

November 16, 2015

TO: MR. GUILLERMO VALENCIA, CHAIRMAN, GNSCCPA

FROM: Luis E. Ramírez Thomas, President, RAI-N

SUBJECT: Activity Report

On behalf of Ramirez Advisors Inter-National, LLC (“RAI-N”) allow me to present our activity report to you and the Board of Directors of the Greater Nogales Santa Cruz County Port Authority (“GNSCCPA”). Before outlining the issues and efforts we have addressed on your behalf to date, we request and welcome your continued comments and suggestions as to how we can improve on our services, our communications and on our activities on your behalf. With your feedback we will make every effort to improve our response to your needs and learn to better anticipate your directives.

Our activities on behalf of the GNSCCPA have focused on the following key areas:

1. **Senator McCain visit;**
2. **SR-189 Update;**
3. **Querobabi Update;**
4. **Congressional Border Briefing;**
5. **Binational Bridges and Border Crossings Meeting in Ensenada;**
6. **Testimony Before Transportation Board;**
7. **City Bond Rating;**
8. **Accelerate Arizona Visit to Nogales;**
9. **Nogales Wash and the IOI;**
10. **Tucson Hispanic Chamber of Commerce Gala; and**
11. **Representation of GNSCCPA with Key Entities.**

This report is not intended to be a full description of all our activities but rather provides highlights and information on the direction of our activities to keep Board of Directors informed and to ensure that our activities adhere to the vision and guidance imparted to RAI-N by the GNSCCPA and its leadership. Throughout this period, RAI-N has maintained active and frequent communications with Ms. Allison Moore, Mr. Guillermo Valencia and various other members of the Board of Directors in order to ensure that we have a fully coordinated approach to our efforts. RAI-N stands ready to address any issue, concern or suggestion that may arise from this report and from our on-going dialogue with the leadership and the Board of Directors.

1. *SENATOR MCCAIN VISIT*

- ✦ On October 2, 2015 the GNSSCPA hosted a meeting with Senator John McCain at the offices of the Fresh Produce Association of the Americas.
- ✦ During the meeting Mayor John Doyle and County Supervisor Rudy Molera, along with representatives of the Maquila Association, Fresh Produce Association of the Americas, Nogales Community Development, the Nogales Customs House Brokers Association, Nogales Economic Development Foundation, the Consuls of both the US and Mexico among various others were given the opportunity to present their individual issues to the Senator.
- ✦ Topics for discussion included:
 - Staffing for ports of entry;
 - Infrastructure funding;
 - Rise in hard narcotics;
 - Rail initiatives at Nogales;
 - Investment in downtown Nogales; and
 - Various other topics.



Chairman Valencia welcoming Senator McCain



Supervisor Molera, Senator McCain, Chairman Valencia and Mayor Doyle



Port Director Ramirez in dialogue with Senator McCain



Leadership team having lunch with Senator McCain

2. ***SR 189 UPDATE***

- ◆ Much work and dialogue has taken place on the advancement of the improvements needed on SR-189.
- ◆ The Arizona Department of Transportation (ADOT) is evaluating a number of alternatives to address the situation on SR-189.
 - One of the alternatives is push for the construction of a northbound on-ramp to I-19 at an estimated cost of \$64 million. This project is being considered for 2021. The other key concerns would be addressed in ensuing phases that could take as much as an additional decade or more before they are funded – if ever.
 - The other alternative under consideration is a single package that would address both the north and southbound congestion issues at I-19 in addition to providing grade separation at Frank Reed Road, along with additional improvements to the rest of the SR-189 corridor. This project, estimated to cost in excess of \$180+ million, would be paid for through to use the funds generated by the SETIF (Safety Enforcement and Transportation Infrastructure Fund) and ADOT's portion of the overweight permits. The remaining balance of the project would be funded through the application of an axle fee on every truck that crosses from Mexico into Arizona. One of the principle advantages of this approach is that ADOT would start the project in 2018 (3 years earlier) with a tentative completion date of 2021.
- ◆ The Fresh Produce Association of the Americas (FPAA) coordinated a meeting with Governor Doug Ducey in order to convey the urgency of improvements for SR-189.



