRPERSON NICHOLS: Opposition? All right.

It's been approved. Thank you very much. And thank you
to everybody for good work.

We'll take just a minute to move staff.

We now have another important issue to deal with
today, which us an Update on Senate Bill 375, the
Sustainable Communities and Climate Protection Act of
2008.

This is an informational item only. No Board
action will be taken. But we're looking forward to the
staff's presentation on the progress being made. This is
an exciting piece of legislation and has given rise to
some really interesting and important work that's going on
at the community level.

As part of today's preview on SB 375, I want to
welcome Executive Directors of the state's largest
regional planning agencies, because the long-term success
of SB 375 is going to rest on the quality of the planning
that's going to be done at the local and regional level.

The Air Resources Board's role in target setting
for greenhouse gas emissions is only one consideration
among many these folks have to balance as they go about
doing their work. And they do it under tremendous
pressures and always without adequate funding. And we
appreciate very much the fact that you have made the
commitments that you have to moving California towards
more sustainable communities.

We're really here at the beginning of a process.
SB 375 provides a mechanism for setting targets that need
to be revisited over time. And my hope for today is that
we view this and we will come to see this as a positive
kick off for the efforts that will be unfolding.

Over the past few months as I've been out and
about, I've also heard a lot of concerns about SB 375 as
well as some positive examples of local planning efforts
that are already underway. So I'm hoping that part of
what will happen today is that we'll learn more about what
SB 375 really means as it's playing out in the
communities.

Obviously, the concept of sustainable planning is
not new. And in fact, regions and local governments have
engaged in something called blueprint planning for almost
a decade now. Many of the forward-looking plans and
projects that are being crafted and approved at the local
level have reflected some of the ideas that have come from
these blueprints, and they show us by example that
Californians want communities that meet their needs,
whatever their stage in life may be. So that many of the
things that we talk about in sort of a theoretical way
when we talk about sustainable communities and sustainable
planning actually exists in developments that have
occurred already in our state.

But there's also always the question of resources
and the challenges that we're facing and particularly the
challenges that cities and counties face when we try to
update their plans. And this is a particularly
challenging time to be suggesting that people should be
going out and engaging in more planning when many
jurisdictions have had to lay off staff and certainly are
not adding. I've heard from local governments loud and
clear that they're going to need ongoing resources to pay
for some of the costs associated with the planning and
implementation as well as building the infrastructure
that's going support sustainable development.

So I think that all of us on this Board, not just
those of us who are local elected officials -- and we're
certainly fortunate to have some of those that actually
sit with our Board as well. But we really need to be
committed to working with the regions and local government
in order to try to come up with ways to gain the revenues
that are going to be needed for these purposes.

ARB has been participating actively in the
Strategic Growth Council's Proposition 84 grant program,
but we know that's a small part of what's actually needed.

As we get ready to talk about the first set of
regional targets that are due out in September, let's also
not forget all the hard work that's already been done so
far. SB 375 has already delivered some benefits in terms
of public processes that have been undertaken by the
regional planning agencies. Many of the participants in
these local and regional discussions have recognized that
greenhouse gas reductions are only one benefit of more
sustainable community planning, whether it's done for
reasons of economic vitality, resource protection, or just
to produce more attractive neighborhoods and communities,
there are other reasons why sustainable community planning
is a good deal for the people of California and why SB 375
is an additional tool that can be used to help communities
get to where they already want to go.

So with that little bit of a preamble, Mr.

Goldstene, would you please introduce this item?

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman

Nichols.

The last time staff briefed the Board on SB 375
was to present the recommendations of the RTAC, our
Advisory Committee. One of their key recommendations is
that ARB should work closely with the local transportation
planning agencies on setting targets. We agree, and ARB
staff has been working with staff of the MPOs to achieve
that goal.

In addition, the MPOs have been working together
themselves very closely, often inviting ARB staff to
participate. Being at the table with them listening to
the technical and policy discussions has helped us gain a
much better understanding of what they do and what it will
take to implement SB 375. Just as importantly, we believe
we have developed very good working relationships that are
essential to moving forward and being effective.

Over the past six months, MPO staff have put a
tremendous amount of effort into developing various
scenarios to help inform target setting. The MPOs
provided this information to ARB and the public at the end of May. But these efforts aren't over. We expect to receive additional scenarios, refinements, and information over the next few weeks to help staff develop a final proposal for Board consideration in September.

This is a first for all of us. We want to be thoughtful as we move forward toward the first set of targets in September. We'll all need to see how the process unfolds, with the first round of plans, monitor progress, and be back in four years to update the targets.

It's also clear that there are big challenges in setting targets 25 years into the future. Anticipating the rate of change we will experience over two decades is not easy. We see the SB 375 planning process as iterative, and we are in this for the long run.

As a result, we consider the 2035 range staff will identify today to be very much a placeholder. Over the next few weeks, we hope to work with MPOs to understand the assumptions in their scenarios for 2025 and how they may change over time.

Lezlie Kimura from our Air Quality Transportation Planning Branch will provide the staff presentation.

Lezlie.

(Thereupon an overhead presentation was presented as follows.)
MS. KIMURA: Thank you, Mr. Goldstene.

Good afternoon, Chairman Nichols and members of the Board.

It's my pleasure to report to you on staff's target setting efforts under Senate Bill 375.

Last November, we presented to you on the recommendations of the Regional Targets Advisory Committee, or RTAC, and outlined our plan for incorporating their recommendations into staff's target setting process. Since that time, a considerable amount of technical work has taken place, helping ARB staff better understand how regions are approaching SB 375 and how they are already planning for more sustainable communities.

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MS. KIMURA: To start the presentation, I'll review some of the components of the bill and how it fundamentally changes the regional planning process in California. I will then describe staff's provisional draft targets for 2020 and 2035 and will cover our plan for reaching proposed final targets for your consideration in September.

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MS. KIMURA: SB 375, also known as the Sustainable Communities and Climate Protection Act of CALIFORNIA REPORTING, LLC
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2008, requires most regions in the state to add a sustainable community strategy to their regular regional planning process that looks at how different land use and transportation strategies can help meet long-term sustainability goals. To help guide these regional planning efforts, ARB sets regional greenhouse gas emission reduction targets for 2020 and 2035 and updates them over time.

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MS. KIMURA: For the first step in the target-setting process, ARB convened the RTAC, which was charged with providing recommendations on target setting. This Committee submitted its report in September of last year, which staff brought to the Board in November.

This slide highlights two of the Committee's key recommendations related to target setting. The first is the recommendation that ARB express targets in terms of the percent reduction in per capita greenhouse gas emissions from a 2005 base year. The metric is simple, easily understood, and can be developed with currently available data. In addition, it has the advantage of directly addressing growth rate differences among the regions.

The Committee also stressed that the target-setting process should be highly collaborative, a
true bottom-up process. Staff agrees with these recommendations, especially with the last, that targets should be set through a collaborative process with the regional MPOs.

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MS. KIMURA: The SB 375 process builds on the positive actions that regional and local governments are already taking towards more sustainable planning.

Over the past decade, nearly all the regions in the state have pursued blueprint planning efforts that emphasize a broad-based, local collaborative process for identifying how a region wants to grow. These efforts are intended to guide local land use and transportation decisions towards a more sustainable future.

Furthermore, many cities in the state have continued to engage in progressive, sustainable community planning through general plan updates and climate action planning, which have resulted in more sustainably designed projects on the ground.

The Southern California Association of Governments have shown us a good example of how regions can act as conveners in these types of efforts by hosting eight subregional workshops to engage their local jurisdictions in the discussion. Similar efforts continue to take place throughout the state.
MS. KIMURA: SB 375 introduces a new way of looking at the regional planning process, and there are a number of statewide efforts already underway to incentivize this kind of improved planning statewide.

MS. KIMURA: In October of last year, the Strategic Growth Council allocated $12 million of Proposition 84 funds to improve the data and technical planning tools used by regions across the state.

This past March, the Council approved Sustainable Communities Planning Grant Program guidelines intended to help local government engage in integrated planning efforts and adopted updated land use plans.

Shortly afterwards, the California Transportation Commission completed an update of its regional transportation plan guidelines to incorporate SB 375, including updated modeling protocols for regions to use in developing their long-range plans.

And finally, in response to one of the RTAC's recommendations, ARB is funding a team of University of California researchers to take the first steps towards understanding what the empirical literature says about policies that are relevant to SB 375 implementation.
MS. KIMURA: In the broadest sense, SB 375 aims to produce what we can all agree is a positive vision for the future: Healthy, livable communities.

The statute also outlines how we are to move forward: By promoting the integration of land use and transportation planning through long-range regional plans that meet greenhouse gas emission reduction targets.

To develop these sustainable community strategies, the law requires an enhanced public process to engage local stakeholders and develop preferred growth scenarios that are specific about the location and type of growth that is desired.

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MS. KIMURA: If California is successful in implementing SB 375 and planning continues to improve, many benefits beyond greenhouse gas reductions can be realized. Our communities will experience increased mobility, cleaner air, improved health, and better protection to our state's natural resources, to name a few.

Two recent studies articulate the potential impacts of implementing this kind of planning. Just yesterday, the High Speed Rail Authority and the Strategic Growth Council released their Vision California Strategic Growth Report, which highlights the economic benefits of
more sustainable planning. One of the findings of the report is that households could save over $6,000 a year on auto-related costs and utility bills.

Also this month, the Urban Land Institute, ULI, a nationally-recognized organization of California communities and development professionals, released its SB 375 impact analysis report assessing the potential impacts of SB 375 and making recommendations regarding its implementation. The Urban Land Use Institute concluded that, if implemented appropriately, SB 375 would result in positive effects on land use, transportation, air quality, public health, and have overall economic benefits.

The report also found that SB 375 provides more certainty to the development community and could help us better meet the needs of our state's changing demographics as they relate to current and future market demands for housing, which continues to be one of the most significant planning challenges we face. A ULI representative and one of the authors of the Vision California Report are here today to speak during the public comment period.

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MS. KIMURA: This chart illustrates the point made in the ULI report about changing demographics and the link to changing demand for housing types. National data on current household types show that today just over
one-third of households are what planners and developers have often considered to be traditional households. That is, those with children. Over half of households today are singles or couples without children and it is likely that number of households without children are likely to continue to decline as more of the baby-boomer generation become empty nesters. Both older and single adults are often looking to live closer to destinations, restaurants, stores, theaters, and more. Sustainable planning is a tool to help us meet this demand.

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MS. KIMURA: Another case in which some of the perceived norms we have used in planning are changing is the relationship between population growth and the growth in travel.

In the 1980s and 1990s, a popular rule of thumb was that travel in the form of vehicle miles traveled, or VMT, was growing two times faster than population. That trend is changing, however. Over the past ten years, VMT growth did not exceed population growth.

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MS. KIMURA: As I shift into a description of staff's proposed draft targets, there is an important point to make: SB 375 is helping to accelerate a process that is already set in motion. It is evidenced, in part,
by existing demographic and housing trends and illustrated
by actions California communities have already taken.
From staff's perspective, the role of targets is to
continue that progress forward.

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MS. KIMURA: There are 18 metropolitan planning
organizations, or MPOs, affected by SB 375. They
represent nearly 98 percent of the state's population and
passenger vehicle greenhouse gas emissions.

Over the past seven months, three distinct groups
of MPOs became apparent through MPO-initiated coordination
efforts and through discussions of regional uniqueness.
ARB staff has come to view the MPOs in the following
groups for target setting: The four largest MPOs in the
state, the eight San Joaquin Valley MPOs, and the
remaining six MPOs.

The fourth largest MPOs, the Southern California
Association of Government, SCAG; the Bay Area Metropolitan
Transportation Commission, or MTC; the San Diego
Association of Government, SANBAG; and Sacramento Area
Council of Government, and SACOG; are home to over 80
percent of the state's population, VMT, and CO2 emissions
from passenger vehicles. These four regions will
experience 34 percent of the state's growth between 2005
and 2035.
The eight San Joaquin Valley MPOs covering the counties of San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare, and Kern contributed to roughly ten percent of the statewide population, VMT, and CO2 emissions. However, this region is notable because it is expected to experience growth at more than double the rate of the rest of the state in 2020 and 2035.

The remaining six MPOs, which include the Association of Monterey Bay Area Governments and the counties of Santa Barbara, San Luis Obispo, Butte, Shasta, and Tahoe contribute to only five percent of the statewide population, VMT, and CO2 emissions and are expected to experience a much slower growth when compared to the Valley MPOs.

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MS. KIMURA: Since January, many of these MPOs have put a tremendous amount of work in developing alternative land use and transportation scenarios to inform ARB's target-setting process. To coordinate this effort, the MPOs formed a technical working group and invited ARB staff to participate in their discussions. We found these meetings to be highly productive and very positive. MPO staff discussed many detailed issues, including ways to use consistent assumptions and data definitions across regions, similarities and differences
in modeling tools and techniques, and ways to move forward
together, rather than separately, in SB 375
implementation.

As MPOs started to provide the initial results of
their work to ARB and the public this past May, the
benefits of their collaborative efforts were evident
through joint submittals by the four large MPOs and the
San Joaquin Valley.

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MS. KIMURA: To date, ARB has received
alternative scenario data from ten MPOs, including some
suggested targets. This represents a considerable amount
of work and provides much of the technical foundation for
ARB staff's draft target proposal.

The strategies and combinations of strategies
vary by region. Some MPOs looked at the impact of
individual strategies. Others evaluated the impacts of
combining different strategies.

Despite these differences, the MPO efforts to be
transparent about what they did and how they did it have
helped staff and the public weigh the results. While not
an exhaustive list, some of the strategies looked at
including increased compact development, expansion of
transit networks, improving jobs/housing balance, and
pricing.
MS. KIMURA: For the near term 2020 targets, two points have been consistently made over the past few months. First, it takes time to affect change. Affecting significant change in land development patterns and transportation infrastructure is no exception. As a result, a significant portion of the built environment in 2020 will be defined by decisions that have already been made. And a large portion of the near-term benefits will instead come from improving the efficiency of each region's existing transportation networks.

Second, the timing of economic recovery, including the recovery of the housing market, matters. ARB staff has been pressing regions to consider the near-term impacts of the economic downturn in their scenarios. Many MPOs have reported that they have adjusted their forecasts to account for the near-term effects of the recession in their regions.

Given the relatively short forecast period between now and 2020, those adjustments are important. The ARB staff believe that, in large part, the MPO scenario results provide a reliable indicator of the relative degree of change expected for the near term 2020 time frame.
MS. KIMURA: For the first MPO group, the four largest MPOs, ARB staff proposes a 2020 draft target range of five to ten percent per capita reduction in greenhouse gas emissions from 2005 levels. ARB staff based this range on the potential reductions suggested in the MPO scenario data and expects to propose a specific target from within this range in September after a full public process and continued engagement with the MPOs. These targets do not include the benefits of the Pavley vehicle regulation and the low carbon fuel standard. These targets reflect the benefits of better land use and transportation planning only. When all three are combined, Pavley, LCFS, and land use and transportation -- the reduction will be much larger.

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MS. KIMURA: For the long-term 2035 targets, ARB staff believes that forecasting uncertainties are much greater. We believe significant change in land use patterns and transportation infrastructure will occur over the next 25 years. But ARB staff believes it will take time for regional plans to fully reflect long-term changes. Comprehensive long-term planning will take time. It also takes resources, and most importantly, commitment.

The RTAC discussions also highlighted the fact that the modeling tools used by MPOs today are not
designed to deal with the long-term policies and change envisioned by SB 375. ARB staff believes that 2035 targets should reflect the optimism about what the future can become, but this is the beginning of a much longer process. It is clear that there is much more to be learned about what 2035 will look like.

Following the staff presentation, you will hear from several MPOs about the positive things they have been able to achieve so far, as well as the work they have done in their scenarios.

Recognizing that additional work will be needed to develop a sound technical foundation for 2035 targets, staff proposes very provisional placeholder target ranges for the four large MPOs and the Valley. Staff expects extensive discussions on these placeholders, particularly during our July public workshops and as MPOs continue to work on their target-setting approaches.

Between now and September, ARB staff will continue to consider ways of using this and subsequent target-setting rounds to achieve the long-term objective of successful sustainable communities.

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MS. KIMURA: This slide shows the scenario result ranges submitted by the four large MPOs for 2035. Their scenarios represent a wide range of greenhouse gas
reductions as well as a wide range of alternative strategies. As opposed to their results for 2020, which are much more in line with one another, you can see that the results from their 2035 scenarios are very different. MPO staffs have acknowledged their ranges include scenarios that are easily achievable, as well as some that are extremely aggressive and not likely to be implemented.

Only the southern California region has recommended what they consider an ambitious and achievable target range of a five to six percent reduction.

The SANBAG Board has indicated a preference to focus on the 2035 range shown here for their region.

But the Sacramento and Bay Area Regional Boards have not yet provided comment or recommendation to help determine the plausibility of the scenario ranges they have provided.

In the absence of specific recommendations from these MPOs on a more common target range, ARB staff proposes we consider their respective ranges as provisional placeholder target ranges for 2035. A lot of work will need to be done with the MPOs to determine the plausibility of the full range of numbers within these placeholders.

Additional work is already happening. Some of these MPOs have already told ARB staff to expect
additional data and scenarios in the coming weeks to
further understand how to set targets in 2035 that best
manage the path towards long-term sustainability.

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MS. KIMURA: Looking now at the second grouping
of MPOs, the Valley, the challenges are significantly
different. In reality, the Valley consists of eight
separate counties, each with their own MPO. But for air
quality, transportation, and other regional issues, the
eight MPOs have a long history of productive
collaboration. SB 375 explicitly recognizes this working
relationship by allowing these Valley MPOs the option of
working together to develop one or several multi-regional
sustainable community strategies.

That said, a large question about the Valley
MPO's approach to 375 implementation remains. Will the
Valley MPOs move forward together or as individual MPOs?
Eventually, the Valley MPOs must answer this question.

Several issues are particularly characteristic of
the Valley. Interregional travel represents a large
proportion of their total passenger vehicle travel. This
includes travel to and from Valley locations, as well as
travel that passes entirely through the Valley.

Limited resources impact both the magnitude and
the timing of change in the Valley. To provide some
assistance in this area, ARB is working to provide funding
for a new transportation model that could be used by
individual MPOs or collectively to provide multi-county
results.

The Valley is also unique in how fast the region
is growing. The Valley's population growth rates are
double those in most other areas of the state. And how
the Valley plans for its expected population will be
extremely relevant to the long-term success of SB 375.

MS. KIMURA: Consistent with their history of
coordination, the Valley MPOs worked together to provide
baseline data to ARB.

Six of the eight MPOs jointly submitted one
document.

Fresno and Kern each submitted their own data.

Three of the eight MPOs provided target-setting
scenarios and recommended targets.

Although Fresno submitted suggested targets,
their local jurisdictions were hesitant to provide more
detailed data before they've had a chance to go through a
public process.

The region did, however, explore the impacts of
individual local projects, including the southeast growth
area of the city of Fresno, which is envisioned as a smart
growth, mixed use, greenfield development.

Kern County's MPO explored opportunities to increase the density in Bakersfield and Delano, the region's two largest city. They also explored the impacts that strategic employment resources, such as military bases and prisons, had on travel activity.

The Kern Board recommended an approach to target setting consistent with their existing plan that removed the travel impact from these employment resources. Their recommended approach reflects an increase in per capita greenhouse gas emissions. The Kings County MPO recommended a target that relies on current baseline projections and reflects the progress that has been made to implement the local blueprint.

Overall, the data provided by the Valley's MPOs is limited. But what has been provided to date spans a range in per capita greenhouse gas emissions from a seven percent reduction to a 12 percent increase.

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MS. KIMURA: The alternative scenario data provided by the Valley MPOs provides only a limited technical foundation for target setting. Staff will need to work further with the MPOs before recommending final targets.

In the interim, staff's recommended placeholder
target range is guided by the principle that the targets
in the Valley should reflect a reduction, not an increase,
in per capita greenhouse gas emissions.

As a result, the current placeholder range for
both 2020 and 2035 targets in the San Joaquin Valley is a
one to seven percent reduction. However, staff intends to
put more focus on the San Joaquin Valley in the upcoming
weeks to develop more complete information in order to
make a staff recommendation.

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MS. KIMURA: For this first target-setting cycle,
ARB staff believes it is appropriate to focus on the four
largest MPOs and fastest growing areas of the state, the
Valley. Beginning in these areas will be a critical first
step towards successful implementation of SB 375.

The experiences of the four largest MPOs and the
eight regions of the San Joaquin Valley will provide ARB
with a solid basis to set the most ambitious goals for the
remaining MPOs in the next target-setting cycle.

For the remaining six MPOs, staff proposes to use
each MPO's most current greenhouse gas per capita
projections for 2020 and 2035, adjusted for the impacts of
the recession, as a basis for individual MPO targets in
the first round.

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MS. KIMURA: With the release of a draft target report at the end of this month, ARB staff expects a robust public discussion in addition to continued collaboration with MPO staff on submitted scenarios and additional data exchange efforts.

To help facilitate the public dialogue, ARB staff will hold seven public workshops around the state, beginning in mid-July to provide the public with an opportunity to engage in the discussion about the draft targets. We anticipate releasing the proposed final targets and accompanying staff report in August for consideration by the Board at the September meeting.

While this concludes the staff presentation, we are fortunate to have with us today the Executive Directors of four large MPOs and a Director from one of the eight Valley's MPOs to describe to you now their perspectives on the target-setting process and the work they have been doing.

Just so I can go through their names, I'd like to let you know we have: Mr. Steve Heminger of the Bay Area's Metropolitan Transportation Commission; Mr. Hasan Ikhrata from the Southern California Association of Governments; Mr. Gary Gallegos of the San Diego County Council of Governments; Mike McKeever of the Sacramento Area Council of Governments; and Mr. Andy Chesly of the
San Joaquin County Council of Governments.

CHAIRPERSON NICHOLS: We welcome the panel.

MR. GALLEGOS: Thank you, Madam Chair and members of the CARB Board.

My name is Gary Gallegos. I'm the Executive Director for the San Diego Association of Governments.

And thank you for this opportunity to come before you and share the work that we've been engaged in over the last six months.

I always knew these guys. I've been spending a lot more time with them.

CHAIRPERSON NICHOLS: I was going to make a comment about.

MR. GALLEGOS: It's ultimately for the good.

Is somebody going to advance the slides for us?

(Thereupon an overhead presentation was presented as follows.)

MR. GALLEGOS: Madam Chair and Board members, an overview of our presentation here, and we're all going to share in this.

We're going to cover a little bit about the background in terms of where we've been, the target-setting process that we've been following that came out of your RTAC, the summary of results that we've obtained to date, want to share some good progress that we
want to share with you. And we want to close by drawing
at least some of our conclusions and recommendations as
you move forward.

Next slide.