Meeting with Governor Ducey on SR-189

3. *QUEROBABI UPDATE*

- ✦ The construction of the additional lanes for the queuing of trucks has been completed. Truck lanes are separated from regular traffic lanes by concrete barriers, which offer a safer environment for truck drivers who tend to step out on the road while they wait and for cars that may be traveling at highway speeds alongside.



4. *CONGRESSIONAL BORDER BRIEFING*

- ✦ On November 3, 2015 the GNSCCPA and the Arizona-Mexico Commission co-hosted the Congressional Border Briefing for the Arizona Congressional Offices. The Cities of San Luis and Douglas also contributed towards the cost of the event.
- ✦ This event has become a critical aspect of the ongoing dialogue with the Arizona Congressional delegation on border issues.
- ✦ 9 of the 11 Congressional offices were represented during the meeting.
- ✦ Among the various commitments was an invitation to host a visit to a

maquiladora in Nogales, Sonora.

- The GNSCCPA will coordinate this visit.



Chairman Valencia presenting to the Congressional Delegation



Participants of the Congressional Border Briefing

5. ***BINATIONAL BRIDGES AND BORDER CROSSINGS MEETING IN ENSENADA***

- ✦ The Ministry of Foreign Affairs of Mexico (SRE), along with the US Department of State hosted the US-Mexico Binational Bridges and Border Crossings Meeting in Ensenada, Mexico.
- ✦ Representing Arizona were Gail Lewis and Rudy Perez of ADOT and Marisa Walker of the Arizona Commerce Authority.
 - Among the many topics discussed there was the agreement to host a site visit to the Corridor at Nogales, Sonora on December 4 that will focus on verifying the status of the improvements to the corridor.



Meeting of the US-Mexico Binational Bridges and Border Crossings in Ensenada, Mexico

6. *TESTIMONY BEFORE TRANSPORTATION BOARD*

- Chairman Valencia has presented at every ADOT Board meeting since he stepped into the position of Chairman.
 - This is to ensure that the ADOT Board has the SR-189 project as a top-of-mind project and to make sure that this project is included in the 5-year plan.
- A copy of the latest testimony is provided in Attachment #1

7. *CITY BOND RATING*

- As in the past, the GNSCCPA has provided background information on a variety of projects to the City's Bonding consultant, Mr. Rene Romero of Piper Jaffray & Co.
 - The GSNCCPA reviewed some of the materials that will be submitted to Standard and Poors and provided suggestions to edit the text and for the inclusion of additional information on various projects that impact the ability for people and goods to cross the border at Nogales.
 - Among the recommendations for inclusion in the report to Standard and Poors were:
 - The City of Nogales and the principal stakeholders from the trade community are working with the Arizona Department of Transportation (ADOT) to undertake a \$180+ million expansion of SR 189 which is the principal connector between the Mariposa Port of Entry and Interstate 19. It is anticipated that the project will start construction in 2018.
 - In a concerted and collaborative effort, ADOT has implemented Overweight Permits at Nogales, allowing produce trucks to enter from Mexico at 90,800 pounds (standard weight is 80,000 pounds). Through an innovative agreement the revenues generated by these permits is split 50/25/25, with 25% coming to the City of Nogales. This has meant an additional \$750,000 for the City, funding that is new and expected to continue to grow along with the growth in the volume of truck traffic from Mexico.
 - In partnership with ADOT, the City and the members of the Greater Nogales Santa Cruz County Port Authority are working to advance a multimodal strategy that leverages the rail crossing to a greater degree. Union Pacific has completed a \$30 million modernization of the rail inspection yard, and is close to completing the modernization of all the small bridges

(converting them all from wood to steel framed) between Nogales and Tucson increasing the weight bearing capacity of the rail system from 268,000 pounds to 286,000 pounds. This makes the Tucson-Nogales rail corridor equivalent to any class 1 railroad in the US. This offers a more competitive alternative for the shipping of minerals through this corridor.