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MR. GALLEGOS: In terms of background, an
opportunity to thank the CARB staff. We've been working
pretty close with them, with the MPO Executive Directors,
and ARB senior staff, we have developed this joint
process.

We broke ourselves into three groups. We have a
planning group that's been working on the planning issues.
We hear a lot about modeling and modeling is -- you're
going to hear a lot more about modeling. I would like to
argue it's more about results than modeling, but modeling
is where we're at. We have a group that's been working on
modeling. And we have our lawyers working together as we
try to figure out how to get through this process.

The planning group has coordinated the
target-setting process. And along the way, all the
Executive Directors and senior staff from ARB has reviewed
the key assumptions and methodologies and the results as
we've been able to move forward.

Next slide.

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MR. GALLEGOS: As was highlighted earlier through your RTAC, of which some of us were members of the RTAC, came to the idea of a bottoms-up process, a collaborative process. And we laid out for you a six-step process in terms of how we might be able to collaborate up to the point where you as a Board have to make a decision on the final targets.

I'd like to walk you through at least the first four steps, because that's where we're at today. And step one starts by requiring that each MPO analyze its adopted fiscally constrained -- and this is one of the things under federal law that we're required to do is fiscally constrain our RTPs. For the 2005 base year and the 2020 and 2035 horizon -- and we've worked together to try to use a standard assumption. I think this is one of the things that we learned in our working together is that while we've all been doing RTPs for quite a while, we all have to use somewhat different assumptions.

So we've standardized those in areas like fuel prices and vehicle operating costs, fleet mix, and vehicle efficiency standards and removal of pass-through trips. We've taken this opportunity to update our revenue and demographic forecasts.

I'd like to use this point to also highlight in terms of the four big MPOs, three of the MPOs, the Bay
Area, Sacramento, and SCAG, all have a planning horizon that runs through 2035 with their current plans. We in San Diego are a little different. I guess that's why we're going first is we're a little off cycle. We're in the process of updating our RTP, but the current RTP only goes through 2030. So we don't cover those last five years.

But I'd like to take this opportunity to highlight, because as your staff has pointed out and you'll probably continue to hear, that 2035 number becomes a little harder to sort of figure out where we're at. At least my personal experience in putting RTPs together, when you have a planning horizon that stops -- looks like life is going to stop when you get to 2035, the reality that is we'll keep updating these plans every four years. You always tend to see a cliff that moves forward as we do this continuous planning.

And I wanted to take that opportunity to share with you and it may be a little insider baseball. But for us that have been doing these, we see those and we're not surprised that we're seeing inconsistencies in terms of not being able to see the numbers grow at 2035 in some cases.

Step two. Really relied on your staff to compile the information from step one and distribute that for
public review. And I think that set the basis of where we should start.

Next slide.

MR. GALLEGOS: Step three, here the MPOs identified four categories of different scenarios to look at. We looked at land use measures. We looked at transportation system improvements that included public transit, bicycle, and other public transit improvement. We looked at scenarios that look at transportation demand management, TDP, and transportation systems management measures where we might be able to reduce the number of vehicle miles traveled. And last, but not least, we looked at pricing.

And with each one of those scenarios, that's where we tried different strategies, because I think we should recognize that while we all are one state, the Golden State is a pretty complicated state. And what may work in the Bay Area may not always work in Los Angeles or San Diego or Sacramento, that there are differences. And these scenarios I think allowed us to go back and try to adapt within those scenarios ideas that might work better in one region than it might work in another region.

And then last, but not least, in terms of where we're at today in terms of step four, we spent a lot of
time working with each other to analyze the alternative
scenarios. And here's where I think we've seen, at least
from my perspective, a lot of learning from each other
where the MPOs we performed the initial analysis of these
alternative scenarios of these. We compared the results.
We re-tested them several times. And now we're at the
point where we'd like to share some of the comparisons and
table and charts that we presented.

At this time, I'd like to pass the baton over to
my colleague, Steve Heminger.

(Thereupon an overhead presentation was
presented as follows.)

MR. HEMINGER: Thank you, Gary, Madam Chair,
Board members. It's a pleasure to be with you again.

I think the last time the four of us were
together making a presentation to RTAC, we were referred
to as the big four. But given your prior item, I think
the railroads now is probably going to pass on this time.
So let's just call us the four largest MPOs.

And this slide --

MR. HEMINGER: -- I think is an important one to
talk about, because your staff in their presentation
showed you some of the upper end of the scenario ranges
that we have developed for you. And they were in the
range of 12 to 19 percent. And those scenarios were, in
most cases, quite aggressive in terms of stretching the
envelope with road pricing, with land use changes, with
transportation demand management. And I think it's
important for you to see that.

But I think it's also important for you to
understand where we're starting from with the adapted
regional transportation plans that our boards have already
approved, have already been sanctioned by the federal
government. And those plans are on this slide.

And I think the important news here, the good
news here, is that we are all headed in the right
direction already. Even if we are headed in that
direction at varying rates, we are all seeing improvement
in greenhouse gas emissions per capita over time with the
plans that we've already adopted.

I think it is also the case that all four of us
believe that we can do better than that. We believe we
can do better not only in terms of actual results, but
also in terms of the sensitivity of our travel demand
models in forecasting those results.

And like Gary, I hope we concentrate a lot more
time on the former than the latter, but I'm afraid the
ladder will be unavoidable. It seems to be one of those
subjects people like to argue about.
Finally, one little bit of special pleading on this slide. You'll notice the Bay Area today has the lowest per capita emissions. So I'm counting on some extra credit for that at some point in the process.

Next slide.

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MR. HEMINGER: Senate Bill 375 in its essence links greenhouse gas emission reduction targets to our infrastructure plans. So I think it's a fair question. It's an important question to ask what's in those plans. And I think there's been a fair amount of misunderstanding perhaps about what we're actually doing with the hundreds of billions of dollars. It's a considerable sum of money we are spending across the state in the next 25 years.

And I'd like to highlight three things for you for the four bar charts for the four major regions of California. The first, if you look at the dark blue and the dark red, that's the amount of money we are committing on a percentage basis. This is going forward, remember, not going backward. Going forward over the same time horizon that your regulation will apply to.

This is the amount of money we're spending on just operating and maintaining the existing transportation system we've already built. Just fill in the potholes, replacing the buses and rail cars, keeping things going.
And you can see how large it is. In my region, it's over 80 percent of the money. On average, it's at least 50 percent around the state. And that's probably a climate neutral investment. It's certainly not making things worse.

I would argue actually it's climate positive, because if we don't maintain the infrastructure in the urban cores of our region, we're going to have a devil of a time attracting people to live there with infill strategies. So I think it's an important investment to make, and we're doing it for a lot of reasons, besides the climate.

But I think you would also concede it does tend to constrain our range of motion in terms of new investments, offering new options to travelers so they can perhaps get around in a different way.

I would also ask you to look at I believe it's the green portion of each bar, which is the transit expansion portion of each plan, which is greater than ten percent in each region. We are all betting on public transit on getting more folks into that mode, on building new capacity. But we also face, as you know, an enormous challenge in preserving the capacity right now. Right now, what we've got going in our four regions is not a transit expansion program. It's a transit reduction.
program, given the kind of cuts we've seen from the State, given the economic impact on our transit operators. So we have a very big hill to climb, but we are very committed to that strategy.

And finally, I would ask you to look at the portion of the chart that is in I think powder blue, which is the amount of road expansion in our respective regions, highway expansion, this is either going to be reserved for high occupancy travel, car pools and van tools, or will be priced for single occupant motorists. I think that represents a sea change. And I know in our region -- I believe in San Diego as well -- that is our main focus for road expansion. If you can see in the Bay Area, we don't have a focus on road expansion at all. What we are going to do with highway expansion is largely to accommodate high occupant vehicles as well as single occupant motorists who are willing to pay a toll that will vary by time of day. And that, we believe, is a much more efficient use of the highway capacity that we will be building.

So that's a couple of slides of the results that we have obtained. My colleague, Hasan Ikhrata, will give you a couple more.

(Thereupon an overhead presentation was presented as follows.)
MR. IKHRATA: Chairwoman, Board members, good afternoon. And thank you for allowing us to appear in front of you.

Let me first thank the Chair for being in our region a few times talking to both public and private sectors about providing the flexibility to be able to move forward in a way that's consistent with what the law requires.

I also want to quote Mayor Loveridge who in Ontario, California, in one of the workshops on SB 375 reminded all of us that this is a process. This is a marathon, not a sprint. And we need to start that process. We need to move and think about it, because it's important for our state.

Gary mentioned the working together with my colleagues, and actually this was an honor for me. We at least talk once a week during this time. We met several times. And this is the first time I realize I have a brother. His name is Steve Heminger, because this is the first time you're going to see SCAG and the Bay Area in one category that have similar numbers actually. So we learned a lot through this process.

But going back to the presentation, I want you to know, what Steve said, we are going in the right direction, all of us. And none of these meetings, we
never had none of us or of our staff ever said we don't
like this, we don't want to do this. We all said we're
going to work hard to make sure we do it right, we provide
the right information, we start that process that
hopefully is going to yield some results.

This chart in front of you shows that the future
is going to be consistent with what staff showed you the
data in terms of the future demographics. And those
future demographics will say that the demand for
single-family homes and large lots is going to be less
than in the past.

If you take the green and purple color, this is
the growth small lots and attached unit in each region
percentage between 2035 and 2005. And pretty much the
growth is significant. It's more in some regions than
others, but the direction is the same.

Next, please.

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MR. IKHRATA: Just to let you know that each MPO
can improve greenhouse gas emission reduction from our
existing RTPs. We realize that. We're going to work hard
to make sure that's the case. And actually, when we did
the first ones of this efforts, our plans were in negative
territory and people asked what happened. What happened
is a lot of the local cities and a lot of the regions are
actually changing their general plans to reflect the new
demographic, reflect the future. And we capture those
benefits.

What happened also in Los Angeles County, we had
$40 billion more to spend on transportation. So when we
put that together, instead of going into greenhouse gas
emissions, we start getting into the negative. That's
true for many of our regions.

Let me just say that when we provided the land
use, we did the existing RTP. We also did very ambitious
scenarios. Those ambitious scenarios have to be sold to
boards who's going to be asking a lot of questions. So we
need to work to make sure that it politically can work and
financially can work. Because remember that the regional
transportation plan have multiple objectives. They are to
provide mobility and accessibility, but also they are to
reduce ozone emissions and greenhouse gas emissions.

And I want to conclude my part of the
presentation before I turn my colleague, Mike McKeever, by
saying I'm absolutely convinced that starting a process
like this is going to benefit and make our state better.

Mike.

(Thereupon an overhead presentation was
presented as follows.)

MR. MCKEEVER: Thank you, Hasan, and Chair
Nichols and the Board, for the few minutes we have today.

I just want to bring this home for the four MPOs anyway.

If we could go to the next slide, please.

MR. MCKEEVER: Clearly, the dominant message that we have here today is that we believe that we have done some work that has really substantially added to the knowledge base in this area over the last five or six months. In fact, I would go so far as to say this body of work that has happened in about the last half year I'm pretty confident is the most substantial body of knowledge in the country by far around this question of what can you do with regional land use and transportation planning to reduce greenhouse gas emissions from passenger vehicles.

We're not quite done with our work, even though we've more than broken a sweat to move as expeditiously as possible. So we very much appreciate the flexibility that the staff is telegraphing in terms of what will happen by June 30th of this summer versus the final target setting in the summer.

We do believe that the 2035 targets should make further progress from what we're showing in 2020. It's obvious there is a fair amount of variability in what
those numbers are so far. We believe that will tighten up
over the next month or two as we continue to work
together. We are committed to doing this in open,
transparently, and will continue to make all the work that
we're doing available to you and your staff and all the
stakeholders so that everybody together can contribute to
this knowledge base.

So with that, I guess the final thing that I will
say is I very much was honored to receive your appointment
to Chair your Regional Targets Advisory Committee. I hope
that you feel that the work we've done so far has been
consistent both literally in the spirit of the key part of
that report's recommendations, which is to really ground
this target-setting process. And you have our pledge to
continue to work with you and your staff on that in the
next few weeks.
(Thereupon an overhead presentation was
presented as follows.)

MR. CHESLY: My name is Andrew Chesly. I'm the
Executive Director for the San Joaquin Council of
Governments in Stockton, California. And I was asked by
the directors from the other seven MPOs in the San Joaquin
Valley to come up here and address you in regard to SB 375
target setting.

First of all, I want to thank my big brothers
here on the left who let me play in the sandbox with them on this, even though I wasn't able to bring the same level of tools to the game as them. But I certainly learned a lot and was able to bring back a lot to my partners in the San Joaquin Valley in terms of addressing 375 issues.

Next slide.

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MR. CHESLY: We are eight separate MPOs in the San Joaquin Valley, and we have separate Board of Directors and separate policy directions that come from them. However, for the last 20 years, we have been working together on a large number of fronts. I don't think you'll find a collaboration like ours anywhere in the country among metropolitan planning organizations.

A large part is the result of mother of necessity, air quality conformity, and the fact that, outside of the Southern California Association of Governments, we have the toughest air quality standards to meet in the country. We have come together over the last 20 years to deal with that. We have dealt with joint issues beyond just air quality. We have submitted a joint State Transportation Improvement Program with the California Transportation Commission. We have a blueprint effort across eight counties in the San Joaquin Valley.

We have a long and rich history of working
together in the Valley. And we recognize that when you put the geographic regions of the Valley together, even though it is economically a very fractured region, you look at 3.8 million people, which compared to my four friends to the left of me, make us the third largest region in the state of California with the population basis and over 27,000 square miles, puts us as the second largest region in the state of California.

Next, please.

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MR. CHESLY: I just want to address you on a couple of challenges that we've all faced in regard to dealing with this issue, but something that I think the Valley has a little bigger challenge with than maybe my friends to the left here.

When you look at the San Joaquin Valley, the first thing that jumps out to you is the challenges we face economically. The charts that you see up here is one image. That's an unemployment figure. If you look back 30 years and you take a relative comparison between the nation and the state, I think you will see this has changed very little in 30 years. If you put it up there against median housing -- median income per household or you put it up there against education attainment, the relative difference remains the same.
The San Joaquin Valley across the board from Stockton down to Bakersfield faces a huge challenge in terms of economic growth. And that tends to drive issues associated with jobs/housing balance in the San Joaquin Valley.

This kind of a chart you see up there is the reason why every morning in San Joaquin and Stanislaus County 50,000 of our employed residents get up every morning and drive to spend the day with Steve Heminger over in the Bay Area, because they are looking to alleviate this challenge.

One of the ways to be successful in terms of meeting our targets, whatever they might be in terms of SB 375, is to work to change the nature of that jobs/housing imbalance by bringing more jobs into the San Joaquin Valley and helping Steve to build more houses in the Bay Area.

Next slide.

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MR. CHESLY: Another challenge that we face is the interregional travel effort on this matter. Now I wanted to explain this chart, because it is a function both of the nature of trips that are made in the San Joaquin Valley as well as our geographic size compared to the four larger MPOs.
When we chart out the interregional travel that is trips that originate in any one of the eight MPOs and travel to another MPO inside the Valley, outside the Valley, you see that a much larger percentage of the trips are those kind of trips as opposed to you find in the larger metropolitan areas. That is a function of size, but it's also a function of what I was talking about earlier of those 50,000 people who leave San Joaquin County in the morning, maybe travel ten miles in San Joaquin County and another 70 miles in the Bay Area to reach their employment destination. It tends to exaggerate our vehicles miles traveled and tends to, when you go through the calculation, inflate the target setting that target setters set in the Valley.

And I want to say I'm very grateful to your staff which has been understanding of this particular situation and issue on the matter and has indicated it's more than willing to take this into account that we tend to overinflate interregional trips as a result of methodology that was adopted by the RTAC on this matter.

Move to the next slide, please.

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MR. CHESLY: I agree almost entirely with everything that the big four have said here in terms of their conclusions. I'm not saying that is universal
across the eight MPOs in the San Joaquin Valley. I do think there are a couple who make the argument that the existing regional transportation plans are not able to meet targets which would actually reduce greenhouse gas emissions. And I think that they are best able to speak to that issue on their own.

But what I did want to provide you up here is a chart. This is our regional transportation plan in San Joaquin County and how we are looking forward to investments over the course of the year 2035. And I think if you take a look at this, you'll see that 26 percent of our investments are in transit, almost 40 percent in the maintenance of our road and street system, 24 percent in the expansion of our general purpose road lane miles. And for HOV expansion, we're looking at 9 percent of our money to be invested in high occupancy vehicle lanes in San Joaquin County. As a matter of fact, we're anticipating next year beginning construction on the first HOV lane in the San Joaquin Valley along Interstate 5 through Stockton.

This is not an investment strategy that when you compare to the larger four MPO that matches up all that well. But I do think when you consider the lower density, the smaller population for each individual eight MPOs, we are making the effort to get there in terms of making TSM
and GDM investments that will bring us the ability to meet
the targets that you will be establishing here over the
course of the next three months.

I want to thank you on behalf of the eight MPOs.
Your staff has been outstanding in terms of reaching out
to us and working with us. Hopefully, we are going to be
able to bring our transportation models. You have
certainly helped by making investments in our
transportation models in the San Joaquin Valley. The
efforts of the Strategic Growth Council have been helpful
in regard to this.

We do not have the tools yet universally across
the Valley that are going to be the perfect tools for
helping us to address 375 targets, but we are committed to
going there. And with the help of your agency and our
other partner agencies at the state of California and my
friends to the left, we will get there.

So thank you very much for allowing me to take a
few moments to talk to you about the Valley and 375.

CHAIRPERSON NICHOLS: Thank you very much.

Thanks to all of you for coming.

I would just ask that -- I know you've
coordinated your presentation, and I don't want to throw
anybody off base, but if you have any advice for us as far
as the Board is concerned about what we should be doing to
help make sure this process is successful, this would be a
good time to share it.

MR. IKHRATA: You could give us some money.

(Laughter)

CHAIRPERSON NICHOLS: Like we have a lot of luck
in that regard.

MR. IKHRATA: I think by you -- and I want to
thank you, your staff. Giving us the flexibility to work
through this and give us the time and flexibility to move
forward and not focus on, you know, worrying about what
we're going to end up being, but starting the process
right. And I hope you will continue to provide the
flexibility. And I'm grateful to work with your staff.
They have been very great partners.

MR. HEMINGER: I think the extra time to be more
collaborative as we look to the 2035 numbers. I know you
see a broad range. We know that that 19 percent, that's
probably not a doable number for us. That's a stretch in
terms of where we're at with the Board.

And I would encourage you guys -- to borrow a
term that's been used before -- this is truly a marathon,
not a sprint. You're going to be reviewing these every
four years. And while I guess I come at it more from an
engineer than a planner here, we ought to start thinking
about developing performance metrics not to just see what
we're doing with models, but how are we performing cycle
to cycle. And I think that's the bottom line test whether
some of the stuff is working or not.

CHAIRPERSON NICHOLS: I think that's a good
point. The numbers don't mean much unless you're going to
tell whether you met them or not.

MR. GALLEGOS: I think we are all headed toward
an activity-based model. I think Mike McKeever is a
little ahead in that area. We're not all far behind.

We're investing a lot of dollars.

And the other thing I would leave you with is I
think this is an area where there is benefit on a
statewide basis to coordinate some of this modeling. To
risk a consultant stream of working with 18 different MPOs
doing 18 different models, I think there is some scale and
economy. And there's where CARB and Caltrans and the
California Transportation Commission and others can bring
resources to bear to figure out how we do this on a
statewide basis rather than an ad hoc basis.

Right now, I don't think our models are that bad.
I think they actually work and are a function of the
assumptions that we make. But we have to make them better
and we're all headed that way. And I think you could help
us standardize that and bring some resources to the table.

CHAIRPERSON NICHOLS: That's a very useful
MR. MCKEEVER: Could I just add? I would say that regardless of where you end up in September with the precise targets, that anything the Air Board can and is willing to do to message to the State of California and the federal government that we need help if we're going to maximize the benefits that we think we can eventually deliver out of this sector. And you referenced it in your introductory remarks, and we appreciate that. There are funding challenges for transit and redevelopment, in particular, as you well know.

And so part of us being clear that we're all on the same side and trying to go forward together I think is if the Air Board can be really strong about those needs, we would really appreciate that.

CHAIRPERSON NICHOLS: Thank you.

MR. HEMINGER: Madam Chair, if I could return to one thought that we debated in the RTAC. I know you spent a lot of your time trying to find the Goldilocks solution, not too hot, not too cold. And here you've got that challenge again.

There are different consequences though if you're too high or too low. I fear if you set the targets too high, under the law, we all have an option of doing an alternative planning scenario instead of a sustainable
I think that will represent a failure of the statute. The SCS has meaning. It has heft in terms of the statute. It's linked to a regional transportation plan with billions of dollars at stake. So I'm hopeful we have a target that is ambitious, that makes us stretch, that we can reach.

And more than that, I hope we find some way of rewarding regions that exceed targets. Let's say you set them a little bit on the low end. If we were to exceed the targets, what incentives would we perhaps receive, financial, regulatory, otherwise, from the state of California? We need the State as a partner. Just as we will be implementing this law largely I think through incentives with our local government partners, we need a partner up here. And I know maybe that's a little bit too much to ask for these days. But the fact is that I think what would really make this process work the best is to have a target that we can reach and also a reward for going beyond it.

CHAIRPERSON NICHOLS: Well, I think that's a challenge that we should definitely try to take up.

You know, I can't help but think when you mention that about the no child left behind law and the second thoughts that a lot of people are having about whether that kind of standards setting actually did move us
forward or just ended up with more people coming up with standards that they thought they could meet. So it's definitely a tough line to walk.

But I think that the process that we're engaged in is one that at least has a better chance of succeeding, because people will have whatever the numbers are that we end up with, they'll be numbers that everybody understands and knows how we got there. So good thoughts.

Any other questions? Comments?

BOARD MEMBER SPERING: You know, I participated or followed the process of the RTAC from the beginning. And I do want to say that there was extraordinary progress. It was a very impressive process from the beginning. When it got started, you know, it was very unclear how this was going to play out. There was a lot of disagreements and a lot of different ways of thinking about it.

And I think, you know, there's been so much progress made in terms of coming together, especially the big brothers here, the big four. And so I do want to compliment especially the four directors here for what they've done, because they've shown real leadership in working with their local governments. There's been a lot of skepticism and I think there's still some skepticism but much less than there was before.
As part of that process, this challenge of money and resources, you know, I think a concept that we should all keep in mind as we go forward here is that 375 provides the framework for being able to do better planning, for adopting these policies and programs that all of us think are important. And this can be the mechanism, the framework in the future for bringing more resources to the local governments.

I think you should all be thinking along those lines, whether that's providing rewards through the traditional transportation funding formulas or through perhaps cap and trade revenues, whatever, you know, creativity we can use I think is something that we really should be thinking about. When I say "we," I mean the broad community here, not necessarily the Air Resources Board specifically.