8. ACCELERATE ARIZONA VISIT TO NOGALES

- ✦ On September 25, the Arizona Chamber of Commerce brought members of the Arizona legislature to visit Nogales and to hear about the issues the community is facing as it pertains to transportation.
- ✦ Among the principle presenters to this group were:
 - The Honorable John Doyle of the City of Nogales
 - The Honorable Manny Ruiz of Santa Cruz County
 - Chairman Valencia
 - Ms. Allison Moore of the FPAA
 - Mr. Jaime Chamberlain of the FPAA
 - Mr. Kevin O'Shea of the Arizona Commerce Authority
 - Mr. Floyd Roerich of ADOT
 - Mr. Justin Dutram of the Arizona-Mexico Commission
- ✦ One of the principle topics for discussion with the members of the legislature was the need to modernize and upgrade SR-189. They expressed a lot of support for the advancement of the project through a Public-Private Partnership (P3).



Members of the Arizona legislature along with all the representatives that presented during the hearing

- ✦ A copy of the press release by the Arizona Chamber of Commerce and Industry on the visit to Nogales is provided in Attachment #2
- ✦ For more information on Accelerate Arizona please visit www.acceleratearizona.azchamber.com

9. ***NOGALES WASH AND THE IOI***

- Chairman Valencia and RAI-N held a meeting with the Honorable John Doyle, Mayor, Shane Dille, City Manager and John Kissinger, Assistant City Manager to discuss the status of the Nogales Wash and the International Outfall interceptor (IOI).
- As reported by Chairman Valencia on November 6, 2015, we are starting the process to assess the current situation before taking any specific effort to advance these issues.

10. ***TUCSON HISPANIC CHAMBER OF COMMERCE GALA***

- On October 17, 2015, the Tucson Hispanic Chamber of Commerce hosted its annual gala and fundraiser.
- The Chamber presented the Hispanic Businessman of the Year to Mr. Jaime Chamberlain.
 - RAI-N would like to add its congratulations to Mr. Chamberlain for such a well-deserved recognition.



Mr. Chamberlain receiving his award



Dean Jones of the University of Arizona with Mayor Doyle and Chairman Valencia



Mr. Marco Lopez of Grupo Carso with Chairman Valencia

11. REPRESENTATION OF THE GNSCCPA WITH KEY ENTITIES

- ✦ Continuing efforts to maintain an on-going dialogue with various agencies in order to ensure full coordination of efforts and maximizing the impact of our limited resources, including:
 - ADOT;
 - AMC;
 - DHS/CBP;
 - GSA;
 - SCT;
 - SRE;
 - Offices of Arizona Congressional Delegation;
 - Office of the Governor;
 - SCT;
 - State Department;
 - State of Sonora; and
 - Union Pacific.

- ✦ It is imperative to highlight the great success that has been achieved on these efforts by coordinating efforts with key stakeholders, including the FPAA, Santa Cruz County, the City of Nogales and others as each has well established relationships with most of these entities.

Attachment #1
Copy of Testimony before ADOT Board

TESTIMONY
Before the Arizona Transportation Board

By: Guillermo Valencia, Chairman
Greater Nogales Santa Cruz County Port Authority
October 16, 2015

Dear Mr. Chairman,

Mr. Chairman and members of the Board, my name is Guillermo Valencia and I am the Chairman of the Greater Nogales Santa Cruz County Port Authority. I was before you during your last meeting to advocate for the modernization of State Route 189, better known as Mariposa Road.

I did want to highlight that Arizona's exports to the world reached \$21.1 billion in 2014 supporting more than 93,000 jobs in our state. Our exports to Mexico alone reached \$8.6 billion and the US Department of Commerce is reporting that for the first half of 2015 exports to Mexico are up by \$750 million over the same period in 2014. We are on track to set another record in exports to Mexico.