A couple of other things is that the 2035, I appreciate what everyone is saying and don't want to get fixated on numbers or models, but I would like to ask a question whether you think that the -- well, I guess the underlying -- you know, a lot of studies that come out have shown that you would expect to get more reductions over time because there is the synergies that will evolve as you start pairing up better pricing with public transportation, innovative ideas, land use. And so I
appreciated hearing the commitment to both the concept that the models can be much better and the outcomes can be much better. So if anyone wants to add to that, I would be interested.

MR. IKHRATA: I will tell you that we expected ourselves to make sure that 2035 is more than what we can do in 2020 simply because we have more time. 2020 is eight years from the time we submit our plans. 2035 is 25 years.

And I believe that in our regions, especially that voters, came through every time we asked for more sales tax, and we just did one in L.A. County. So I believe much more changes.

And I also believe the market in terms of land use is going to be more significant as we move into the future without even talking about the regulations.

But I want to go back to what my colleague said, I think that we'll step backward if we set the target so high, even though we have a desire to do more in 2035, because the bill gave us an opportunity to do a planning study. And so 2035, yes, more than 2020. But also will depend what the target is for 20 years. But we should be expected to do more in 2035.

MR. HEMINGER: Director, if I could make one more point on that. We intended this discussion to take
population and put it aside, because we have a per capita framework. But the capita happens; right? The population growth is going to occur. When it does, it's more people. It's more folks on our transit systems. It's more folks on our roads. Especially on the roads, that will tend to degrade travel speed which will tend to increase greenhouse gas emissions.

So that's the one note of caution I have, that I do agree with Hasan that we can make a lot of progress on the strategies, but at the same time, we will have a lot more people to deal with.

As you saw in our infrastructure plans, those perhaps are really getting squeezed with the cost of maintaining the system you've already built. So we don't have a lot of money to deal with those new folks and the demands they're going to put on our transportation capacity.

MR. GALLEGOS: If I could add one thing that maybe didn't get articulated well enough. But I think at least most of us are self-help counties. In those self-help counties, in San Diego's case, over 65 percent of the investment in transportation is being made with sales tax measures that are within the county. And we try to be aggressive to provide as much improvement for the user as possible.
A lot of these plans are front-loaded, so we borrow money from the future in order to build stuff today. We think in today's environment that's a pretty good investment decision. So when you look at the plans as a whole, they're not always uniform from the start to end. There's why you see a cliff at the back end of '35, if that's where it stops. That's what my fear is we get so fixated on that that life is going to continue after 2035 and the plans will continue to improve and you'll see that cliff move out.

For that reason, in the San Diego case, the next cycle, we're going out to 2050 as the planning horizon to move it out far enough so hopefully in the next step plan we can demonstrate what we can do in the middle of the plan.

BOARD MEMBER SPERLING: Chairman Nichols, can I could two more? I was very quiet this morning.

(Laughter)

BOARD MEMBER D'ADAMO: She asked me to monitor things so --

BOARD MEMBER SPERLING: I know you're a softy.

All right.

So while I have your attention, let me anticipate actually my colleague Professor Johnson was going to be I think making a statement later, but while I've got you
here. There is a question of co-benefits. And, you know,
I think we all realize that the ones involved in this that
the co-benefits are huge and probably in the end much
larger than the greenhouse gases.

And so in your analyses and in your data and in
your models, you have a lot there. And I'm wondering what
you might be able to do in terms of quantifying some of
those co-benefits that you can use as well as we can all
use as we go forward, because, you know, as was pointed
out many times here, the benefits of 375 could be huge,
just because there's ancillary benefits.

So any thoughts on that or -- you know, and I
would mention like the Urban Land Institute study did a
good job of highlighting them but not quantifying them.

MR. MCKEEVER: Let me take a first crack at that
and come at an answer maybe from a slightly different
angle than you may be directly asking.

First of all, let me say in our jargon, self-help
county that Gary is referring to is a locally approved new
revenue mechanism. Usually a sales tax on gasoline. So
that's why -- that money we have a lot more control over
than the federal and State money.

I think it's true for all of us and all the other
MPOs that the dominant motivation to do sustainable
planning, smart growth planning, whatever you want to call
it, on our boards is not greenhouse gas emission
reduction. And the notion of co-benefits is often couched
in terms of things like are there energy savings or
infrastructure cost savings or even public health
benefits.

But the first thing co-benefits means to all of
us is other transportation and air quality issues. We
have to meet Federal Clean Air Act requirements, of
course, for criteria pollutants. We have to manage our
transportation systems in a way that promotes mobility and
controls congestion so people can get to work and the
trucks can serve the stores. So we have to look at a much
broader range of metrics and will provide all that
information to you and the public just on the
transportation system and in the air quality impacts.

But the other co-benefits -- I'll just speak for
my region -- I do think are very substantial and are
easily the dominant drivers of my Board's motivation. And
we would intend to provide that information as we go
forward. It's just that for the last six months we've
been springing so fast to try to get the greenhouse gas
emissions reduction information out that we haven't been
able to provide that.

MR. IKHRATA: We actually started a program
called Compass in the SCAG region five years ago before SB
375. When we started that program, we were hoping for 10, 15 demonstrations. We got 19, which tells us that cities are more interested in looking into the future. I don't think at the time we funded the project greenhouse gas emissions wasn't a discussion even.

And I do think this bill is about sustainability into the future and there's a lot of co-benefit. But like I said, our plans play multiple objectives. Some people will tell us you're listing $200 billion in the next 20 years and we're getting 10 percent, but our plans also have mobility objective, accessibility objective, meeting the Clean Air Act requirement. There is a lot of co-benefits, like air emission, that we cannot really measure with numbers but we need to look at. We need to find performance measures outcome that we can measure that's beyond the numbers.

MR. GALLEGOS: I would answer that with a little bit of frustration in that I believe that SB 375 kind of pigeonholes us or silos us into just looking at cars and light-duty trucks. And at least the inventory we've done in San Diego and other parts around the state that energy and transportation are the big ones.

I think in terms of the benefits just marrying those, I think CARB has a strong track record of looking at technologies. I go visit my friend, Hasan, in L.A. on
a regular basis, and I can see the mountains there today,
where a decade ago I couldn't. I think that's how the
track record of using technologies -- I think we live in a
state where the innovation to figure out how to do better
on the energy side may produce us a bigger bang than just
focusing in a silo on just cars and light-duty trucks. I
think the world is much more complicated than that. I
think there are a ton of co-benefits, but I think we have
to look beyond the silos we're in right now.

I kind of answer your question in frustration. I
don't think you can get there by just looking at SB 375
and that segment, but I think there is a lot to be had on
the energy side.

BOARD MEMBER D'ADAMO: We have a list of 30
witness.

I know, Mayor Loveridge, you had your hand up
earlier, so we'll take your comments and then move to the
list.

BOARD MEMBER LOVERIDGE: You go first.

BOARD MEMBER YEAGER: There's too many directors
and the pen was too large to speed up this conversation,
and certainly with a lot of speakers. But I guess my
concern is I think we can -- while the regions know how to
deal with the increased population growth, I think a lot
of the infrastructure is there so we don't have an
increase in greenhouse gas emissions. We look at infill, higher density, the transportation lines that are already in the downtown areas.

I guess my concern is how are we going to reduce the VMT for the residents who already live here, who live in their area who have shorter commutes? How do you get them out of their cars?

And certainly we're looking at congestion pricing in the Bay Area. But it seems like that's going to be the main constraint. We can deal with the population growth and hopefully people buy electric cars and their cars themselves pollute less. But I'm just not quite sure are you going to change the patterns that already exist to try to get the reduction that we've been asked to meet.

MR. MCKEEVER: They will change some for sure with the land use agenda that is sort of part of this whole mind set. If you look in particular at your under-utilized corridors, which are miles and miles and miles in all of our regions, when you revitalize those with higher-density mixed use buildings with a better mix of shopping, housing, employment, the opportunities for the existing residents to take shorter trips and walk on some of those trips and whatnot are there. And the modeling I think pretty clearly shows that you can get a benefit with the existing structures as well. You can
certainly also get that with your transportation
investments with system management --

BOARD MEMBER YEAGER: I'm not sure you're going
to get five to 12 percent. I know Mr. Heminger has a few
comments.

MR. HEMINGER: The fact is I think road pricing
is going to be the principle strategy to affect folks who
are already here. They've got a land use pattern they're
in. I think how aggressive we get on price of auto travel
either through public policy or through oil diminishing as
a resource and price going up will be the key determinant
about how successful we are there.

And those of us who are growing more quickly, my
brother down at the far end of the table, I think they
have a bigger increment of growth to affect. And,
therefore, I think they have a greater potential for
change through land use and those kinds of strategies.

Those of us on this side that are growing slowly, we have
to look beyond the land use strategy to other things to
try to influence the travel of the folks who are already
settled in.

MR. HASAN: When the gasoline prices at 4.50, we
had an absolute number reduction in vehicle miles
traveled. So people respond to pricing. So there is no
development without that. That when they build a school
within the development or when they build a shopping center, they can walk to the shopping center, you end up reducing vehicle miles traveled. It is a land use/transportation strategy, and it is working in a lot of places.

MR. CHESLY: It's a good question, because in our region, our population gets older and gets younger. The younger are more mobile. And to a certain extent, our investments can have an impact on what they do. The same with those who are older.

The challenge for us is going to be will we have the resources to be able to make those changes at the younger end and at the older end of our population spectrum. Those are the people whose existing travel patterns are the ones that we're going to have to change, and it's where our greatest opportunity is.

BOARD MEMBER D'ADAMO: Mayor Loveridge.

BOARD MEMBER LOVERIDGE: Following your admonition to be brief, just really quick comments.

I just want to recognize Hasan and his leadership in this effort. I would hate to tell you how many hours he spent pleading, coaxing southern California to take seriously 375. It's not easy with 19 million people, and 170 cities, six counties.

Beyond greenhouse gases, beyond what has been
identified as co-benefits, the other overlay I think needs
to be a part of what we think about is the economy of the
state and that somehow the economy needs to be tied to
housing and transportation and air quality and so on, so
forth.

Just the last comment is, in this life, you don't
have very many victories. And Dan pointed out if you look
at the speakers, there's not a single one with the oppose
card. This is some perhaps victory that we need to talk
about as we enter what is going to be a very contentious
next several months of talking about the state and its
environment and where it's going.

So I'm ready to listen to the speakers.

BOARD MEMBER D'ADAMO: Thank you.

Supervisor Roberts.

BOARD MEMBER ROBERTS: Thank you.

I'm not sure where to start. I heard some
comments, incentives from the state of California and more
resources from local government. I don't know what planet
I'm living on, because that's so far from what's
happening, we better look out a lot further than 2035.

You know, I've said this before at this Board.

At the same time we're being asked to do all these things,
the resources for public transit are not only being
threatened, but cut. We're dealing -- we're being asked
to do a lot more. At the same time, it's not incentives. Everything is being pulled out from underneath us in the local communities.

So to plan and say we're going to make these incredible improvements by 2035, at the same time that the state that's imposing the requirements is pulling all the resources away from solving the problems. Seems to me to raise some very serious issues that goes beyond the level at which these guys are operating, and we're going to have to face up to that. I'm very concerned about that.

I think that there are a lot of things going on that started probably at least two to three decades ago in some of the urban areas and the increased densification, the smaller lots. The model has changed dramatically and it's changed in a way that I think the 2020 becomes very predictable and somewhat easy to attain at least for some of us. In San Diego, that would be the case. 2035, the crystal ball gets a little cloudier in terms of how you get there.

And you talk about congestion pricing and all those things. You know, just to throw those out and assume they're going to happen, I'm not quite sure that most people are there yet. Maybe in this room. But I think we're going to be faced with some issues.

The biggest extent possible I've heard some of
the economists throwing things out of models that I don't think are working anymore. I think there's been concern. But there's one number I've heard twice now. We're going to save 6400 a year in auto-related and utilities. I'd like to know where that number came from and how you get to that, because I've gone through these numbers a hundred times, and I can't find anything like that. And we keep throwing that out as an example. I don't know who wants to answer that.

DEPUTY EXECUTIVE OFFICER TERRY: Maybe I can suggest, I think we do have someone from Urban Land here to testify, so maybe --

BOARD MEMBER ROBERTS: I don't know that that came from Urban Lands Institute, did it?

DEPUTY EXECUTIVE OFFICER TERRY: Sorry. Vision California.

BOARD MEMBER ROBERTS: I keep seeing that repeated, and I'd like to know how they could have come up with a number like that and what the current cost is for household expenses on auto-related utilities.

I think this is a perfectly good example about us trying to sell something with questionable or fraudulent data. I don't think that number is possible, to be honest with you, unless my family lives a lot less expensive than most. But I know the utilities in San Diego are one of
the most costly in the state. So I don't think that's the case.

Somebody can figure out where those numbers come from at some point. But if we're going to have those as part of our presentation, you ought to be careful. We've gotten in trouble over things like that before, and it concerns me. And to have those built in -- I've heard in San Diego also as part of the presentation. I can't figure out how to get there.

CHAIRPERSON NICHOLS: Well, I think they can source the information, whatever it is, and then people can believe it or not believe it. I don't know what else you can --

BOARD MEMBER ROBERTS: Just figure what that means for the number of households in your county that they're going to save that much per household. Okay.

CHAIRPERSON NICHOLS: I think we need to thank this panel and let them retire in peace for the moment and get on with the rest of the hearing.

I was watching from the back room, and I know you enjoyed the freedom from having a Chair. But the time has come. Time has come.

We do have a list of witnesses and it's long.

But we had also asked the two organizations that have been involved directly in working on these issues, Urban Land
Institute and the Vision California Group, to present.

And I think it would make sense to call them up first just out of order, if slightly out of order, but they had group presentations.

So we'll start can Katherine Perez from the Urban Land Institute.

(Thereupon an overhead presentation was presented as follows.)

MS. PEREZ: Good afternoon. My name is Katherine Perez, Executive Director of the Urban Land Institute of Los Angeles.

Good afternoon, Chairman Nichols and members of the Board.

It's certainly a pleasure to be here. I do not stand as ULI Los Angeles, but actually ULI California, meaning that consists of San Francisco, Sacramento, Orange County, Inland Empire, and San Diego.

You have been given a copy of a report that we completed recently called, "Senate Bill 375 Impact Analysis Report," and I'm just going to take a few minutes to go over some of the highlights of that.

And to Supervisor Roberts' questions directly, Vision California will follow and will address specifically the concerns he has raised.

If you're not familiar with ULI, the Urban Land
Institute is an international non-profit organization with about 30,000 members worldwide. In California, we have about 8,000 members actively engaged. And we've long been recognized as one of the world's most respected and widely quoted sources of objective information on planning and specifically to real estate development.

The genesis of this report was really driven from an interest in providing this body specifically information from our industry, real estate developers, and investors in land. And we felt that it was important to provide you from our perspective analysis of the impact both on land value and potential economic prosperity of the state.

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MS. PEREZ: So in partnership with Smart Growth America and other key organizations, ULI embarked upon convening an advisory panel. The two co-chairs were Dan Kingsley and Michael Woo. ULI often puts together advisory panels where petitioners come together, and we essentially troubleshoot with experts difficult development challenges and issues. We often evaluate local policy, ordinances with redevelopment, or anything related to housing or transportation. The team that was assembled -- and you can go to the next slide.

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MS. PEREZ: The team that was assembled actually consist of people from around the state. We released the report on June 4th, and it reflects hundreds of hours of literature review and two-day deliberations that the team made. Those team members came from San Francisco, Los Angeles, Sacramento, San Diego, west Sacramento. And we actually have Curt Johansen from Triad Development who was a member of the panel and will speak to his own experience with this issue in his region.

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MS. PEREZ: We interviewed also others in the Inland Empire in Orange County as part of this process. We didn't just have folks that were participating on the panel, but we used our resources within the industry to inform ourselves.

There was a briefing book of existing literature, including demographic information and data projecting out 25 years, getting us past this current recession into the next cycle. The panel met in May, and they interviewed home builders from urban builders to master plan community builders, redevelopment experts, and environmentalists. They reached a consensus.

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MS. PEREZ: We evaluated three specific areas I will cover, specifically, impacts on global warming and communities. We looked at the pros and cons. What were the benefits in terms of short-term greenhouse gas decreases? Was there a con in terms of small impacts?

We looked at major contributors in terms of travel behavior and potential consumption of natural resources. We also looked at how regionalism and regional incentives to link land use and transportation were potential opportunities. And last, how positive co-benefits on open space and agriculture preservation were important.

On the opposite side, we looked at how those issues in terms of the cons of 375 looked at global warming and communities. Specifically, how it would proceed to punish transit-rich communities by incentivizing more development. And I think the issue of the existing infrastructure already diminished how are we expecting people to move into the urban core without sufficient resources. And also many of our developers were concerned about barriers to new greenfield development.

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MS. PEREZ: The second issue we looked at was
affordable housing and development and specifically the impact that that would have. The market, ladies and gentlemen, was already moving into a mixed use compact form. Our markets were already shifting and responding to the demographic profile of our state, which was stated is an older and younger population.

And what we have found in all of our analyses is that the diversity of choice is what people are looking for. That's what the consumer wants. They want to find -- they may want single-family detached, but they want choices in terms of where they live, how they live, and how they get around. And simply the diversity of options in terms of housing lifestyle was not available.

We looked at the pros and the impacts on 375 as it pertains to housing and development. Looked at the potential impact on transportation cost specifically. We looked at in our industry responding to the market. If we cannot build, sell, lease or rent a unit, it doesn't make any sense to build it. And our real estate community has been suffering for some time in this recession. We're looking for the next market to really tell us. And we think 375 is actually a complement to that market direction that we were already going.

We were concerned in terms of the cons of 375 about making housing less affordable and specifically the
entitlement process. The approvals required, we were concerned there would be an added impact.

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MS. PEREZ: And our last issue that we really focused on was the infrastructure and planning process. We saw some significant pros related to 375. Significantly, the regional transportation plan and land use connections, the opportunity for an allocation of transportation funding on an equal level, and importantly, working with our cities and counties to reduce capital outlays and municipal service costs as it pertains to infrastructure.

One of the many cons, we saw it would potentially weaken local land use control. And many of our developers work specifically with cities, and we were concerned about that. We also said it favors obviously transit over other modes, but that potentially the savings were overstated. And so we evaluated these issues and -- next slide.

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MS. PEREZ: We looked at the implementation, which is one of our major concerns. The pros were that, as Chairman Nichols said, there's Prop. 84 moneys. There's also money coming out of HUD that was released today or yesterday. We looked at what we thought would be
great opportunities with the appropriate implementation.

What we were concerned about was that transit funding was not reliable and money for housing and affordable housing development was not reliable.

So some of the concerns that we had going into this were that some of the backbones and assumptions we had in meeting these new target goals, the support to build those developments, would not be there.

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MS. PEREZ: The panel did come to a consensus, and they believe this benefit would be strong for infrastructure savings for the regions; that the market demand for the cities would be met as this new shift again in market preference was happening already; and for households, housing and transit savings, particularly as it pertains to transportation cost.

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MS. PEREZ: One of the three values greater certainty for transit funding was important to us, particularly as we want to see specific growth outcomes emerge.

CEQA, we found this to be a significant opportunity to do CEQA streamlining and have the CSCs and
CEQA analysis consistent with the RTPs. We think there's
great opportunity.

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MS. PEREZ: Last slide, funding alignment, that
there's opportunities again to meet all the levels at
various levels to reinforce local land use goals. And for
us, it is important -- it is important to support the
local jurisdictions in terms of redevelopment funds. For
us, it meant that transit, redevelopment, affordable
housing, those dollars stayed intact with local land use
planning efforts. Importantly, that regional coordination
among cities was going to happen.

My last and closing slide was the bottom line.
We can't use the recession as an excuse to not do
something we think is a great opportunity. It exists
today. And certainly as we recover out of this recession,
375 in our evaluation actually complements the market
correlation already underway. We think that 375 helps
create value and economic prosperity and competitiveness
by shaping land use to enhance investment in
infrastructure, to support this new market demand.

We feel that to fully capture the value of 375,
California needs to again secure transit funding, align
policies that directly support locally-based funding and
we think fix CEQA.
For us, the next steps are to meet with the media. We're doing lots of -- trying to get this information out to inform not only our members, which have a lot of questions, but also importantly to inform decision makers and hopefully participate in the process.

And let me leave just a minute or two for my colleague, Curt Johansen. He was with us and he was a member of the panel. And thank you for your time.

I will have to excuse myself. We are giving out awards to housing projects for the homeless in Los Angeles, and I'd like to be there for that.

And so I'll turn this over to Curt Johansen and beg your apologies.

CHAIRPERSON NICHOLS: We welcome your involvement. It's helpful to have you as a partner.

MR. JOHANSEN: Good afternoon. I'm Curt Johansen, and I want to thank you for the opportunity to address this Board.

I was one of several participating developers on the URI 375 advisory panel and currently personally in pursuit of creating sustainable opportunities.

I have a few additional thoughts I'd like this Board to consider. Sustainable communities in the 21st century will come to be known as triple bottom line communities. In other words, communities that find
balance among issues surrounding economic prosperity, environmental protections and social equity. SB 375 provides a first big step in this direction.

And to Director Sperling's question, sustainable communities are neither commoditized, nor formulaic. They are principle-based and uniquely rooted to their place. A very important co-benefit is that we've come to learn that people who come to know and live in such places take better care of them.

Communities that mix uses reduce auto dependency, include transit, balance jobs with housing, conserve resources, and preserve prime agricultural soils, result in an urban form of planning with long-term success.

The market demand for environmentally sustainable, diverse, transit-friendly communities is now three times greater than expected supply. SB 375 is not about infill versus greenfield. Truly sustainable communities can be created in both. We need to level the playing field, to incentivize much more infill, but greenfield does not need to mean sprawl.

Fears over SB 375 are reminiscent of three decades ago when Title 24 energy legislation was fiercely opposed by business-as-usual interests. As you know, today California uses 40 percent less electricity per capita than the country overall.
We are a leader in the conversion to renewables and reductions to greenhouse gases, and we have a growing green tech economy that is going to help lead California's economy from the recession.

I would just ask you to think that three decades from now our children will look back on SB 375 as a gift from our generation towards their quality of life. Thank you.

CHAIRPERSON NICHOLS: Thank you very much.

I would now like to call on the elected officials who have made the significant sacrifice to come and be with us. I know that we have Sepi Richardson and Janet Abelson, and I believe Gary Liss also, if you would come forward, whatever order in, we'll take you next.

MS. RICHARDSON: Good afternoon. My name is Sepi Richardson.

Honorable Chair Nichols and honorable Board members, if you allow me. I'm Sepi Richardson, one of the elected officials from the city of Brisbane. I also serve on the Board of Directors of California League of Cities, ABAG, and peninsula CCAG, and CALAFCO, but I'm not speaking on behalf of California League of Cities.

I'm here to ask you to support SB 375. Climate change represents the primary threat to the health and quality of life in California's diverse communities. When you read the signs, you cannot help but be overwhelmed by
the dyer consequences we face as a state and nation in
dealing with the public health and environmental impacts
of global warming.

I believe that, as government leaders, we have
the morale responsibility to take action that will prevent
these worst effects of the climate change in the future.

As an elected official, I recognize the need to build
tomorrow's growth in such a way that makes sense. We
cannot continue to build more distant neighborhoods that
require more driving and longer and costly communities.

Too often, our plans separate homes from jobs, shopping,
and other areas of interest. I believe that SB 375 offers
an alternative vision for the future. And SB 375 would
help us to build better cities, more connected, and more
efficient and would bring vibrancy and active places where
residents can gather at the city center and socialize and
know one another.

I'm joined today by many of the local governments
and government leaders from various counties and cities
that have supported and approved some of the resolutions
and supported and submitted some letters, including
Brisbane, Campbell, Cloverdale, Huntington Park, Petaluma,
Richmond, Rhonart Park, County of Sonoma, County of Santa
Clara, Santa Clara County Cities Association, town of
Windsor, City of Sebastapol, City of Sonoma, County of
Contra Costa. The binder contains their resolutions and their letters from their city officials and county boards.

In addition, I'd like to challenge this Board to partner with us in holding the State accountable to their end of the bargain in providing resources that we need to build and plan for our communities.

In summary, I'm not saying that this is going to be easy, but I'm saying it's going to work. And just before I was coming here, I read a quote that was really appropriate. And if you don't mind, I'd like to share that with you. And it said that, "I pass through this life once. Therefore, if there can be any kindness I show, if I can do any great things for my community, for my state, let me do it now and not defer it, since I shall not pass through this path again."

Thank you.

CHAIRPERSON NICHOLS: Thank you very much.

Mayor Abelson.

MAYOR ABELSON: Thank you.

I appreciate the opportunity to address you from my town of El Cerrito, which most people don't know where we are. We're a small town in the east San Francisco Bay. And we actually think we're really special, as does every other city in this country I think.

But I think ours is somewhat unusual in that if
you look at our Council members, only one Council member who gets to work by driving. And that's not because we talk to each other about it. It's because that's the kind of town we live in. We have three-and-a-half square miles. We have two BART stations. We have a rapid transit system. We also have local transit. So when I want to go from one end of town to the other, my main problem is figuring out which of those to take. I don't even have a driver's license.

So this is what I would hope would be the future for a very large number of people under SB 375. And we are enthusiastic supporters of SB 375, and we want to bring what it has to offer to our town in every way we can.

We look forward to the opportunity for the -- I'm not actually a technical speaker here -- the measurements that you're going to be creating to give us an incentive to try even harder and create the kind of housing and jobs around our BART stations and our other transit facilities that are, in fact, what we're all talking about.

So I just wanted to let you know that we've been doing measures already, and we've been working getting grants and stuff. It's been a great opportunity for us to get grants. It's been a great opportunity for the members of our city staff to work with each other in a new way.
that's been really exciting and positive. And it's been
an opportunity for members of our community to get
involved. We have a Committee of our own on this very
topic, and it's what people call the best Committee we've
ever had, because there's so much positive enthusiasm
about it.

But this is not my speech at all that I was
planning on giving.

But anyway, we have seen the number of dollars
that have come to our community to do these things to have
really enhanced our way of life, and we look forward to
more of the same.

But I think what is really important, and this
addresses the target that you're trying to set, is that
the bar has to be set high enough so that cities like
mine, in fact, are challenged. Because without that
challenge, it will never happen.

So I hope that you will work hard to make targets
that are targets that we have to really reach out for but
that, in fact, we can achieve. And thank you for your
time.

CHAIRPERSON NICHOLS: Thank you for coming.

Appreciate it. I wish we had more places where you had to
worry about which mode of transit to take.

BOARD MEMBER BALMES: Some of us do know where El
Cerrito is. My son goes to Prospect Sierra.

CHAIRPERSON NICHOLS: Mr. Liss.

MAYOR LISS: Madam Chair, members of the Board,

appreciate the opportunity to be here today.

I'm the Mayor of the town of Loomis, which is
right next to Rocklin in Roseville. Small town of 6200.
We were created 22 years ago to draw the line in the sand.
We did want growth in our community that was happening all
around us. We've grown 600 in the 25 years, so we
consider it a major success.

I'm speaking here today as an individual, but as
one who's on the edge of where the sprawl hits the road.
And my comments are basically that regarding the goals,
that they should be ambitious, but achievable as other
speakers have said. And we can do it. We already are
working actively in the SACOG area to do that. And in
Loomis, it's all about leadership and partnerships.

I suggest you look at AB 939. As a zero waste
consultant, AB 939 set lofty goals at 50 percent diversion
by year 2000 in 1989 when we only had 12 percent recycling
going on. By setting high goals, but allowing for good
faith efforts to be the key to go forward to do the plans
and to implement the plans, whether or not they achieve
the goals, was a key facet of AB 939. I urge you to look
at that as part of the model for looking at how to proceed
with the targets that you're developing with the Institute
of Public/Private Partnership and a state and local
partnership and collaboration, which I think is really key
to the success of 375.

The PowerPoint that I have going for you is just
to give you a feel of what we are doing in Loomis to try
to meet the types of goals that SB 375 is about. Clearly,
this type of public policy can drive investment in AB 939
and invested hundreds of millions of dollars of private
investment as a result of setting the goal.

So it's urgent to move forward now to have as
ambitious a goal as possible. And not to forget what one
member talked about, it's the economy. It's not that
we're in a recession. It's that the only way out of this
recession is to recognize we can't do what got us into
this recession in the first place. We've got to use this
as an opportunity for change. We've got to focus on green
jobs in a green economy. And that's going to come through
major policy initiatives like SB 375 getting people to be
more efficient so we're not spending our resources
inefficiently in America.

We have CAL 4 plan in Loomis, are working on an
implementation of that plan. But on 375, we'd like to
highlight that the blueprint has led to re-thinking
transportation and transit assumptions, density of
development, the urban rural interface. The rural urban strategy of SACOG supports smaller cities having a voice and being true partners in implementing these goals.

And for places like us where we don't want the growth, SB 375 will help focus it where it's more efficient and strengthens the regional economy. Cities will save $16 billion in the SACOG area by focusing the new growth in existing communities. It is about efficiency. It is about the green economy and green jobs.

We urge you to do the right thing for local governments, businesses, our grandkids, and the planet. Challenge us to be reasonable in review and monitoring and use good faith efforts to strengthen the partnerships in collaboration if possible.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

All right. We still have a lengthy list of speakers. And since this isn't a regulatory item, I'm going to just start out by exhorting people to use less than three minutes, but I may have to actually adjust the timer if necessary. I'll just go down the list here.

Stephen Maxwell, Janet Abshire, and Barry Wallerstein.

MR. MAXWELL: Thank you, Chairman Nichols and respected Board members.

My name is Stephen Maxwell. I'm a thoracic
surgeon practicing here in Sacramento. I am a member of
the American Lung Association Leadership Board, and I am
here to express deep concerns of the effects of poor land
use on air quality and public health.

I'm also here today to highlight the broad
support of public health community for the strong
implementation of SB 375 and emphasize the benefits of
compact mixed use development statewide. Health
organizations have stressed that a policy of sustainable
growth is critical to California's air quality and climate
change goals. SB 375 has further unified the health
community because it offers them tremendous opportunity to
improve public health by helping reduce a wide range of
chronic illnesses associated with over dependence on that
discourages physically active lifestyles.

As a lung surgeon, I encounter corrosive effects
of traffic pollution in my patients on a daily basis. It
shortens the lives of my patients, our parents and our
grandparents, and hits my most vulnerable patients
especially hard, including children and teenagers, as well
as adults living with chronic illnesses like lung and
heart disease.

Fortunately, with SB 375, we have a tool to
improve our quality of life today and for generations to
come by creating healthier communities and reducing the
negative impacts of climate change. With it, we have a tool that can help to save California billions of dollars every year in health care expenses and prevent thousands of premature deaths from our failure to meet clean air standards.

We also believe it is a false dilemma to state we must sacrifice a robust economy to have public health. To argue otherwise is to disregard the cost savings of health care on governments and families and to ignore the almost unlimited potential for jobs and economic grown in green industry development.

By establishing ambitious targets that challenge our regions to plan for more sustainable communities, we will help reduce chronic illnesses we face today and make us more resilient against the extended heat waves and reduced air quality that we face due to climate change.

Our communities will experience better health and generate fewer harmful emissions by having active transportation options, like walking and biking. With thoughtful, sustainable community development, we can create an urban environment that reduces obesity, diabetes, heart disease, and other illnesses that spring from our modern lifestyle.

We will also be safer on streets designed for multiple uses like cars, bikes, and pedestrians.
I would like to present this Board with a letter signed by 28 public health organizations throughout California including the Lung Association, American Cancer Society, Public Health Law and Policy, California Medical Society, California Thoracic Society, and many others that urge the Air Resources Board to adopt the most ambitious targets possible.

We would like to encourage the use of the whole range of policy tools available to local governments that reduce vehicle dependence and related pollution emissions.

CHAIRPERSON NICHOLS: I'm going to enforce the time limit. Thank you for coming.

Dr. Abshire.

DR. ABSHIRE: Thank you for the opportunity to speak to you today.

I'm Dr. Janet Abshire. I'm representing the American Lung Association.

For much of my career, I've had a very deep interest in studying the root causes of disease and health problems and environmental impacts on our health and that's why I'm here today.

The issue of land use and the transportation planning has become more and more the focus of public health and in the medical community as it is the nexus of three crises in our society: Illness from lack of
exercise, illness and death related to air pollution, and climate change.

Because so many of our neighborhoods are designed for driving and often prevent safe and practical access to walking and biking, we face terrible costs of chronic illnesses, like diabetes and obesity. They affect our communities and also our children at alarming rates.

California's also home to some of the worst air pollution causing health crises that causes tens of thousands of hospitalizations and premature deaths each year, on top of hundreds of thousands of asthma attacks.

Climate change threatens to exacerbate these problems and most severely effects our vulnerable populations, including young, the elderly, and those in low-income neighborhoods.

With strong implementation of the SB 375, CARB can help shift our development patterns to smart growth concepts of compact mix-used neighborhoods. And by employing these smart health principles of prevention, we can halt unhealthy behavior and begin to improve our quality of life. Establishing strong CARB targets will underscore the message we need to change and we need to reduce our focus on driving while planning our neighborhoods.

I urge you to break our habit of
business-as-usual sprawl. And I urge you to move forward
with the strongest possible prescription for healthier
communities. Please take full advantage of the
opportunity for healthier communities under SB 375 to help
us help our patients with more practical options for
active lifestyles and breathing cleaner air. Please
consider health as you develop the targets.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Dr. Wallerstein.

MR. WALLERSTEIN: Good afternoon.

It was my pleasure to serve as the CAPCOA
representative on the RTAC. And so many of my comments
here today will be on behalf of CAPCOA.

First, we would like to thank the MPOs and the
staff for all the progress that has been made over the
last few months in generating data and clarifying the way
we proceed towards your hearing in September.

As you heard earlier, each MPO operates a
different model. And I think we need to keep that in mind
as we move forward. We want to make sure at the end of
the day it isn't an apples and oranges comparison. A lot
of work has been done to improve the consistency. But as
you also have heard, we need to work towards a uniform
type model or modeling approach across the state. And in
that regard, I think it's important to continue to work with the U.C. system. And in this initial review and the target setting, I hope that the U.C. consultants that are under contract to CARB will take a close look at the inner workings and we can create some additional transparency as you move towards your adoption hearing.

And one of the issues is how we do the off model adjustments to account for strategies that can't be analyzed by the core models. I think it's important to add some additional transparency to that and for the Board and other decision makers to have additional clarity regarding the nature of various CARB programs. It isn't just what will be done under SB 375, of course, your low-carbon fuel, Pavley I and II, and what return on investment each provides, because I think that has some bearing on the target setting.

During the RTAC process, I was a vocal proponent of best management practices and policies. From my perspective, where the rubber meets the roads is the policies implemented by local government. Models are nice. They give you good directional indication. But ultimately, we need to make sure we have best management practices moving into place. And in my view, I think it can also provide possibly an alternative way of compliance with the targets. You have provided technology options in
many of our mobile source regulations. And I think such
best management practices could be viewed as another
option for compliance.

In addition, during the next few months, it's
important to put into place the procedures, the
verification monitoring procedures, that you will use to
ensure that the targets are being met. That should go
hand in hand with the adoption of the target.

Lastly, I wanted to remind everyone that these
SCS measures ultimately work their way into the Air
Quality Management Plans and the SIP as approved by the
Board. So there is citizen suit enforceability under the
Clean Air Act, and it is important that we work with the
MPOs and we get this as right as we can on the first
round.

Thank you for the opportunity to comment this
afternoon.

CHAIRPERSON NICHOLS: Thank you.

We're going to hear next from Joe DiStefano from
Calthorpe Associates.

(Thereupon an overhead presentation was
presented as follows.)

MR. DI STEFANO: Thank you very much.

Do we have a Power Point? I'm for better or
worse I think the $6400 man.
First of all, thank you so much for the opportunity to provide comment on such a critical issue for California.

Just as a brief bit of background, my name is Joe DiStefano. I'm a principle at Calthorpe Associates and the lead for the Vision California Project, which is funded by the California High Speed Rail Authority and the Strategic Growth Council.

Vision California, which has been underway for about a year now, is an effort to explore the critical role that land use and transportation investments play in meeting the environmental and fiscal challenges facing this state. We are producing two new model tools to formulate and compare scenarios for how California can accommodate growth out to 2050, but the overall goal of bringing a clear and defensible understanding of the impacts of land use policies and infrastructure investment decisions.

You can just hit the next slide.

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MR. DI STEFANO: Our first round of state scenario results were released this week by the Governor and the Rail Authority. Our results absolutely support the work being done in the regions as they highlight the critical role of land use and meeting not just our state's
climate goals, but in reducing our dependence on oil,
allocciating financial burdens on our cities and citizens,
on water resources, reducing energy consumption, and
protecting the health of our residents.

And to the earlier comment, in many ways, it is
these co-benefits, the benefits that go along with
reducing VMT and GHG emissions, that speak to the larger
and very tangible benefits of smarter land use patterns,
investments in transit and auto alternatives, and policies
that support reinvestment in cities and towns across
California.

Next slide.

--o0o--

MR. DI STEFANO: Everything I'm talking about
today is actually fully available now on
visioncalifornia.org. So anyone who wants to download
reports and take a look at the details of the models and
everything, it's all there.

In the report, we produce a range of scenarios
that measure the impacts of varying ways California can
accommodate growth out to 2020, 2035, and 2050. Holding
all auto and fuel policies, building standards, and power
generation policies constant across all scenarios, the
results highlight the importance of land use planning to
meeting our environmental, fiscal, and community goals.
Next slide.

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MR. DI STEFANO: When compared to a business-as-usual future, the growing smart scenario shifts a greater share of growth into urban and compact form. ULI and the development community have shown what the market and our changing demographics is actually demanding now and into the future. That scenario concerns more than 2300 square miles of land by 2035 and nearly 4,000 square miles 2050. The scenario also saves more than $194 billion in local infrastructure costs --

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MR. DI STEFANO: -- or $24,000 for new household by 2050.

Next slide.

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MR. DI STEFANO: The growing smart scenario reduces reliance on driving and alleviates congestion by placing more people within walking, biking, transit, and shorter driving distance of schools, parks, jobs, and other daily needs.

Compared to business as usual, growing smart reduces VMT by 1.5 trillion miles by 2035 and 3.7 trillion miles by 2050. That's like taking all of California's cars off the roads for 12 years.
Next slide.

MR. DI STEFANO: This is the difference in per household driving. About a 10,000 per household difference across those scenarios.

This saves two years of oil imports to the U.S. and saves California households about $2600 in fuel and other automobile costs per year.

Also reduces harmful air pollution by 25 percent, or more than 132,000 tons per year.

These totals, just for your information, go along with the per capita VMT reduction of 18 percent below 2005 levels by 2035. That's the equivalent of a 19 percent GHG per capita reduction by 2035.

Equally compelling are the land-use-related savings in energy use, water use, and household cost savings. The growing smart scenario cuts building energy use -- next slide.

MR. DI STEFANO: -- by 15 percent by 2050, the amount of energy used by all homes in California for eight years.

Next slide.

MR. DI STEFANO: It reduces water use by 19
1 million acre feet, enough water to fill Hetch Hetchy 50
2 times.
3
4 Next slide.

MR. DI STEFANO: All of this saves California and
5 local government money. Households in the growing smart
6 future save $6400 per year compared to business as usual
7 on transportation costs and home energy and water bills.
8 That is where that dollar comes from, which I can defend
9 it all day long.
10
11 And overall, annual greenhouse gas emissions --
12 next slide --

MR. DI STEFANO: -- from transportation and
14 building are reduced by 17 percent by 2035, and even more
16 by 2050. And that does not include the impact of
17 aggressive auto building and power generation policies.
18 That is just from land use.
19
20 Next slide.

MR. DI STEFANO: The conclusion that can be drawn
22 from these scenarios is that land use really matters and
23 so many of the things that matter to California, its
24 citizens, and its cities. Each percent and per capita
25 reduction in GHS means a lot more than carbon reduction.
It means reducing fiscal burdens on households and cities.

It means saving water, saving energy, protecting farmland and habitat, and reducing our state's reliance on foreign and domestic oil.

Thank you very much for your time and consideration. For more information and access to our reports, you can head to our site.

CHAIRPERSON NICHOLS: Thank you.

I'd like to say on behalf of those of us whose vision is failing as we age, this is really hard to read and I would like to have a better copy. Is it possible to get something?

MR. DI STEFANO: Absolutely. I have copies here and everything is available on the site as well. And we have copies of the report. Your staff does have them.

CHAIRPERSON NICHOLS: Thank you very much.

The comment is excellent, and I appreciate the work that you folks did. And obviously, there is a lot of information in here that we can use. I just want to be able to pull it out in a way that's more accessible than the Xerox we got today.

Next, Amanda Eaken from NRDC and then Jerry Walters.

MS. EAKEN: Good afternoon, Madam Chair and members of the Board. My name is Amanda Eaken. I'm with
the Natural Resources Defense Council.

NRDC was a co-sponsor of SB 375, and I had the privilege of serving on the Regional Targets Advisory Committee for the last year.

We think you, the CARB staff, and the MPOs should all feel very good about the amount of progress being made on SB 375. We are finally getting down to the real task of asking ourselves what is possible with better land use and transportation planning.

There's been a remarkable degree of collaboration across the regions to take steps to explore what is truly ambitious and achievable.

And I want to make three points today about the process going forward. The first has been said earlier, but I think it's worth repeating is we are still actively learning. We're very pleased to see a demonstration of the commitment to SB 375. NTC will model some additional scenarios to truly attempt to achieve a jobs/housing balance in the next several weeks to allow more people to live within the region to accommodate job growth within the region. SACOG admits that even their most ambitious scenarios don't represent the upper range of what is achievable, and we're going to continue to work on scenarios through the summer.

Many of the MPOs are still refining their models.
EMFAC, there's some issues with EMFAC we believe needs sorting out to give you the information you need to set the true targets. And we'll continue to see information also. So encourage you to take all this information into account as you set the targets.

The second is we have every reason to believe that the benefits of these policies should grow and not erode over time. Land use and transportation changes happen slowly, but the benefits accrue over time and add up to big savings in the long term. Therefore, we should see greater reductions in 2035 than 2020. We're pleased to hear the MPOs in their presentation come to this consensus as well.

Finally, we are encouraged that the first round of scenarios have come forth, and we agree with Mr. Heminger that the MPOs can actually do more. We do not believe you should interpret the scenarios before you to represent the upper end of what's achievable. In every case, there's some ambitious policies and there's some policies that we know we can do more with.

For example, in every case across all four of the big regions, we fail to see a shift of transportation funding to support the land use patterns that are called for. In every MPO case, the MPOs are calling for more ambitious, compact development patterns, but the
transportation funding is not shifting to support those
patterns.

As we work through the summer and SCS process, we
have to make sure that the regions are doing everything
they can to support better land use patterns with their
transportation investments.

We are very grateful to you for your leadership.
We're proud to be part of this first-in-the-nation
precedent-setting process. And we look forward to working
with you throughout the summer to make sure we maintain
the high quality life in California as we accommodate new
growth.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Jerry Walters and then Steph Nelson and Troy
Hightower.

MR. WALTERS: Thank you, Chairman Nichols and
members of the Board.

I'm also representing myself, though I'm also a
member of the RTAC. I'm also a consultant with Fehr &
Peers and have a little bit of in-depth knowledge on the
Vision California process.

So I'm only going to highlight some thoughts that
go above and beyond what you just heard from the others
who have just testified. I've also submitted comments in
writing, so you'll see them on your website now or soon.

I applaud the significant efforts and the sincere efforts by the MPOs to deliver what I think are very reasonable scenario tests to you at this point, and I think they represent some significant achievements.

My question will go to possibly adding a few more suggestions on how you interpret the information, adding to and adding some dimension to what Barry Wallerstein and Amanda Eaken have said.

I think in terms of ambition or achievable on the land use assumptions, the suggestions from the MPOs have been they have been ambitious, but they shouldn't be held to very much more land use as a basic threshold of target-setting than their achievable scenarios.

I think we've heard a fair amount of evidence that those higher levels are achievable during the RTAC process. We've heard from some of the development community. We've heard from others here today. Pricewaterhouse has come out with recent studies and SCAG has provided some useful information on planners who are looking ahead to the future in terms of what the real estate economy is going to be, rather than back at the bubble as it was building in terms of the real estate market that existed then. And all of them are reporting that what they can do and are intending to do and they
believe is possible and worthy of investment are more compact, mixed, transit-oriented forms of developments. So I would urge the MPOs to consider planning although more futuristically in that regard.

What I'll call user pricing for transportation, as you look at the assumptions in the scenarios, they do look ambitious in terms of pricing in the pricing scenarios. But if you translate them into how those assumptions relate to inflation, I think that they suggested in total these users of the roadway system in real dollars will be paying less in the future than they're paying now, which has two important consequences. One is funding for transportation eroding, and the other is the disincentives we ought to be seeing in terms of the roadway user costs not necessarily being there.

I will agree with Barry Wallerstein that off-model best management practices are useful to interpreting what's in the models and suggest as he did that you rely on your University of California input that is I think now becoming available to judge whether the estimates being produced by the MPOs really fall within the range of reason.

And I will stop there. Thank you.

CHAIRPERSON NICHOLS: Okay. Thank you very much, and I appreciate having your written testimony.
Steph Nelson.

MS. NELSON: Good afternoon, Chairman Nichols and members of the Board. My name is Steph Nelson. I'm here representing the Association of Monterey Bay Area Governments, one of the remaining six MPOs. And we're moving into our next planning cycle for our MTP. As we do so, we're required under SB 375 to do so in coordination with our regional housing allocation process.

And the new mandate for coordinated land use, transportation, and air quality planning requires the new set of conversations between some decision-making bodies, such as ARB and HCD. One thing that we are interested in seeing is an outline of the steps that ARB and HCD plan to take to ensure that the regional GHG target-setting process and HCD's overall allocation process are based on a common set of assumptions. More specifically, if we are to achieve ambitious GHG emissions reduction goals, placing housing near jobs serves as a key strategy in this effort.

What this requires is for HCD to consider, for example, a new criteria in determining the overall allocation numbers from one region to the next, namely, interregional home-to-work commute trips. For example, in our region, which is San Bonito, Santa Cruz, and Monterey County, we have a number of residents who live in Santa
Cruz or live in San Bonito but work in the Silicon Valley
and Santa Clara County. If we are to locate housing near
jobs, then this would suggest that the Bay Area MPO would
receive the overall allocation numbers to account for
these employees' housing needs. But this is not an issue
that's limited to our region.

So once again, we are interested in seeing an
outline of the staff's plan and coordinate with what your
plan is for future coordination.

And then I have a second comment/question, which
is that the target range that was specified for our group
of MPOs, the remaining six, we set the projected emissions
for 2020 and 2035. And interested to know how much more
specific or ambitious you expect this target to be by the
September adoption deadline. Thanks.

CHAIRPERSON NICHOLS: Thank you. I assume staff
will follow up with you on that.

Okay. Troy Hightower, followed by Alex Kelter
and Jenny Bard.

MR. HIGHTOWER: Good afternoon, Madam Chair and
members of the Board.

My name is Troy Hightower. I'm here from Kern
Council of Government. We're a mid-size MPO. We're one
of the eight MPOs in the San Joaquin Valley. And I just
wanted to briefly inform you of the process that we've
been through up to this date and what we're planning in
the future.

Back in the time that the RTAC was formed, our
Director and Board of Directors established a Climate
Change Task Force and they were given the direction for us
to be proactive on 375. Since then, they've met regularly
and the meetings have occurred at the various sectors and
stakeholders, including the public. That's been very
helpful in our process. We've also collaborated with the
other MPOs in the Valley. We've participated in the work
groups of the large MPOs. And a result of that process is
the recommendations that we submitted to ARB.

I want to mention one thing in particular, the
strategic employment center that was mentioned in the
staff report. We considered them to be strategic because
of their significance to the state and nation. What we're
talking about is military bases, prisons, and large scale
wind and solar power plants.

We would like you to consider exempting those
trips, because we don't have a way to affect the land use
there. The nature of the activities there do not allow
them to be in or near urban areas. At the same time, it's
not suitable to develop housing in and near those
activities. They're large employers. Mass transit or
public transit to the facilities is difficult due to
security issues they have.

Also, this is not just an issue for Kern. It's an issue for other mid- and small-size MPOs. We prepared a summary paper we submitted to ARB, and it's on their website.

So for those reasons, we'd like you to consider exempting all of those trips. The RTAC did recommend 50 percent of military trips.

As for the future, in collaboration with the eight MPOs, we recently started a model improvement program to develop a short-range and long-range plan for modeling to meet SB 375. And we're also working now with public health officials to look at the co-benefits of public health in our plan.

And with that, I'd like to also thank ARB for working with us. We look forward to, as I mentioned, the focus on the San Joaquin Valley.

In conclusion, personally, I attended many of the RTAC meetings, and I know many of the members are here. And I'd like to commend the work they did. Thank you.

CHAIRPERSON NICHOLS: Thank you.

Alex Kelter.

MR. KELTER: Good afternoon, Madam Chairman and members of the Board. I'm Alex Kelter. I'm a physician retired from 24 years in the Department of Public Health,
and now the President of the Board of the Environmental
Council of Sacramento.

I want to thank you for the opportunity to be
here and make a couple of comments of my own and respond
to one comment made earlier about is this a sprint or a
marathon. Doesn't really matter whether it's a sprint or
marathon. They have a lot in common, and one thing they
share is every single step that's taken should be taken in
the direction of the finish line and in no other
direction.

It seems clear from all the testimony that we
can't reach our goals without making the substantial
changes in land use patterns. It might make it easier for
some if the implementation of SB 375 were to focus more on
technology and give a relative pass to land use. I urge
you not to do that and not to take any of the heat off of
the local land use decision-making process. That's where
we were at ECOS. As environmentalists, we've won some
battles and lost some battles. I suspect you have, too.
Although, I'm guessing you've won a few more than we.
Nonetheless, I believe we are collectively losing this
war. Global warming and CO2 emissions are still
increasing.

Locally, in spite of the bursting of the suburban
housing bubble and all the other evidence that we have
ridden this horse nearly to death, and even though you'd
never know it from listening to the discussions here
today, too many local land use decisions are still being
made and general plans are still being proposed and
adopted that support or even favor high VMT expansion
patterns. As hard as we work at ECOS and elsewhere at the
local level, we cannot help you unless you help us.

We wholeheartedly endorse the letter from Climate
Plan. You'll be hearing from Autumn pretty soon. And we
look forward to working with cities, counties, CARB,
SACOG, and all the involved parties to meet our goals.

But make no mistake, unless every single step is
taken towards the finish line, unless every single local
land use decision is made in the direction of implementing
SB 375, all we've done is lead the horse to the water.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Jenny Bard.

And while you're coming up, I now am basically
halfway through the list of people who signed up to
testify. And I really want to urge -- I know there is a
number of representatives of environmental and health
organizations that are there, and I assume you're all here
to urge us to adopt the most stringent possible standards
and to be in favor of SB 375, which I believe we are. But
to suggest that we would be very appreciative if you would
just stand up and say ditto or otherwise, help us to keep
on track, because we've got two big items relating to real
money for advanced transportation vehicles that we still
have to deal with, and we might lose our quorum.

Thank you.

MS. BARD: Thank you, Chairman Nichols. And
thank you to the Board.

I'll be as brief as I can.

My name is Jenny Bard. I'm the Regional Air
Quality Director for the American Lung Association in
California.

Before I start my brief comments, I just want to
submit into the record two letters, one from the Kern
County Medical Society and one from the Fresno Madera
Medical Society, both asking -- I'll read one line. "As
medical experts, we are writing to urge the California Air
Resources Board to adopt ambitious targets that reflect
the full range of policy tools available to local
governments to reduce vehicle dependence and related
pollution emissions."

I'll submit that.

The Lung Association has been working for several
years to advance strong policy at the local and regional
level to promote smart growth and land use planning. And
we recently conducted a government survey of Bay Area government leaders about the public health impacts of global warming and willingness to adopt smart growth policies. The survey was mailed to 500 Bay Area leaders, and we received responses from 75. I'll site some of the results.

When asked if climate change would have a significant impact on their communities, 53 percent said yeah.

When asked their three top concerns about the health impacts of climate change, more than half sited increased frequency and severity of asthma attacks and other respiratory problems, increased health impacts on vulnerable segments of the population, increased injuries and deaths due to increased flooding and/or extreme weather events.

When asked about health benefits of smart growth our communities would most benefit from, 88 percent cited that fitness, increased fitness and physical activity, thereby reducing obesity, diabetes, cardiovascular disease, by promoting opportunities to walk or use public transit.

And then lastly, top policies that they would support, more than two-thirds stated a policy that prioritizes repaving and maintaining local streets while
implementing bikeway improvements, creating codes such as
a code for zoning that provides more flexibility and site
design to foster mixed commercial/residential uses, reduce
vehicle trips. And with additional funding, more than 85
percent would advocate for infrastructure to create safe
access for pedestrians and bicyclists, making transit more
frequent and convenient.

I just wanted to site one of the many incredible
eamples of smart growth planning that is going around in
our state. The Bay Area regional agencies have recognized
the privacy of climate change as a challenge to drive
public transportation and land use policy and have
embraced the urgency of greenhouse gas reduction. They
banded together under the name One Bay Area, all 101
cities, nine counties, and seven million residents to
address the issues of climate change, sustainable growth
and development, transportation, and protection of our
air. As you already heard, many local governments are
showing leadership, and we encourage your support of the
most ambitious targets that will help not only the Bay
Area, but all of California.

CHAIRPERSON NICHOLS: Okay. Bonnie Holmes-Gen,
Teri Duarte, and Brandon Kitagawa.

MS. HOLMES-GEN: Good afternoon, Chairman Nichols
and members.
Taking your charge to heart, I'll just make a
couple very, very brief comments to say that the American
Lung Association of California views SB 375 as an
incredible opportunity from a public health perspective to
address the long-standing problems that have led to asthma
and chronic illness. And we are looking forward to
continuing to working with you, with the MPOs, and local
government leaders to embrace this opportunity to change
the environment and the transportation choices. And we
want to work with you to get more funding to support these
efforts at a local level, because we know that's critical
to making real progress.

We also want to encourage you to support the
further development of tools like Vision California,
because it's so important to help educate the public on
the many benefits of changing course from the status quo
and how we are going to improve air quality and reduce our
petroleum use and create healthier communities and a place
that people want to live and raise their families. And
this is a vision that we all want to embrace and move
forward with.

So we look forward to continuing the discussion
with you and being engaged in the workshops, and we
strongly support forward progress on this important
implementation of SB 375.
CHAIRPERSON NICHOLS: Thank you very much.

Teri Duarte, Brandon Kitagawa, Nidia Bautista.

MS. DUARTE: My name is Teri Duarte. I have a Master's degree in public health, and I chair a group of physicians and other local health professionals called Design Sacramento for Health.

Design Sacramento for Health, we coalesced around our group frustration over our inability to help people lead healthier lifestyles, because they are not able to exercise on a daily basis.

You may not know that 20, 50, 75 years ago, people received most of their -- much of their physical activity through the transportation system, and today that's just not possible. People are forced to drive places. So that's why we see rapidly increasing rates of obesity, heart disease, and so on, so forth. So yes, we are asking you to be as ambitious as possible in setting regional targets.

I would like to point out that a number of our group is here today. Some of the physicians, they range from both older physicians who have served many years and younger physicians, including U.C. Davis Medical Center residents and family medicine. We're working together to try to change land use patterns so that we can be more physically active on a day-to-day basis through walking.
Thank you.

CHAIRPERSON NICHOLS: Thank you.

Brandon Kitagawa.

MR. KITAGAWA: I just want to start by thanking the Board and staff and MPOs for taking on this ambitious effort.

My name is Brandon Kitagawa. I'm with Regional Asthma Management and Prevention. We work to reduce the burden of asthma through clinical management and environmental prevention.

I'm taking the Chairman's advise to heart. I'll narrow it to two bullet points.

One, the tremendous opportunity that we recognize is very much dependent on there being strong targets. I think we feel that we would like to see targets specifically in 2035 that make MPOs a little uncomfortable. We don't want to scare them, but we feel a comfortable target doesn't push them far enough.

And second, we think it's really important to consider adopting standardized performance measures for all MPOs to use. I think that the public and local decision makers can make better decisions if they really understand how the decisions not only affect greenhouse gases and VMT, but also how it impacts air quality and
things like chronic diseases such as asthma.

Thank you.

CHAIRPERSON NICHOLS: Great. Thanks.

Nidia Bautista, Hannah Cohen, and Autumn Bernstein, and Gloria Ohland.

MS. COHEN: Good afternoon. Thank you, Madam Chair and members of the Board.

I'm Hannah Cohen, and I'm representing Sustainable San Diego. We are a collaborative of about 36 agencies and organizations in San Diego, and we have formed together to oversee that we have a strong sustainable community strategy for the San Diego region.

I will try to be brief.

I'm here today to express our support for an ambitious and forward-looking approach for the region of San Diego. We thank the SANDAG Board and the staff especially for their hard work and for what it has produced so far. We are pleased how things are proceeding, and we recognize the challenges of being in uncharted water.

However, we do believe that more can be done and we can produce realistic and higher targets. We have seen the technical report that Autumn will be speaking to, but we do question some of the underlying assumptions for San Diego, in particular. We have a certain that the hybrid
scenario has a lot of highway and road expansion, and we'd like to see that the SANDAG staff take a look at this again, especially in the outlining areas.

We recognize that the transit scenario is extremely ambitious, but we want to make sure that these goals are achievable.

The other thing I'd like to mention is the value of time information. We think that the pricing may be a little bit exaggerated and the social equity issue here.

Sustainable San Diego views SB 375 and the forthcoming sustainable community strategy through the lens of social equity. We believe there is an equity issue here, and we ask that it be re-examined and we get a more realistic pricing scenario.

To ensure that the future work of SB 375 achieves the range of benefits desired for the San Diego region, the target-setting process needs to be approached ambitiously and not conservatively. It needs to consider the full range of regional to these pressing transportation, health and quality of life issues. As it sets these goals, CARB should make a clear statement of support for the types of policies and investments that California cities and regions will need to successfully meet these goals.

Again, we thank you for the extensive work you
have done and continue to do. We will do our part by
building support for the efforts to grow our communities
in a smart, healthy, and sustainable manner. And you have
our letter that we have submitted, and I have another
stack of letters from another organization that asked me
to submit them.

CHAIRPERSON NICHOLS: Thank you. Okay.

Autumn.

MS. BERNSTEIN: Thank you, Madam Chair. I will
try to keep my comments brief.

Autumn Bernstein with Climate Plan. We did
submit very detailed comments to your staff yesterday, so
I will just hit a couple of the high points and let you
read them.

So we do believe that the MPOs have done a
phenomenal amount of work, and every single MPO did a
great job of mixing some really ambitious policies into
the mix. However, we do think there are areas where there
is some particularly ripe opportunities for some
additional and more ambitious work to be done. In
particular, we want to point out that highway and road
investments, not a single scenario that was modeled by any
of the MPOs diverted whatsoever from their existing RTPs
in terms of expanding highways and roads into rural areas.
And we think this is really troubling that going all the
way out to 2035, we think there's a lot more that needs to be done. And trying to reduce VMT while expanding your highway network into rural areas is like trying to drive your car with one hand tied behind your back. We'd like to see a hard look at whether or not all those highway investments really do support the vision that the MPOs are looking for in terms of smarter growth.

So we urge you to continue working with the MPOs over the course of the coming weeks and months to push in terms of what more can be done and to utilize those independent experts you have at the U.C. system to help verify some of the concerns around the post-processing and the models to make sure we're really accurately looking at what is achievable.

And the last thing I'll say is just to reiterate the comments around 2035. We can't take a step backwards. We need to move forward, going forward. And we urge you to adopt the highest possible targets for 2035 that will really push the decisions that are made over the next decade.

So thanks very much.

CHAIRPERSON NICHOLS: Thank you.

Gloria Ohland, followed by Dennis Zane, and Terry Preston.

MS. OHLAND: Good afternoon, Board members and
Chairman Nichols.

I would just say ditto, except there's the matter of that $300 airplane ticket that got me here from Los Angeles and all those greenhouse gases that I emitted on the way up. So I will be very brief.

I work for a number of national nonprofit organizations promoting transit and promoting development around transit for many years and worked a lot in the national arena. And I've always been a little embarrassed about being from southern California, because we're known to be a little bit slow in this area and actually kind of a laughing stock in some circles.

But now with passage of Measure R in 2008 and the fact that we've raised $30 billion for transit and the fact that with the 3010 plan we're trying to build all that transit in ten years, I feel like we're roaring back into national prominence and we're not a laughing stock anymore.

And very similarly, I feel that it's been interesting working with several nonprofit organizations on SB 35. It's been interesting to me there is such widespread support for sustainability in southern California. However, it's best if this is not talked about in terms of greenhouse gas reductions in some counties. And this is partly because SCAG has done such a
good job of promoting smart growth strategies through the compass blueprint demonstrations program and showcasing the things at the cities that have been successful.

I believe it's because the writing has been on the wall. The gulf oil spill is the most recent evidence that business as usual doesn't work anymore. It's kind of like in dance or yoga, we need to come back to center and reinvest and redevelop the communities we've already built. And I think that's what SB 375 is really about. It's really about aligning transportation investments, land use policies, and environmental goals most effective and efficient use of resources.

And it's ironic that opponents say we should wait until the recession is over to implement AB 32 and SB 375, because I feel like these measures are actually the best anti-recession medicine that we have. And so I urge you, in closing, to be as aggressive as you can be, as we can be, because SB 375 I think is really not about greenhouse gas emissions. It's all about the co-benefits. And it seems to me this regional planning exercise has been an extremely important exercise.

CHAIRPERSON NICHOLS: Thank you.

Mr. Zane.

MR. ZANE: Good afternoon. Dennis Zane, I'm the
I want to recall my experience about 25 years ago where, as an elected official in the city of Santa Monica, we undertook a planning process to revitalize our moribund downtown.

About the same time, in Pasadena, there was a similar planning effort taking place where strategies with mixed-use development, compact development, pedestrian orientation, and transit orientations were the fundamental linchpins of revitalization strategies in communities.

Now we learn, 25 years later, that there are co-benefits to our wise economic development decision. And those co-benefits are environmental outcomes, both air quality outcomes and greenhouse gas reductions. There is important lessons to be learned. There are more than 90 communities in southern California that have learned the lesson and have begun to implement for economic development reasons the kind of strategies you're talking about.

We should not be shy or timid about this effort. This is in our economic best interest. It is also in the
best interest of our communities and our planet going

forward.

I also want to add my voice to those who think that 2035 standards targets should, in fact, be very forward-looking relative to 2020. We know from the implementation of the Clean Air Act that one of our central missions needs to be to overcome, and we have done so successfully, the effects of growth in our region. We do that by having strategies that push beyond the effects of growth for real aggregate emission reductions. It's not sufficient to have just per capita reductions. We need genuine aggregate emission reductions if we, in fact, are going to reverse the effects of climate change.

That's your charge.

I must say that I regard you with great envy.

Few people I think in this nation, perhaps in this world, have the opportunity that you have to make such a profound difference for the people who will live here on this planet in the future.

Thank you for your service.

CHAIRPERSON NICHOLS: Thank you.

Terry Preston, Woody Hastings, Marsia Rimland.

MR. PRESTON: Thank you very much.

I'm Terry Preston with Walk Sacramento.

I'd like to echo the fellow who came before me.
I believe this is truly an historic point in life. You don't realize -- or you may realize -- everyone is watching California right. I've been to a number of national conferences and the phrase blueprint, AB 32, SB 375 are being discussed, seeing how it works. It's being considered as something which the nation as a whole may look at as it's considered climate change legislation right now. So this is a really truly historic point right now, and I think we all should be happy that we can be a part of it.

It's also very important that we do it right. I'm struck in the discussion the distinction between ambitious and what is achievable. A couple years ago, AB 32 and SB 375, whoa, you have to be dreaming about that. You only get to achieve something by being ambitious and having the vision in the first place.

So in terms of looking at what is achievable, we have to be thoughtful. We have to be well reasoned about it. We also have to reach a little further than where we think we are. Twenty years from now, we're going to look back at this moment and go, can you believe how conservative they were now? We have to dream and be thoughtful about that, too.

We also have to keep in mind that as some of the opponents are -- this is not about jobs versus green. I
believe that given a true -- a complete community will also create jobs. Also will create great opportunities for us. This is not radicle stuff. We already have a state streets policy which is being implemented by Caltrans right now. We have a State Complete Streets Act which mandates complete streets healthier in communities in our general plans as well.

So as we think about this, it's really just about making the next logical step as to where we are right now. And we all know this is just step one that we're going to be moving further on this.

But again, I'd like to emphasize what my friend Move L.A. said. This is a great time we should all be excited to be part of. I look forward to working with you and our local MPO in Sacramento as well in taking the next step.

CHAIRPERSON NICHOLS: Okay. Thanks.

Woody Hastings.

MR. HASTINGS: Good afternoon. Thank you for the opportunity to speak. This may be a little choppy, because I have every other sentence or paragraph crossed out here in response to your admonition.

My name is Woody Hastings. I'm representing Clean Air Now, a Riverside, California based nonprofit organization dedicated to advancing sound policies aimed
at improving air quality on a California statewide basis.

And we're working proudly with Move L.A. on advancing -- helping to advance implementation of AB 375.

Clean Air Now is a strong supporter of AB 32 and SB 375, and we applaud the ARB and the MPOs in their efforts to advance the implementation of these laws.

So I do urge you, as so many others have, to set aggressive yet achievable targets under SB 375. Strong implementation will help communities in the inland empire and throughout the state by stimulating job growth and economic recovery, improving air quality, saving tax dollars, and making our communities healthier. So we do urge the ARB to adopt ambitious targets that will put our communities on a path to prosperity.

Clean Air Now does not believe that SB 375 will burden small communities. And the MPOs do a lot of the work. And they're already -- the communities are already doing a lot of the work in the right direction. But it will provide flexibility to meet their individual needs and help accomplish existing goals in the communities.

Cities can benefit greatly by adopting proven successful downtown revitalization programs that foster more industrial and local amenities as well as mixed use and higher density residential development. But it's not just the sprawl that's the problem. It's the resources
required to create the sprawl and the damage that extracting those resources inflicts.

In Riverside County, an enormous 311 acre quarry 1,000 feet deep and a mile wide is being proposed to meet the demand for all the roads and road expansions currently planned. The quarry will devastate significant habitat and the quality of life in the surrounding area.

Finally, I want to emphasize, as others have, the importance of setting ambitious targets for 2035, though realistic. There will likely be a lot of wild cards along the way to 2035, but I think if we can find that sweet spot, that Goldilocks effect I think Barry Wallerstein talked about, that's really what we should be working strongly to achieve.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Marsia Rimland, Bob Johnson, Andy Katz.

MS. RIMLAND: Good afternoon, Madam Chair and members of the Board.

My name is Marisa Rimland representing the Public Health Institute. I'll keep my comments brief and speak quickly.

We believe it's paramount that CARB adopt ambitious regional greenhouse gas reduction targets that make use of the array of tools local government possess to
get people out of their cars and reduce the amount of air pollution in our communities. Walkable neighborhoods enable increased physical activities and go far towards combating obesity and associated chronic disease by creating opportunities for a more active lifestyle. And, of course, they reduce the amount of air pollution we put into the air. This improved air quality will help to reduce respiratory illnesses such as asthma, prevalent among children in disadvantaged communities in California. California needs ambitious regional targets to incentivize compact mixed use and mixed income development that supports active lifestyles, and we ask CARB to propose those strong targets. Thank you.

CHAIRPERSON NICHOLS: Thank you.

Bob Johnson.

MR. JOHNSON: Chairman Nichols and Board members, thank you for your strength sitting here for hours.

CHAIRPERSON NICHOLS: It's a qualification for the job.

MR. JOHNSON: I'm going to take less than a minute, contrary to my profession. I'm a professor at U.C. Davis. I've worked in the research group that is building the statewide land use model and the new statewide travel model. We've worked with the large four MPOs on their land use models that will come into use in a
year or two and I believe every case and also with the San Joaquin Valley counties with their travel models and their land use models.

I want to speak just to the process. I believe at this point in time the process that the Air Board and the MPOs utilize is more important than the actual targets. Later, that will change. I would like to see -- I'm addressing the staff here primarily, but also Gordon, Gary, since they've been the chief organizer of getting the MPOs to coordinate their scenario definition and model outputs.

I think we need two things. One, we need broader scenarios to be looked at. This has been observed by some people that proceeded me. Specifically, I would like to see no new highway expansion correctly modeled. In my work with urban models and with transportation models has shown that expanding road capacity cripples transit systems. Every time you add a few hundred miles of HOV lanes, you just defer the day in which your transit system is effected by 10 or 20 years. So properly run travel models will show, I believe, that congestion is the friend of transit, and as opposed to something I heard today, congestion. Well, congestion reduces trip lengths. I don't think it probably doesn't increase greenhouse gas per household of higher levels of congestion. Definitely
incentivizes the use of transit, as in Europe.

Second, on the model outputs, the chief one I see missing, it's the major co-benefit that MPOs I think should be concerned with is travel costs. I hold up here the model, the SACOG work that was done in their blueprint and in their recent modeling in the last few months for target setting. Specifically, I would like to see all the MPOs produce their travel cost number and their infrastructure expansion cost numbers. These would be very therapeutic in terms of how the MPO boards and the citizens in each region perceive these scenarios.

So I argue for in the next couple of months a broader set of scenarios to be evaluated and a broader set of outputs to be requested by the Air Board staff.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

Andy Katz, Connie Gallippi, Graham Brownstein, and Michael Endicott, and that will be the end.

MR. KATZ: Good evening, Chairman Nichols and Board.

I'll start off ditto.

Andy Katz representing Breathe California.

We need the most ambitious targets possible. I'm an attorney, and I have a Master's in city planning which is why I read with great excitement the letter from
Climate Plan written by Osherman Hathoway and Marshall. I would strongly encourage the Board and the staff to review the letter and direct staff to address this letter, because this letter details the reasons why the draft targets are likely not the most ambitious and achievable. The targets that you have -- the draft targets are based on models. It's very much about the inputs to these models.

I'd like to encourage the Board to direct staff to review this letter and meaningfully integrate the factors into the target-setting process. Just to call out three main reasons why this letter is important that illustrate what this letter is helpful to the Board in setting these targets. First, talk about highway expansion. There are decisions to expand highways by a very, very high amount in certain regions. And I would like to say trying to plug an oil spill while the drill is still running, it's really that serious.

There's also the growth distribution. Forty percent of the SCAG growth is in the Imperial Valley according to the analysis done. It's important that we actually have released the data, the land use geographic data so that ARB and the public can determine is this actually the most achievable. A huge part of SB 375 is transforming the way our communities and the regions are
designed. We need that data available to the public.

Lastly, the models underestimate the TDM efforts, the transportation demand management efforts, that are already occurring. It's important that that be reconciled. So with that, I will encourage the Board to direct staff to take this into consideration in the final targets.

Thank you.

CHAIRPERSON NICHOLS: Okay. Thanks.

Connie Gallippi, Graham Brownstein, Michael Endicott, and someone fell off the list, John Ellison.

And that really is it.

MS. GALLIPPI: Good afternoon, Madam Chairman and members of the Board. I'll be extremely brief.

Connie Gallippi on behalf of the Nature Conservancy.

Ditto on the encouragement for adapting the most ambitious targets, especially for 2035. Coming from the Nature Conservancy, we'd also like to encourage that performance measures for the co-benefits of SB 375, especially the preservation of natural resources and landscapes be considered, and that quantifiable metrics for those co-benefits be developed so they can be incorporated into the models for the 375 scenarios in order to compare the trade-offs between the different
scenarios.

A letter was submitted by the Nature Conservancy as well as many other organizations yesterday. There was a lot of detail in that letter, so I won't go into that now about specific examples of metrics and models that are out there currently.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you.

Graham Brownstein, Michael Endicott, John Ellison.

MR. BROWNSTEIN: Chairman Nichols and ARB directors, my name is Graham Brownstein. I'm the new state policy director for Transform. And I'm testifying today on behalf of Stewart Cohen, my boss, the Transform Executive Director, and also a member of the Regional Targets Advisory Committee.

And I've cut my comments way down.

We all recognize the fiscal challenges facing cities and counties and MPOs. Supervisor Roberts spoke eloquently about this issue in his remarks earlier.

In addition to ambitious greenhouse gas reduction targets, we absolutely need additional funding for regional planning and infrastructure investments. But we must not use the current fiscal challenges as an excuse to weaken or limit SB 375's potential. Quite the contrary.
We need to establish ambitious targets as part and parcel of the effort to secure sufficient additional funding for planning and infrastructure.

Transform and a diverse coalition of allies are working right now to restore and expand State and federal funding for smart coordinated land use and transportation planning, as well as funding for the most critical infrastructure investments.

At the state level, we are supporting a bill which will increase funding for SB 375 implementation within each MPO region. And we're supporting a State policy proposal that will give the MPOs authority to adopt a fee on fuel consumed within the region with a majority voter approval in the region, the revenues from which will fund critical local infrastructure investment including transit operations, importantly.

At the federal level, we are supporting two billion dollars in emergency transit operations funding that would backfill the recent cuts.

We're also working to build support for increased federal funding for public transportation in the proposed climate and energy legislation in the upcoming new multi-year transportation funding bill. Your involvement in these political and policy efforts really could mean the difference between success and failure in securing the
needed funds.

So we invite your aggressive involvement not just in setting targets, but in getting policies in place that restore and expand the funding for these efforts.

With regard to the four large MPOs, we want to applaud all of them for agreeing to continue to work on additional scenarios and improve their modeling tools to better inform what will be ambitious and achievable. All of the MPOs need to be more ambitious with regard to the targets for 2035. We heard that repeatedly here today.

With approximately two percent of the current housing stock being replaced each year on average, by 2050, a significant portion of the housing stock will have been replaced. And with the demographic shifts that were noted in the staff presentation earlier, the projections are very reasonably that -- thank you so much.

CHAIRPERSON NICHOLS: That's it. Being a policy director means being cut off. Just when you're getting to the meat of it. Thank you.

Michael Endicott and then John Ellison, wherever he may be.

MR. ENDICOTT: Michael Endicott, Sierra Club, California.

Good afternoon, Madam Chair and the rest of the Board members.
I ditto what Andy Katz and Amanda Eaken said. I want to quickly say to remember that it is important what you do here, both in what you say and how you make your findings. So I just want to do the big picture piece. We are pushing for funding for you and the MPOs and the planning which is so important, like in the bills SB 1445 by De Saulnier. But also you're looking at a very long-term project that is ambitious that goes all the way out to 2035. So be very careful and mindful of how you use the language of what you consider politically possible, expedient right now, and also into the future. And also figure out in that language how you're going to create and keep the dynamism of review and progress, not only as you set the targets right now, but how are you going to review them in four years, eight years, twelve years down the road.

Thank you very much.

CHAIRPERSON NICHOLS: I'd just like to say on behalf of the Air Resources Board that one thing I think we're very good at is keeping people at the table. People don't give up on us.

MR. ELLISON: I'm John Ellison from the Environmental Council of Sacramento, co-chair of Transportation, Air Quality and Climate Change Committee.

My request is in setting these targets -- a lot
of dittos -- don't be short-sighted. In the name of
today's economy, don't settle for what's achievable or
politic.

Like me, many of you are not going to be around,
at least in this capacity, in 25 years. But as speakers
before me say, we have the opportunity -- you have the
opportunity to make a difference for our grandchildren and
their children. So please don't be short-sighted and set
ambitious targets.

Thank you.

CHAIRPERSON NICHOLS: Thank you.

I think any goal that's set for 2035 is by its
nature a little bit of a crystal ball. But I think we
understand that one of the challenges we face is simply an
information challenge as well as limits to our ability to
know things that far off into the future. So we have to
constantly be trying to make sure that we are keeping
people, not just talking, but actually working towards the
goal.

And I think that's where the staff is headed with
this. As they said earlier, they're pretty confident in
what they can do for 2020. I think we've heard a lot of
consensus around those numbers, good, because it's not
that far off. For 2035, whatever we come out with will
inevitably be a guess. Hopefully an educated guess, but
it will have to be very clear that it's subject to
revision based on what appears to be a very intense and
very good faith effort that's going on in the communities.

I think if I may take just a moment here. When I
started my career as an environmental lawyer suing
Caltrans to stop a freeway project -- that was what we
were doing in those days as environmentalists. And we
succeeded for 17 years. And what we ended up with was a
better freeway with a light rail system down the middle of
it and some housing for people whose homes were taken as a
result of it.

I don't think to this day we've ever succeeded in
convincing the transportation community that building
roads actually creates traffic. This is a debate that
will probably go on forever. But at least we now have
people working together in a very collaborative way to try
to meld a bunch of different objectives and do it in a way
that really is a win for everybody, looking at housing,
looking at transportation and land use, and now with
greenhouse gases in the mix.

ARB is the new kid on the block and SB 375 is a
new tool. But we know we're not going to get there
without a lot of cooperation and collaboration. And I'm
very grateful for all of the support and help that we've
received on this. And if we're fortunate enough to
survive, then we'll keep on doing it.

If there are any last words, we'll hear them now.
If not, I think we need a break for about five minutes just to re-group and for people to have a chance to go to the rest room.

Would you like to say anything in conclusion?
I'm sorry. You look like you were ready.

BOARD MEMBER ROBERTS: Madam Chair, I'm thinking back to our own planning when we had goals and ambitious goals. And at any given time you have a black box, you don't know how you're going to fill it, but you had hopes you were going to fill it. Because continually the world is changing and the options available to us that weren't known, I'll tell you, when I first started on this Board 16 years ago. And we've been able to progressively accomplish things each year.

One of the speakers said maybe process is more important than goals. I think there's an awful lot of truth in that.

I hope what we've learned and what we've been successful maybe as applied to this in that we don't ask people to come in here with such specific goals as to how they're going to get there and crank them down so you have to have congestion pricing and all these things to have every last inch of it covered, rather than accept that's
the goal. And maybe part of it is unfilled. And we'll
work on filling it between now -- 2035 is a long time off.
And 2050 is more than a lifetime away. I was interested
to find those figures came from 2050. And I guess we can
make projections on 2099, too. They'd would be worthless,
but we can make those projections.

2020, I think we're in pretty good shape. And I
think we will achieve a lot of what we want, maybe all of
what we want by 2035. But I think we have to be flexible
too in the way that we look at these plans. And I hope
that that is the way it's going to unroll and unravel and
evolve.

I was with Gary Gallegos earlier this week. He
had to leave to be before the Editorial Board of our own
local newspaper soliciting their support on a major
expansion of our light rail system. It's a $1.2 billion
addition. We're very much into these things. And we're
going to continue to be. And it doesn't make a
differences whether there is an AB 375 or not. We're
going to continue to do those things. We'll probably do
it a little better because of AB 375, but I hope we do it
in a way that the Air Board is cooperative with the local
agencies. And I think that's happened so far. And I just
want to encourage that, and I want to encourage the
flexibility that we have in our own planning to be
available to these organizations and their planning.

CHAIRPERSON NICHOLS: Good point.

Ms. D'Adamo.

BOARD MEMBER D'ADAMO: Earlier today, I held off on saying anything about this just because we were dragging on so long before we got to the witnesses. And I had hoped there would be somebody that would raise this issue. But since it hasn't come up, I'm just really concerned about the Valley. We are way far off compared to the other regions.

And I think Andy did a very good job highlighting some of the challenges with -- he focused on unemployment. But we have such significant issues of poverty in the Valley that it doesn't just get down to money. It gets down to challenges with political will. Very few counties in the Valley are self-help counties.

So as other regions of the state progress, I fear that the Valley is going to lag behind even further, unless we figure out a way. Staff and the State, they're not going to be able to pull it off on their own.

I know we don't have the time today. Lynn and I talked about this earlier. I know staff is going to really try to hunker down on this issue. But I just want to mention it for my other colleagues here on the Board that especially when you see that some of the scenarios
even include an increase for some of the Valley counties,
we have a long way to go there.

CHAIRPERSON NICHOLS: Well, I think your point is
well taken. The Valley is always the example that we use
of the place where there is perhaps an opportunity to
avoid some of the problems that have occurred in other
areas, because there is still so much growth going on. So
I hope that the fact that they're not one of the big four
doesn't mean they're not getting the attention they
deserve.

BOARD MEMBER D'ADAMO: Well, I think so much of
it is there's other issues. People are focused on jobs,
foreclosures. This is the last thing they're thinking
about. But it is sort of a laboratory. There's so --
it's almost like the wild west. There's so much that we
could go in one direction or the area. And so I think
what it's going to take -- I feel like I need to spend
more time on this. And maybe if we could have a separate
off-line discussion, see what we can do. Obviously, it
has to come from within the planning organizations in the
Valley, but maybe we can provide some additional staff
assistance.

CHAIRPERSON NICHOLS: One area where the Valley
has been strong in the past, at least some elements, has
been coordinating their efforts to get federal assistance
to do studies and to get technical support. This is one
of those areas where everybody says there is a need for
better tools. So that might be one of the things that we
could help with. That would be great. Thank you.

Speaking for myself, I think it is just barely
possible that I could be here in 2050 still voting, and
I'm going to do my very best.

So we'll take a break and be back in about five
minutes.

(Thereupon a recess was taken.)

CHAIRPERSON NICHOLS: Next on the agenda is Prop. 1B grants to local agencies for projects to reduce diesel emissions from goods movement activities.

The Goods Movement Emissions Reduction Program provides grants to local agencies that offer incentives to owners of diesel freight equipment to upgrade to cleaner technologies. This program is allocated $250 million to date. Today, we will consider a two-phase approach to award the next several installments of funds totaling $500 million.

We appreciate the confidence that the administration has in this program as a priority for bond money. It's helped us to go to the head of the queue when it came to bond sales even during very difficult times for this state's budget.
These goods movement incentives bring both public health benefits and economic stimulus benefits when the funding helps thousands of business owners clean up their diesel equipment ahead of ARB regulations. This financial assistance helps create and retain California jobs, while supporting businesses that design, sell, and install green products here in California.

Mr. Goldstene, will you please introduce this item?

EXECUTIVE OFFICER GOLDSTENE: Thank you, Chairman Nichols.

Our local agency partners have worked diligently to implement projects with the initial $250 million awarded in May 2008.

As you mentioned, today's proposal is designed to address the allocation of the next installment of funds. We're proposing that the funds be allocated in two phases. Over the last two years, the State budget appropriated a total of $500 million for this program. ARB staff is proposing to reserve up to 25 million for internal administrative costs with any unneeded funds redirected to existing grants. This leaves $475 million for the Board to allocate.

Last month, local and State agencies submitted applications for over one billion dollars in projects to
be funded with the 475 million.

In Phase I, the Board can award the $200 million in bond cash we have on hand now. These projects can get started quickly in July.

In Phase 2, there is the remaining $275 million from the appropriation, but no bond cash available yet. According to a schedule issued by the Department of Finance, most of these remaining programs are scheduled to be raised through bond sales planned for spring 2011.

To provide some longer term direction for the program, staff is asking the Board to consider tentative or preliminary allocations of $275 million in Phase 2 moneys today. The Board would then finalize the Phase 2 awards at another public hearing in 2011 when the cash from bond sales becomes available.

Staff's recommendations on which projects should be funded and at what levels are consistent with the updated program guidelines and funding priorities that the Board adopted in March. Truck projects would receive the majority of the combined funding in Phase 1 and Phase 2, followed by ships at berth and locomotives.

The staff proposal recommends front-loading much of the funding for ships in Phase I so the design and construction of shore-based electrical power for ships can be completed before the compliance deadline in January.
Now I'd like to introduce Ms. Barbara Van Gee of the Stationary Source Division to begin the staff presentation.

Barbara.

(Thereupon an overhead presentation was presented as follows.)

GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:

Thank you, Mr. Goldstene. Good afternoon, Chairman Nichols and members of the Board.

I'm going to try to cut to the chase on this and be as brief as possible. So some of the slides we'll go through quite quickly, and I'll just try to highlight the main things.

Next slide.

GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:

Mr. Goldstene covered these two, so we can move along to the next one actually as well.

GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:

The State budget, as Mr. Goldstene mentioned, that they appropriated two installments totaling 500 million. In response to the State policy for bond-funded programs,
we're recommending that the Board allocate to funds in the
two phases that were mentioned earlier.

GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:

We recommend reserving the maximum five percent of 25
million for ARB administration for now for the following
reasons. These funds need to cover multiple years of ARB
staff and contract costs typically one and a half percent
annually. We also need funds to pay Department of Finance
and Bureau of State Audits to audit this program. We
don't know what these charges will be yet.

ARB staff has proposed to use Prop. 1B funds to
implement a Truck Loan Assistance Program. Our increased
cost to do so will likely need to come out of these same
administrative funds.

ARB staff is also exploring the possibility with
the Air Districts to develop a one-stop assistance center
for truckers to get information on ARB requirements,
available technologies, and funds. To allow for this
possibility, we need to reserve substantial funds in
excess of the annual baseline.

If ARB opts to pursue other means of outreach or
secure other funding sources, we propose that the
Executive Officer redirect the unneeded ARB admin funds to
truck grants in each corridor in proportion to each
I'd like to note the available Phase 1 bond cash cover the first ten million of this 25 million total. That ten million covers ARB staffing and contracts for the next few years, plus about two million for audits and trucker assistance centers. The remaining 15 million will need to come from future bond sales, and we will update the staff recommendation how much should be retained for ARB administration when we return to the Board next year.

GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:
We issued a Notice of Funding Availability in April. In response, local and State agencies submitted applications for 15 grants requesting over one billion to upgrade about 16,000 pieces of equipment.

I'll now describe the process ARB staff used to develop the funding recommendations and then identify the specific recommendations for each trade corridor.

GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:
To develop the recommendation for funding, we considered the funding targets adopted by the Board for each category of sources and each trade corridor and the Board's priorities for funding trucks, locomotives, and ships at berth in this round.
Within each corridor, we then looked at the requests for funding and the priorities identified by the local agencies.

To develop allocations for Phase I, versus Phase 2, ARB staff considered the readiness of each local agency to administer new funding. Our assessment of readiness is based on the status of existing Prop. 1B grants from the first round and the availability of sufficient local agency staff to start implementing new grants in summer.

GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:

We recommend a tentative allocation of up to 50 million in Phase 2 for the Truck Loan Assistance Program to be administered by ARB staff. This program would assist truck owners to supplement the truck grants.

For the remaining 425 million, we are recommending the funds to be divided among the four trade corridors, according to the percentages established by the Board as shown on this slide.

GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:

This graph shows the draft distribution of moneys by funding category based on staff's preliminary recommendations.
Obtaining financing to supplement grants has proven to be a barrier for independent owner-operators and smaller trucking fleets that have less access to capital loans. Funds for the program must come from taxable bonds which ARB will work with the State and the Treasurer's office to sell in spring 2011.

In the interim, ARB staff will develop the specifics of the program in a public process.

After consulting with the district and all of the ports involved, staff is recommending that the Board award a single grant to the South Coast district to cover shore power needs at all three ports within this trade corridor.

The majority of the Phase I funding in this corridor, about 61 million, would be available for ships at berth and cargo equipment projects. We are proposing that the majority of locomotive funding be deferred to Phase 2 to take advantage of cleaner technologies expected to be available in the time frame to spend the Phase 2 moneys.

The remaining funds, a total of 141 million,
would be used to upgrade diesel trucks with about one-third of those funds available in Phase I.

GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:

To develop our recommendation for this corridor, we looked at the staffing resources and readiness of both Air Districts to implement new truck grants this summer versus starting grants next year with Phase 2 funds. Truck grants are the most resource-intensive for the local agencies to administer.

Both Air Districts have a small number of incentive program staff and substantial work remaining to implement their existing truck grants under Prop. 1B. Based on the rate of progress over the past year and current staffing levels, ARB staff believes the two Air Districts are not ready to take on a significant amount of new funds. Staff is proposing that the Board make small awards in Phase I with the balance of funding allocated to be funded in Phase 2.

GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:

We recommend fully funding San Diego's application for commercial harbor craft for 500,000 with remaining moneys going to truck projects.
Based on our evaluation, staff is recommending the Board partially fund the Imperial District's truck proposal with three million in Phase I and defer the remainder of the truck funds to Phase 2.

We are recommending that 8.5 million in Phase I funds be temporarily redirected from the corridor to the San Joaquin Valley District to accelerate truck projects, which is consistent with the statutory direction that ARB allocate funds to projects that can quickly reduce emissions and health risk.

The San Diego border corridor would receive a proportionately larger share in Phase 2 funding to restore the region's funding to the target levels.

GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:

As we mentioned earlier, ARB staff is recommending all of the temporarily redirected funds go to the San Joaquin Valley. These funds will not increase the overall allocation to the central Valley corridor. This pragmatic recommendation is based on our assessment of readiness. We looked at where each district is in implementing its prior truck grants under Prop. 1B and when they'd be ready to take on new work.

The San Joaquin Valley district is nearing completion of its existing 40 million truck grant under
Prop. 1B and will be ready to start a new cycle this summer. It effectively implemented its current Prop. 1B truck grant, including successful outreach to independent owner-operators and small trucking fleets that operate in the Valley, regardless of where those trucks are based.

GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:

We are proposing partial funding for each of the projects submitted by the Air Districts, as both districts have run successful truck programs. The Board would assess the progress of each agency next year to determine how the Phase 2 truck funding would be allocated.

Staff is recommending that the locomotives be funded entirely in Phase 2 to take advantage of the cleaner technology that is expected to be available over the next two to three years.

GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:

This slide compares the local agencies' requests and our proposal for overall funding based on the trade corridor funding targets. To make our recommendations consistent with the funding level of 59.5 million, we had to reduce the total request.

ARB staff consulted with the Bay Area District on how to cut the requested funding down to match the...
available funding. The district concurred it was appropriate to reduce the size of the requested award for all three types of projects and to maintain all three projects, since they are all effective at reducing the health risk for residents of the entire Bay Area regions.

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GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:
We recommend front-loading the funding for ships at berth and cargo equipment with more than 70 percent of the allocation in Phase 1. This would accommodate the long project schedules to design and install grid-based power for ships and advance the compliance deadline in ARB's rule. The majority of the truck funds and all the locomotive funds would come in Phase 2.

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GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:
Grants for ships at berth will typically co-fund the land side costs of installing grid-based electrical power for ships. These are multi-year design and build projects. These projects have two deadlines, regulatory and expenditure. These projects must be finished prior to the January 1st, 2014, compliance deadline in ARB's regulation. The second deadline is on the grant side. ARB must set aside the cash for the projects up front before the work begins. Once a contract is signed, the
project must be completed and demonstrated to be operational prior to payment. By statute, final payment must be made within four years.

If these projects are not completed on time, the funding reverts back to the Legislative Control Account and must be reappropriated to ARB in a future state budget. The funds are out of circulation for several years. The project grant would then need to be terminated regardless of how much money the terminal operators has advanced to cover the cost to that point.

To minimize the possibility of this situation happening, ARB staff is proposing to work with local agencies to develop supplemental procedures.

Additionally, if solicitation for shore-power projects is undersubscribed, ARB will work with the local Air Districts to redirect those funds to truck or locomotive projects administered by the same local agencies. We believe this approach is the soundest way to make funding available for the shore power projects, but ensure the funding achieves the intended emission and health risk reductions, even if the shore-power projects experience delays.

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GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:

This table shows the approximate emission reductions that
would be achieved by the combination of projects covered under the preliminary funding recommendations. You don't see the same proportion of PM and NOx reductions per dollar in the L.A. corridor as in the central Valley corridor because the mix of projects is different. For example, the ratio of PM versus NOx for truck projects is distinct for the ratio for shore-power projects for ships.

GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:

The port of Oakland is asking that the Bay Area receive a full request of 39 million for ships at berth projects in Phase I. That funding request exceeds the Phase I total for the corridor. Meeting the port's request in Phase I and Phase 2 combined can only happen by diverting funding from truck projects that can significantly reduce associated health risk throughout the Bay Area. The recommendations for Phase I and 2 allocate 60 percent of the funding requested. The Bay Area district is proposing to provide up to $5 million in local funds for Bay Area ports to supplement Proposition 1B funds for shore power, raising the incentive total to 29 million compared to the 39 million requested.

The San Diego District, the port of San Diego,
and local community groups requested that the San Diego
district receive truck funding in Phase I. I've already
described why we are recommending that those funds be
defered to Phase 2. I would note that the comment
letters on this issue reference a need for funding to
upgrade trucks at the port of San Diego. However, trucks
are no longer eligible for incentive funding to comply
with the January 1st, 2010, Phase I deadline of the
drayage truck regulation.

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GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:

This slide shows the cumulative program allocations for
the full 750 million appropriated to date with
staff-proposed recommendations for action today. It
confirms that each corridor is receiving its allocated
share of funding.

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GOODS MOVEMENT PROGRAMS SECTION MANAGER VAN GEE:

Staff recommends that the Board adopt Resolution 10-27.
This resolution identifies local agency projects for Phase
I, tentative allocations for Phase 2, as well as the
provisions for back-up projects that I discussed earlier.
And it also directs staff to develop supplemental
procedures for shore power projects to ensure that we meet
regulatory and expenditure deadlines.
Thank you. And we'd be happy to answer any questions you may have.

CHAIRPERSON NICHOLS: Can we go directly to the witness list?

BOARD MEMBER LOVERIDGE: Mary, I would like to ask three quick questions. The San Diego deferral, is that --

BOARD MEMBER ROBERTS: I was not going to comment to save time. It's not acceptable. We're going to have testimony on that.

CHAIRPERSON NICHOLS: There is a proposal to change that, which we will consider.

BOARD MEMBER LOVERIDGE: Readiness strikes me as a soft concept. We'll talk about that later.

I just ponder if we're going to reallocate money, why don't we use the formula on slide eight? So we can come back to that.

CHAIRPERSON NICHOLS: Good questions.

I have a proposal to take money away from every district and reallocate it to another district in equal amounts. I think that could solve many of the problems that we have to deal with here.

Okay. Michael Villegas, Fred Minassian, Seyed Sedredin.

MR. VILLEGAS: Chair Nichols, members of the
Board, I'm Mike Villegas, Air Pollution Control Officer for Ventura County.

We are pleased to support ARB staff recommendations for allocation of these Proposition 1B funds. We're especially pleased to see that $61.3 million have been set aside for funding to address shore power needs for the ports of Los Angeles, Long Beach, and Hueneme.

I'm going to touch on the benefits at the port of Hueneme. First off, Ventura County is not in attainment for the federal state ozone standard. This is going to result in significant nitrogen oxide reductions and be a big step towards attainment for our district.

Further, on the diesel particulate side, one thing I need to point out is there are not overhead cranes at the port of Hueneme. These refrigerated vessels use auxiliary engines to power their ship cranes to off-load the cargo. This goes on for three days. The nearest residence to the berths where we are proposing for electrification are less than 400 meters.

With that, I'd like to support staff's recommendation.

CHAIRPERSON NICHOLS: Thank you very much.

Fred Minassian, and Seyed Sedredin.

MR. MINASSIAN: Madam Chair, members of the
Board, good afternoon.

I'm Fred Minassian, Technology Implementation Manager at the South Coast AQMD.

Our agency supports the staff's proposed project categories with a minimum allocation of 55 percent of the funds to the Los Angeles/Inland Empire trade corridor.

I would like to make the following comments regarding your staff's proposal which were expressed in a letter to Chairman Nichols from our Chairman Dr. Berg dated June 15th, 2010.

First, the grant agreement between CARB and the receiving agency should allow that in the event funds allocated for a specific project category cannot be fully committed in the first year, then those funds may be used for other project categories granted by CARB within the same trade corridor.

Second, in the Phase 2 segment of the program, $50 million set aside for the truck loan program. We believe the continued availability of AB 118 funds for a similar program, the distribution of the $50 million to implement that specific projects in accordance with your Board-adopted allocation for each corridor would be more effective. However, should you maintain the $50 million for the Truck Loan Program, we trust that at least 55 percent of the funds be reserved for loan programs within
1 our corridor.

2 Our last comment is regarding the $8 1/2 million
3 that is proposed to be traded to Central Valley corridor
4 from San Diego/Border. Although it's proposed to redirect
5 back in Phase 2, we believe these funds should not be
6 directed to Central Valley Corridor in Phase I. CARB's
7 own recently published report indicates an increase in
8 average truck mileage in all trade corridors but San
9 Joaquin Valley. Your own guidelines also states that
10 through truck traffic also benefits neighboring regions.
11
12 We have 3,000 applications ready to go for
13 trucks. It translates to $150 million. So should you
14 redirect the $8 1/2 million, we request that it should be
15 distributed according to your own adopted policy,
16 allocating 55 percent to our region.

17 CHAIRPERSON NICHOLS: Thanks.
18 Seyed Sedredin, Bob Kard.

19 MR. SEDREDIN: Good evening, Madam Chair, members
20 of the Board.

21 I'll try to cover key items very quickly in the
22 two minutes.

23 First, in terms of the inventory that Fred just
24 mentioned, there is a misnomer out there that inventory
25 actually went down for San Joaquin. But that depends on
26 what frame of reference you use. It is correct the SIP
inventory went down for San Joaquin, but the inventory that he used for the funding allocation which came up with the 55/25 percent now shows a higher inventory for the Valley. We're setting that issue aside for today. Just for the record on that.

I want express my gratitude and appreciation to the staff for the recommendation. We do support the recommendation. And I think they did take a critical look at the state of readiness of each program and really came up with a recommendation that reflects that you don't want to have the money go to a place where it's not ready to be spent immediately. And we certainly don't want to have to send the money back to the State Treasury and have the Legislature in these tough economic times to send it back.

We do support the recommendation, because of that redirect that is there. And to the extent that I see there might be some opposition to that, I think you should also then within the corridor -- within the Central Valley corridor look at that formula, the 25 percent that was coming to the Valley was entirely because of the needs -- almost entirely because of the needs of the Central Valley.

We had three variables in that formula, population, emissions, and the SIP needs. For population in the Valley compared to Sacramento had 80 percent share
of that. For the SIP needs, it was 100 percent in San
Joaquin Valley for SIPS. And in terms of the emissions,
over 90 percent of that was from the Valley. So to the
extent that you decide to not redirect that funding in
Phase I, which is only a temporary reallocation, then you
should also take a look at that within the corridor
designations that you have to make.

I have one more point, but I'll skip it.

CHAIRPERSON NICHOLS: Thank you very much.

Appreciate that.

Bob Kard.

MR. KARD: Good evening, Chairman Nichols and
Board.

I'm Bob Kard, the Director, Air Pollution Control
Officer at the County of San Diego Air Pollution Control
District.

I'm here today to argue that we deserve the money
that was on the books that looked like it was headed our
way but now South Coast and San Joaquin seem to be arguing
over.

With regard to that 8.5 million we would not see
within the San Diego/Border trade corridor, we would like
to encourage the Board to provide money to us during Phase
I. First of all, we're not just speaking port trucks
which I heard referenced by CARB staff earlier. We're
talking about truck drivers in the trade corridor with
diesel exhaust where risk levels along Interstate 5
through San Diego, specifically up to the Barrio Logan
environmental justice area, those diesel truck emissions
result in very high risk levels. We think some of the
money should come our way, if not all of the 8.5 million,
that was proposed for diversion. It should come our way.
We could put it to good use.

How I plan to do that is this. Our incentive program, I'll to be first to admit it was kind of bear
bones staffing level. Recently, we added two people to
it. Today, I'm letting you know I will divert about half
a dozen staff from other programs at the APCD to work on
those existing grants and whatever new money we might get
in order to fully utilize them and avoid any return to the
State, which none of us would like to do.

In addition, I've got a number of vacancies that
exist at the district. I'm going to propose I'm going to
fill roughly four or five more of those to handle this
program; therefore, adding about ten full-time equivalent
positions to the existing three that are already on the
program. That's a substantial effort on our part that
takes away any indication that there might be a doubt that
we can handle the work.

We actually do run a very good program. We work
well with CARB staff. Cynthia Marvin has been terrific to
work with. And I think after talking with her, she
understands I'm ready to address this problem.

With that, I'd ask your support to perhaps change
that deferment or diversion of funds, because we could use
the money. Thank you.

CHAIRPERSON NICHOLS: Okay. Supervisor.

BOARD MEMBER ROBERTS: I want to speak on this,
but I think --

CHAIRPERSON NICHOLS: Get it out of the way.

BOARD MEMBER ROBERTS: As I understand this --
and it was just the other day when staff was briefing me
this came to the surface that we were going to be doing
this shift. And it was on the basis that we would not be
able to handle this. And the first thing I did was sit
down with Bob, and we went over this. And it's clear to
me that the district is going to be able to handle this.
San Diego has a very modest request in here. And to have
it all transferred in Phase 2 would not be the appropriate
way this should be handled.

If the money can't stay in San Diego, I'd
certainly want to see a good portion of it stay in San
Diego. There's no reason for the transfer. And I'm
hearing from our director that the staffing levels are
going to assuredly be there to be able to process these
CHAIRPERSON NICHOLS: I think that was the issue. It was never a judgment that San Diego didn't have the will or the desire to do it. It was a question strictly of capacity as I understood it.

MR. KARD: I agree with you on that. We're addressing it right now. The transfer of staff with regards to duties will be nearly immediate.

And then in addition -- I haven't told you this -- we have at our district in order of how things work, we have myself, the Air Pollution Control Officer. Then we have the assistant, who is next in line, unlike others call it a deputy. We just hired a deputy who's one step down that is managing all of our business processes. And she has extensive experience and is overseeing the grants. And I'm seeing changes already in terms of efficiencies.

And I think I can pretty well guarantee we will handle this well. I'm staking my reputation on it, and I'm known to get things done.

BOARD MEMBER ROBERTS: He's staking more than his reputation.

CHAIRPERSON NICHOLS: Okay. I've made a commitment to Supervisor Roberts that I would make sure that we dealt with this issue properly if he has to leave.
I know he has a plane he has to catch, so he may not be here when we finally get to vote on this item. But we will make a commitment that we will try to resolve this issue in a way this gives at least a degree of credence to what you've said. And appreciate your being here.

MR. KARD: Thank you very much.

CHAIRPERSON NICHOLS: Yes, now Mayor.

BOARD MEMBER LOVERIDGE: The question is what is the state of readiness. It sounded like he described the stated of readiness, as I listened to what he had to say.

CHAIRPERSON NICHOLS: I think the concept though of projects being ready to go when it comes to spending grant money is real, having dealt with it over a period of years at the Resources Agency. People have concepts and ideas for projects, but to actually be able to cut the check and get the project done does take people and it takes systems being in place. Okay.

Mr. Edgar and then Damian Breen and Omar Benjamin.

MR. EDGAR: Chair Nichols and Board members, Sean Edgar, Clean Fleets Coalition. Also a member of the Truck Regulations Advisory Committee.

I'll be very brief because I've heard a lot about Goldilocks today, and Mr. Cackette and Mr. Goldstene and I are on our way over to the Hair Club. So I'll be getting
out of here pretty quick.

I'm excited you all have money. So on behalf of fleet owners, I just want to say as Jerry McGuire would say, show me the money.

Just a few options, two items related to practicality and two related to flexibility.

The first, an issue that came up yesterday -- and I see Mr. White sitting -- and the staff doing a good job having workshops. And there were two issues that came up on the linkage to the truck and bus rule related to 1B.

The first is that staff is interpreting that only one compliance option could be used. Staff's indicating that only one option could be used, and that would definitely restrain the ability of some fleet owners to participate in 1B.

And the second would be no credit being given to fleet owners and their compliance schedule relative to use of 1B. Just as a practical measure, we want to encourage fleet owners to make the maximum use. And so I'll be working with Mr. White, but I think it's something that as we get toward implementation will need to be worked out.

And just very briefly before I step down, I'll just say that in the case of the Bay Area, diversion of funds away from truck projects wouldn't be my first preference. So I would certainly like to see as many
valuable projects in the Bay Area be carried forward.

And just in closing, I'd indicate that flexibility for reuse of some of the funds, the administrative funds, that Board staff may not use -- our firm recently completed a survey at the Stockton intermodal rail yards in response to a lack of information. And we determined that a lot of the small fleets there are no longer there, we did last fall and also this spring. And there are worthy projects out there, and I'll speak to you about that project another time. The final report is being issued. But a worthy project could use some additional funds.

With that, I thank you for the water and I'll sit down.

CHAIRPERSON NICHOLS: Okay. Damian Breen and then Omar Benjamin.

MR. BREEN: Good afternoon, Chairman Nichols, members of the Air Resources Board.

My name is Damian Breen. I'm the Director of Incentives for the Bay Area Air Quality Management District.

As you are aware, the Bay Area has applied to you for $88 million in goods movement bond funding. However, staff's proposal recommends that only $59.5 million be made available to the Bay Area Corridor. While the Air
District acknowledges these are tough financial times for the state of California, we believe our full funding request should be honored.

The reasons for that are two fold. Bay Area residents are subject to 20 percent of the total toxic diesel particulate matter emissions from all goods movement in the state, and the Bay Area is home to 20 percent of the state's population. And based on the fact that that population is located in densely populated urban areas along the trade corridor and is highly impacted by the health effects of goods movement, we believe that that gives us a clear mandate to protect public health and public health must be placed first when expending scarce State dollars.

Should you not reconsider our funding request, the Air District would concur with your staff's proposal to proportionately reduce the amount of funding eligible in each one of the project categories that we've applied for. This preserves the original balance of our request and directs funding appropriately to address the relative health risks caused by emissions from each goods movement category.

The Air District agrees with your staff that it is necessary to front-load the funding for shore power projects. These projects are complex. And based on the
Air District's experience in implementing the first goods
movement bond shore power project in the state, we believe
the time to work on these projects is now.

Because time is of the essence, the Air District
has committed $5 million in local funding to get these
projects going. And we feel that it's incumbent upon the
Air Resources Board to look at all of its resources in
order to match the Air District's commitment to shore
power. And it must be noted that on-road trucks are a
major source of the health risks posed to Bay Area
residents, and we would encourage the Air Resources Board
to supply maximum flexibility and funding to the trucking
industry by doing a couple of different things:
Instituting a loan guarantee program and credit programs
for truckers --

CHAIRPERSON NICHOLS: Excuse me, Mr. Breen, but
your time is up.

MR. BREEN: Okay.

CHAIRPERSON NICHOLS: Thank you.

Omar Benjamin and Scott Peterson.

MR. BENGAMIN: Good afternoon, Chair Nichols and
members of the Air Resources Board.

We appreciate all of your leadership at the Board
and the staff in moving forward with improving our air
quality. We also appreciate the Air Quality District's
Board and staff support of our application, and in particular, coming forward with an additional $5 million to support our air quality program.

As you know, we've expressed our concerns and disappointment about the recommendation for shore power funding at the port of Oakland. As you know, the reason for that is that because we believe in the value and the improvement in air quality from the shore power projects for our community, particularly in west Oakland, which is directly impacted by the activities of our port. And it looks like that the proportion of funding for shore power appears to be disproportionately reduced compared to trucks.

Now, as a result, we're still going forward and we are committed with improving our air quality and implementing a shore power program. And in fact, unintended consequence of this is that we're spending twice as much money twice as fast. We will be at the 2020 goal in 2014. I know that was unintended consequence to resolve that in terms of having us be in a situation to spend that money twice as fast.

But we're particularly appreciative and look forward to continuing to work with you and the air quality district, especially after our recent meeting with you, Chair Nichols, and Supervisor Yeager, along with Mr.
Goldstene and staff and colleagues from the district in sharing our plan and trying to be creative with the goal of flexibility to improve our air quality, maintain our financial health, and support our state's economy.

Thank you.

CHAIRPERSON NICHOLS: Thank you. Thanks for sticking with us. And we look forward to working with you to implement this project.

Scott Peterson and then Tim Schott and Mike Jacob.

MR. PETERSON: Good evening, Chair Nichols and members of the Board.

I'm Scott Peterson with the Oakland Metropolitan Chamber of Commerce. I'm here to ask you and I'm pleased to follow our port's Executive Director, because I'd like to ask for you to fully fund the port of Oakland's request for Phase I to support shore power infrastructure planning and implementation. The Chamber is convinced that providing this early investment in air quality improvements, which we believe reflect CARB priorities and enable compliance with CARB targets in time lines, is critical.

As you know, shore power will help reduce emissions impacts on the communities surrounding the port of Oakland, but shore power also puts people to work. In
the short term, it helps build this important public infrastructure. In the longer term, it provides jobs dock side as capacity will expand. And in the goods movement industry, which stretches from the port of Oakland through the greater east bay in northern California and beyond into the mega region, this project is critical.

And as I've mentioned, the mega region, I'd like to let you know a couple of months ago the Chamber hosted over 450 people for a mega region summit focusing on goods movement. That gave us a clear sense of how important infrastructure improvements are to the businesses, the unions, and to the communities which benefit from goods movement but are also effected by the transit of goods by ship, road, and rail.

So one thing is clear: Goods movement professionals believe that expanding capacity at the port of Oakland is important, just as important as improving the air quality which will have lasting economic benefits not just in Oakland, but in Stockton, in Redding and Fresno, Truckee, and reaching east in Reno and even Salt Lake and beyond.

So the Oakland Chamber respectfully disagrees with the staff recommendations to underfund shore power at the port of Oakland, and we urge you to front load this investment needed to keep pace with the regulations.
imposed since 2006 when Prop. 1B was passed.

Thank you very much.

CHAIRPERSON NICHOLS: Thank you. That was great.

Tim Schott, followed by Mike Jacob, and that's

the end.

MR. SCHOTT: Madam Chair and Board members, Tim

Schott on behalf of the California Association of Port

Authorities, which is an association comprised of the

state's commercial publicly-owned ports.

We want to thank your staff for working with us

over the past few months, although they have not

acquiesced to all of our demands yet, we very much

appreciate the fact they've been available.

CHAIRPERSON NICHOLS: I like the "yet."

MR. SCHOTT: The Association supports the full

funding of all of the port requests for shore power

projects and remind you they were supported by the local

Air Quality Management Districts.

We ask you to keep in mind a few things as you

deliberate on this and on future allocations. That is

that the ports are all unique. Each of California's

eleven ports are unique. They serve a different role in

the California port system, in the national port

transportation system, and the global goods movement

system. They vary immensely not only in size and scope of
operations and related environmental impact, but also on
the resources they have available and on the market
pressures they face and on the economic realities in which
they find themselves in.

They also compete. They compete at the state
level, at the national level, and at the international
level with neighboring countries. And they are competing
in the current climate with a number of California-only
costs that hit our port infrastructure and that don't
exist in other states or other nations, and not the least
of which is the recently adopted ARB regulations related
to ports, which has a price tag in neighborhood of $5
billion to implement over the ensuing years.

Don't get me wrong. Our ports are proud to be
leading the nation and the world in terms of bringing
environmentally-friendly operations and equipment to the
facilities. But they are also trying to make sure that
they maintain their status as the important economic
entities that they are, providing more than half a million
jobs to Californians and some $7 billion in local and
state taxes.

Appreciate it.

CHAIRPERSON NICHOLS: Thank you.

Mike Jacob.

MR. JACOB: Good evening.
Mike Jacob, Vice President, Merchant Shipping Association.

We submitted written comments, so I won't repeat those. And I'll be brief.

But I think our major point for you to consider today is that the proposed allocations don't match with the recently revised guidelines with regard to the target category funding. Not necessarily geographic funding targets -- we've heard a lot about that today. But essentially what this does is it guarantees that you will have an undersubscription of funds in shore power.

We're here to support the staff recommendations for shore power for South Coast, for L.A., Long Beach, and Hueneme, because they're fully funded as requested by the Air District and those ports.

But because the port of Oakland request was not fully funded, you're only going to have about 45 percent of the total allocation that's possible out of the total 75 percent of the billion dollars that's going to be out the door spent on shore power. If you included the port of Oakland's request completely, that allocation is still only at 62 percent out of a total of 75 percent of the funds spent. And you're not going to have another big request from any of the ports in your next allocation of $250 million because of the implication that comes with
having this phase-in in 2014 of the regulation. But also
because of the guideline revisions, an additional amount
of money going into shore power came with the realization
that that $3 1/2 half million per berth only happens if
you do it by 2012. So you're not going to have that
additional money requested by the ports at all.

What we like to see is you keep pace at 62
percent, knowing that additional money out of that $200
million set aside for shore power and cargo handling
equipment and for commercial harbor craft, a substantial
amount of that money in the next round is going to be
going to trucks. Don't think of it as taking money from
trucks now.

Please fully fund the request of 62 percent, and
you will eventually get more money in trucks out of those
accounts, too. Thank you.

CHAIRPERSON NICHOLS: Okay. You're our last
witness. It's now time to close.

You've heard a number of comments. Staff, would
you like to respond, rethink, recant any of what you
previously proposed?

EXECUTIVE OFFICER GOLDSTENE: Cynthia will make
some comments.

ASSISTANT DIVISION CHIEF MARVIN: Thank you.

Can we see slide 21, please?
What I'd like to do is address the Bay Area and port of Oakland shore power issue and then move onto the question about the proposal to redirect funding from San Diego.

CHAIRPERSON NICHOLS: Okay.

ASSISTANT DIVISION CHIEF MARVIN: The issue with shore power at the port of Oakland is one of many good projects and not enough funds. The request from the Bay Area district simply exceeded the amount of money that has been allocated for the Bay Area region. So the Bay Area's proposal was 88 million.

What we have according to that carefully and finely crafted allocation formula is roughly 60 million to work with. So clearly some projects had to be less than fully funded.

What we did was talk to the Bay Area District and say, okay, as the regional air quality agency, what is your view on an appropriate way to pare back that request for 88 million to the available funding. And the Bay Area District made very good points, they thought it was important to fund the shore power projects at the port and maintain truck funding. We concur with that, because trucks are still the biggest source of health risk from diesel PM in the Bay Area, even at the port of Oakland.

So what we did was suggest that these dollar amounts be
reduced in relative but not precise proportion.

Go to the next slide.

--o0o--

ASSISTANT DIVISION CHIEF MARVIN: The issue here is that if you look at the proposal for Phase I funding where we have 28 million to work with in this area, there's eight million that shows for trucks. Three of that eight million is really the funds that ARB set aside on New Years' Eve to help out with drayage trucks serving the port of Oakland. That was the last effort to help a lot of the independent truckers put on filters and comply with that rule. Three of that eight million has already been allocated essentially.

What we're talking about is five million for trucks and 20 million for shore power in Phase I. In order to provide more funding for shore shower, we would have to essentially zero out truck funding in the Bay Area in the first phase. And because of the health risk from trucks, we simply are not convinced that's the appropriate thing to do from a public health perspective, which is the overriding consideration under this program. It's not a judgement on one project is good and another type of project isn't. If there is enough money, we would certainly support more funding for the port of Oakland shore power. There has to be a decision and we, as your
staff, suggest this is a reasonable way to approach that
question.

CHAIRPERSON NICHOLS: Okay. So basically we're
following the advice of the district, but the district
itself has come up with an additional $5 million for the
project out of their own funds. And also based on the
meeting that I had with the port, which you were at where
the district was also present, we seem to have an ability
to sit down and perhaps figure out whether there's some
way we can work with the port on coming up with a way to
stretch the dollars in terms of compliance with the rules.
I mean, that's still unclear as to how that would work,
but at least there is a willingness to see if there is a
way to help make this work feasible for them.

ASSISTANT DIVISION CHIEF MARVIN: Absolutely,
within the constraints of the requirements of use of bond
funds.

CHAIRPERSON NICHOLS: So Supervisor Yeager.

BOARD MEMBER YEAGER: Just wanted to thank staff.
I participated in the meeting through the telephone and
think we all learned a great deal. The allocation formula
was devised before I became member of this. So we all
learned that the 20 percent we were hoping for for the Bay
Area didn't come about.

But what I was pleased with and certainly with
the Bay Area Air Quality Management District putting in the $5 million for the shore power, but also CARB staff's willingness to work with the port to find additional dollars, certainly making a commitment the Phase 2 and those dollars become available. I think there is a tremendous effort there in trying to figure out ways to identify pots of money. I know I'll be following this very closely. But appreciate staff's willing to work with everybody to see if we can find some dollars.

CHAIRPERSON NICHOLS: Do you want to move on to the San Diego issue?

ASSISTANT DIVISION CHIEF MARVIN: We don't have just the right slide for this issue.

So the first component of the second problem on the table was the staff's proposal to redirect 8 1/2 million that otherwise would have gone to the San Diego/Border corridor in the first phase.

And I believe Mayor Loveridge asked the question about what do we mean by readiness. What we did was just take a very practical look and say for the agencies who are already implementing Prop. 1B truck grants, how much work do they have left to do with the funds they already have? And the question here is San Diego and South Coast and San Joaquin.

We were concerned about San Diego's staffing
capacity. I had the opportunity to sit down with Bob Kard this afternoon. He told me much of what he said at the podium there. And with that, and certainly Supervisor Roberts' personal involvement, I think that we do need to provide some truck funding to San Diego in the first phase. What I would propose is that the three million that's already on the table to go to the Imperial District in Phase I should also -- another three million should go to San Diego.

If the Board chose to do that, that would be three million to the San Diego District for trucks, three million to the Imperial District for trucks, and a half a million to San Diego for harbor craft. So 6 1/2 million in Phase I funding for San Diego.

I'm comfortable that the San Diego District can take on that amount of funding, have the opportunity to staff up as Bob proposes to do. When we come back to the Board with Phase 2 funding, we certainly hope to be able to fully support them getting a larger additional chunk in the second phase.

CHAIRPERSON NICHOLS: Well, just to be clear, there's never been any indication that we would permanently change the regional allocation. This was always a temporary measure. But now we're saying you think we don't need to redirect all the funds, because you
ASSISTANT DIVISION CHIEF MARVIN: Absolutely.

This was never an issue about confidence in the program or quality of staff or anything else. It was simply how many people do you have to do how much work. I'm convinced it would be appropriate to earmark three million for trucks in San Diego in Phase 1.

CHAIRPERSON NICHOLS: That would be your only proposed change from everything that's just been presented today?

ASSISTANT DIVISION CHIEF MARVIN: Yes. And I would be happy to briefly address the questions that came up about San Joaquin Valley versus South Coast in terms of the remainder of that funding.

CHAIRPERSON NICHOLS: Why don't you go ahead and do that.

ASSISTANT DIVISION CHIEF MARVIN: So back to the question of readiness. If there is then 5 1/2 million to be available, redirected temporarily to another region, we looked at South Coast and San Joaquin Valley, because those two regions obviously have the most severe air pollution problems. There's where we started.

The South Coast District has done a terrific job on a very, very large port truck grant that was the biggest grant that the Board has given under Prop. 1B.
They've been very busy on that process. They've been recruiting applications for their other grants as well. But the current status, as we understand it, is that the South Coast District still needs to be executing over 800 contracts for non-drayage trucks with money that's available from the first year of funding. So that's somewhere in the neighborhood of 25 to 30 million and about 800 contracts that they need to go through and process and fund and pre-inspect trucks and post-inspect trucks and make payments this year. That's a lot of work.

When we look at the San Joaquin Valley, they have also been very busy on a large truck grant, but they have one large truck grant. They didn't have port and non-port. They just had non-port trucks.

They are nearly done with that process. They've pre-inspected all the trucks. They're more than halfway through signing contracts. So when we look at the remaining workload to implement those existing Prop. 1B dollars, what we see is simply that San Joaquin is further along in that process.

Again, I want to be clear. It is not a judgment about the relative qualities of the jobs that they do or our confidence in that. It is simply the factual issue that South Coast still has a large truck grant left to do from the first year of funds, and San Joaquin is nearly
complete because they only had one. That's why we recommended that those funds go to the San Joaquin District as a temporary reallocation. Everybody's score or percentages get preserved in Phase 2.

CHAIRPERSON NICHOLS: Okay. Well, there is obviously logic to all of this, but -- yes?

BOARD MEMBER LOVERIDGE: I understand the argument. But I think some of this comes back to the question of staffing and readiness. And Barry Wallerstein is standing up. He's spent all day here. Invite him to come down and talk. It seems to me the issue is not simply what is there, but what the staffing, what the preparation is.

MR. WALLERSTEIN: First, we want to be clear we weren't trying to take San Diego's money. We would like to see them get the full amount.

But to the degree you have the extra money, I have my manager here. We don't concur with the characterization of where we are. We are just as ready as San Joaquin and with more vehicles. And why wouldn't you use the allocation formula?

CHAIRPERSON NICHOLS: Okay. Do you have something to add?

MR. MINASSIAN: Yes. I also want to mention regarding the readiness, regarding the other truck
category, about $17 1/2 million that you are in the
process of doing, the funds were just given to the
districts. And we were the only corridor statewide that
originally when carb staff requested that all the
contracts be executed by June 30th, we were the only one
that was ready to do that. The deadline was extended to
end of the year, because other corridors requested that.
We have pre-inspected all the trucks. We are in the
process of executing all those contracts. In addition, we
were ahead of the curve. We have 3,000 trucks that about
400 of them have already been pre-inspected. So we
definitely are ready, too.

BOARD MEMBER LOVERIDGE: Just a personal
position, which I think seems to be fair, is we ought to
stay with the existing formulas.

CHAIRPERSON NICHOLS: There seems to be some
question about what exactly the existing formula is. So
maybe do we want to respond to that? If not, we'll just
have to see whether there is support for an amendment
here.

I'm comfortable with the staff recommendation as
it stands, because I believe there is a strong basis for
their findings. And I don't think there's any intention
on their part to favor any one district over another. If
anything, I feel like they've tied themselves up in knots
trying to be fair in a situation where fairness may never be achieved, at least in the eyes of the beneficiaries of this funding.

Sort of reminds me of families and what they get into when grandma dies. So hopefully that's not the case here. But, you know, I feel like once we start pulling bits of it apart, other bits start to fall apart, too. So I'm reluctant to do anything contentious here.

BOARD MEMBER LOVERIDGE: I support that. But I think you need to go to the formula on page 8 is what the agreement is. And I don't know why we just don't continue that.

ASSISTANT DIVISION CHIEF MARVIN: Can you pull up slide 8 for us?

Just to display what the formulas are, those who were on the Board back in February of '08 remember the pain the Board went through to graph those formulas. And we do our best to adhere to those with minor adjustments here and there as we're proposing to deal with the changing circumstances.

BOARD MEMBER TELLES: Can you show slide 6 and explain why there's so much demand in the San Joaquin Valley compared to the rest of the state way out of proportion to the way the funds were allocated?

ASSISTANT DIVISION CHIEF MARVIN: I'd like to
point out that many of the local agencies requested a much higher level of funding than that corridor share based on their assessment of potential demand.

If we back up a little bit and think about the truck and bus rule, for example, that currently has that three to five billion dollar price tag, what we see is that the demand for truck funding is very large in comparison to the total dollars that we have in this program to fund it. So it's very much an issue of any local agency can make a reasonable case that there is demand in the region for truck funding. And these dollar amounts represent each district's proposal. We would need to talk to the districts to see exactly how they did that.

BOARD MEMBER TELLES: Well, I agree with Mayor Loveridge that things should be equitable and that certainly the San Joaquin Valley would benefit from something like this, because we have the least amount of resources to deal with the problem.

I think you saw a slide earlier today that showed you our unemployment rates. It's pretty abysmal.

But the concern is if the money goes to San Diego, will it be used? Is there any threat of it not being used? Because if there is not a threat of it not being used, I hate to say this even from my district, then based on the formula, it should just all go to San Diego.
If San Diego can use it -- I mean, I would love to see some of this money come earlier to San Diego -- I mean to San Joaquin. But if San Diego can use it, based upon the formula that was originally created, then it should go to them from just an equitable point of view. Really, this is hard for me to say.

CHAIRPERSON NICHOLS: No. I appreciate what you're saying. It represents a very --

BOARD MEMBER TELLES: In all honesty, if they can use the money, if the money was allocated to them -- I would hate to speak against San Joaquin Valley getting the money. But if it was allocated and they can use it, the formula was accepted --

CHAIRPERSON NICHOLS: None of the districts obviously gets to keep any of the money. And there are no rewards other than being able to tackle your air quality problems from getting the money.

The issue here I believe -- and I listened to some earlier phases of this discussion, not today, but I mean over the past several weeks was that -- this may be shorthand here, but based on quite a bit of investigation of what had gone on and there was a concern about whether San Diego was geared up with the program. They're going to be ramping up, and they're going to need the money eventually. But I think there is a concern and therefore
as a matter of priming the pump, so to speak, and getting them going, it makes sense to forward some funds there. But to just throw money at them because eventually they'll be able to spend it and need to spend it doesn't seem like a very wise move either.

So to me, this is sort of making the best of the situation that we've got, which is encouraging them to ramp up and giving them some wherewithal to work with, but not risking too much of the limited funds that are going to be available for this next tranche of funding. So I wouldn't be in favor of reallocation in that regard.

Now the question is if the money isn't being spent by San Diego, should it be divided up between South Coast and San Joaquin, or should it just go to San Joaquin? That's the area in dispute at the moment.

Yeah?

BOARD MEMBER LOVERIDGE: Just sort of speaking for Ron Roberts, perhaps we could ask the -- I mean, as I heard it, San Diego was ready to spend the money. Could I ask this? This is a Ron Roberts' question. Could you come down? Where are you? Give your best most good government answer.

MR. KARD: Well, given what Ron Roberts said about my professional reputation and more than that being at risk, I think three million is adequate for us.
Obviously, I'd love to have more money, but I think it's a good compromise. I think we can handle that. I'd hate to ask for a lot more money just to have to return it. I'm being a realist. I'm happy with three million. We will do our best and we will spend it.

CHAIRPERSON NICHOLS: Thank you.

Ms. D'Adamo.

BOARD MEMBER D'ADAMO: Well, I agree with your earlier comment about grandma. This is sort of how it feels. And it would be best if we could all get along on this.

But I think as this issue keeps coming up, there are always going to be attempts to make some changes. And in this instance, I'll just say that -- remind everybody that the Valley sought for a higher percentage. Judy Case was on the Board. We took it to a vote, and there were two of us that didn't get our way. And we've had to go forward since then and go along with staff's recommendation, which I think back when we developed the formula, this was what staff had recommended.

So I would encourage Board members to just defer to staff on this. They have the ability to determine how quickly that money can go out, and we have a truckful that we are still evaluating. And I think that looking at what's in the best interest of the whole state, we need to
get the emissions down. And the best way to get the
emissions down -- well, right now with the bad economy,
it's because trucks aren't being used. If they are going
to be used, let's get them cleaned up so we can get
further emissions reductions that benefit what we're
trying to do with the overall rule and seek progress.
So I think we should just go along with what
staff is recommending: Three million to San Diego and the
rest going to the Valley because they are ready to go.

CHAIRPERSON NICHOLS: I take that as a motion and
I'd like a second.

BOARD MEMBER YEAGER: Second.
BOARD MEMBER BALMES: Second
CHAIRPERSON NICHOLS: All in favor, please
signify by saying aye.

(Ayes)
CHAIRPERSON NICHOLS: Opposed, no.
BOARD MEMBER LOVERIDGE: Stray off the formula,
we get back into the soup again.
CHAIRPERSON NICHOLS: Okay. Whatever mistakes
we've made, we've made them for now. And we'll live with
them I guess.
Let's move on to the final agenda item, which is
the AB 118 air quality improvement program, which
hopefully is less sectarian struggle here.
The funding in AB 118 is not bond money. It comes from motor vehicle fees, and it's really a remarkable tribute.

BOARD MEMBER LOVERIDGE: We're ready to vote in favor of it.

CHAIRPERSON NICHOLS: Excuse me?

BOARD MEMBER YEAGER: We're ready to vote in favor.

CHAIRPERSON NICHOLS: Is anybody going to be mad they didn't get to testify?

All right. Well, we have a motion and a second for the staff recommendation. Anybody who disagrees with it, we'll listen to you, but be advised.

Okay. Go.

MR. CARMICHAEL: Sorry, Madam Chair. I know it's late, but I do want to point out that ARB used to give clean vehicle rebates to natural gas vehicles. We believe they are vehicles that shouldn't be on the road to the consistent with the guiding principles for that element of this proposal.

We request that up to $3 million be available for natural gas vehicles at the 3,000 per vehicle rate.

That's consistent with what you've done in the past. It's a small portion. It's not a fixed. It's an up-to amount.

And just highlight General Motors' recent
announcement bringing natural gas vehicles to market this year. Chrysler's announcement they are going to focus all of their North American manufacturing going forward on natural gas vehicle models.

This is an important element of the clean vehicle strategy for the state. I asked your staff about why natural gas isn't in it. They said, "Well, we've been having conversations with CEC to fund those vehicles."

You ask CEC staff, they say, "Well, we're really focusing on infrastructure. ARB is doing more the vehicles."

We're getting one of these responses. There's nothing in writing saying CEC is going to do it. We're pushing both agencies to give a small piece of the pie to clean vehicles we all want more of on the roads.

Thank you.

CHAIRPERSON NICHOLS: Okay. Thanks, Tim.

And our other witness who wanted to speak in opposition?

Everybody who's in favor will be duly noted. We appreciate it.

BOARD MEMBER D'ADAMO: Can staff comment? Does staff have the discretion?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: It's much similar to demand is greater than supply of money.

And we looked at -- for vehicles, that is, we've picked
out last year with your approval focusing most of the
money on hybrid electric trucks, it's been very
successful. We've funded a large number of them, and
they're coming into the marketplace.

We kept a relatively small portion of the money
available for advanced technology vehicles, and the ones
we're picking are the ones that are entering the
marketplace now that really need help, which is plug-in
hybrid electric vehicles and electric vehicles.

We're very concerned that we're setting programs
for these vehicles and we're going to run out of money
before the year is even up, if we have a chance to fund it
again for next year. There are a bunch of people that
came forward and asked for funding for different types.
But we've tried to focus in on the ones that really need
the help the most right now, which is going to be things
like the Leaf and the electric vehicle and plug-in hybrids
when they come early in the spring.

That's the reason that we'd like to fund other
ones that would dilute the pot so much that wouldn't be
enough to continue. It's for the ones that are making big
launches, which are the electric vehicles.

CHAIRPERSON NICHOLS: Okay. Mr. Patterson.

MR. PATTERSON: My name is Dave Patterson,
Mitsubishi Motors.
I'm one of those vehicle manufacturers that is going to be making a big launch of electric vehicles.

--o0o--

MR. PATTERSON: i-MiEV is a type 1.5, a full battery electric vehicle. All of you on the Board are familiar with this vehicle. You've seen me up here talking about it before. Some of you have driven this vehicle.

We have this in mass production in Japan. We've already sold thousands of them in Japan. We're going to be selling them in Europe soon.

Next slide.

--o0o--

MR. PATTERSON: You can see even the Governor has seen this vehicle and he approves of this vehicle.

CHAIRPERSON NICHOLS: He could benchpress this vehicle.

MR. PATTERSON: He nearly could. He was as surprised as I was -- I'm not surprised about it anymore -- he and I both sat in that vehicle with plenty of room.

CHAIRPERSON NICHOLS: I've driven it. It's a nice car. I'm just teasing you.

MR. PATTERSON: I'll take the kidding at any time. I like standing up here and smiling with all you
I do have two concerns with this measure though. The first one is as Tom already talking about is the amount of money that's available and the allocation of these vehicles. We're not going to be in this round of funding. What I'm asking -- I'm just putting a bookmark here for next year -- is, please, we're going to need to increase the allocation for battery electric vehicles next year. With the Leaf, with the Volt, with our vehicle, Smart, Mercedes, all these vehicles are going to be coming to market in the 2011/2012 time frame. This is the critical time frame for us not just to get the early adopters, but to get the early general public adopters. This is the time frame that we are going to need to put these incentives in place to get over the hump and get into the mass market.

The second concern that I have -- well, let me just add to that. We have found that incentives are very valuable in the Japanese market. And that's what we're trying to do here.

Next slide.

--o0o--

MR. PATTERSON: And you can see here even Tefco, their trademark for this is Switch. What they're trying to do is switch people from internal combustion engines to
electric vehicles, and the incentives are an important part of that process.

The second thing we have a concern about is why is i-MiEV being reduced from $5,000 to $4,000 incentive value? Even the federal government tax incentive values i-MiEV just the same as Leaf and Volt and other vehicles. I don't understand why staff took this year to reduce the credit amount for a vehicle such as this just when my marketing department is making this decision to go to launch. Literally, they're going to be making this decision in the next two weeks, and they're looking at what the Board's actions are here.

I ask the Board to consider these recommendations. Thank you very much.

CHAIRPERSON NICHOLS: Okay. Thank you.

Again, do you want to respond?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: It's really the same answer. In this case, the types of electric vehicles basically have to do with their range and therefore their probability of displacing VMT. The ones with the higher type numbers are likely to be used more. So we have this built into the ZEV mandates.

The only reason we went for the scaling was to try to stretch the money so we can make it all the way through this fiscal year. What we see is the projected
number of vehicles that want to use this. And as said, they're not necessarily even going to be in play here I guess for this money this year. We have to go back and talk about what the allocation we'll recommend to you --

CHAIRPERSON NICHOLS: Well, in principle, we totally agree there needs to be more money in this program. We're excited at the opportunity to have to deal with so many new high tech vehicles, advanced clean cars coming into California.

The issue about potentially downgrading their vehicle versus other electric vehicles?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: It's just it's a different type category, which means generally it has a lesser range than other ones.

CHAIRPERSON NICHOLS: So you're just trying to distinguish between two different cars?

CHIEF DEPUTY EXECUTIVE OFFICER CACKETTE: Yeah. We give only 3,000 for a plug hybrid electric vehicle because it can run on gasoline some of the time. And we're giving $1500 for electric motorcycle, for example, freeway capable one. So that's kind of the scaling, much like the credit scaling we had before.

CHAIRPERSON NICHOLS: I understand the issue, and I think it's probably one worth talking about again, but if this vehicle isn't, in fact, going to be here right
now, I'm not sure that we have to address it this minute. But it's an issue to flag for next year for sure that we need to come back and take another look at the allocation. We have a motion and a second to approve the staff recommendation. All in favor, please say aye.

(Ayes)

CHAIRPERSON NICHOLS: Opposed?

All right. That concludes the business before the Board. I can stay here for another few minutes if there's anybody who would like to make general comment. There is a person who actually wants to make general comment in the open public comment period. Jim Rothstein. Okay.

MR. ROTHSTEIN: Hi. I'm Jim Rothstein.

Thank you for allowing me to address the Chair and the full Board.

This is in regard to energy and environment cooperation with China, where I lived for several years. I spoke here in March. And since then, I have asked for public records to try to learn about the state's relationship with China. And all I've gotten are 40-day delays. We'll get back to you. Few answers to direct questions. And yesterday, there are no records. I'm getting a run-around.

I've come back today to ask for your help. Can
the information be released? Can this be an open process, our relationship with China? And I hope you will try to expedite the whole process of -- there's an MOU and make that work.

Thank you.

CHAIRPERSON NICHOLS: Okay. Thank you. And with that, we are adjourned.

(Thereupon the Air Resources Board meeting concluded at 6:45 p.m.)
CERTIFICATE OF REPORTER

I, TIFFANY C. KRAFT, a Certified Shorthand Reporter of the State of California, and Registered Professional Reporter, do hereby certify:

That I am a disinterested person herein; that the foregoing hearing was reported in shorthand by me, Tiffany C. Kraft, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said hearing nor in any way interested in the outcome of said hearing.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of July, 2010.

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