But imports are just as important when it comes to job creation and to the economy of our community. The fresh produce industry, which imports produce from Mexico, generates more than 2,600 jobs in Nogales and Santa Cruz County alone and represents more than \$146 million in wages. This import sector generates more than \$45 million in tax revenues for the state and local governments. The University of Arizona concluded that the produce industry has an impact that exceeds \$437 million for Nogales and Arizona.

US Customs and border Protection reports that our truck traffic is growing at 3% and car traffic at 5% in Nogales. It may not sound like much but with 6.6 million cars crossing through Nogales each year in two-way traffic, with this growth rate, we are looking at 12 million cars in 14 years.

We are also crossing more than 624,000 trucks each year, with single days crossing more than 3,400 trucks in two-way traffic. It is not very far off into the future that we will be crossing more than 8,000 trucks per day.

As Will Brooks, Director of Field Operations for the Tucson Sector stated in a recent meeting in Nogales, if we don't invest in this road, "Mariposa Road will become a parking lot." With the modernization of the Mariposa Port of Entry, a project that now totals more than \$250 million in investment by Arizona and its federal partners, particularly the General Services Administration and Customs and Border Protection traffic will be certain to continue to grow.

Mariposa Road stands to become the biggest obstacle to sustainable growth in our trade and tourism relationship with Mexico. It is imperative that the \$64 million that has been identified in FY 2021 to pay for the construction of part of the improvements on Mariposa Road be confirmed and moved to earlier years if possible.

Please be assured of our continued and close working relationship with John Halikowski and the Arizona Department of Transportation. We are working to identify possible sources of funding for the balance of the construction phase, and that we are exploring all possible alternatives, including a possible Public Private Partnership. Of course a P3 requires much detailed analysis but without the \$64 million, the project may not move forward, even with a P3.

I have been remiss in mentioning that our Board of Directors is comprised of City of Nogales, Santa Cruz County, the Nogales Customs House Brokers Association, the Nogales Community Development, the Fresh Produce Association of the Americas, the Nogales-Santa Cruz County Economic Development Foundation, and the Maquila Association of Nogales, Sonora. In other words, we represent all the principle players in the community as it pertains to the efficiency of our port of entry system.

The Greater Nogales Santa Cruz County Port Authority is committed to the improvement of the port of entry system at Nogales and the quality of life for the residents of the region. Your continued support on this project is essential if we are to create a viable and sustainable system to support the growth of trade and tourism in the Arizona-Sonora region.

Again, we are proud of the partnership we have been able to develop with Director Halikowski, and the entire ADOT team and look forward to our continued work on these critical issues. I thank you for your attention and I stand ready to answer any questions you may have.

Thank you.

Attachment #2

Copy of the Press Release on Accelerate Arizona Visit to Nogales

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An Economy Built on International Trade: Nogales Roadshow

📅 OCTOBER 5, 2015 | 📁 UNCATEGORIZED | 💬 0 COMMENTS

Nogales was the most recent stop on the Accelerate Arizona statewide tour. We were joined by Representative Rick Gray, Senator Andrea Dalessandro, Representative John Allen, Representative Chris Ackerley, Representative Noel Campbell, Representative Rosanna Gabaldon, Nogales Mayor John Doyle, and Santa Cruz County Supervisor Manuel Ruiz as well as representatives from the Mexican Consul, Arizona Commerce Authority, Arizona Department of Transportation, Arizona-Mexico Commission, Greater Nogales-Santa Cruz County Port Authority, Nogales Chamber of Commerce, Tucson Hispanic Chamber of Commerce, Fresh Produce Association of the Americas, Index Nogales (Mexican Maquiladoras and Manufacturing Assoc.) and several local businesses. Participants in the Nogales Roadshow took a tour of the Highway 189 alignment from the Mariposa Port of Entry to Interstate 19, the Divine Flavor Warehouse, the Rio Rico commercial area, SunFed Warehouse and downtown Nogales.

A highlight of the roadshow was the public town hall where participants engaged in a robust conversation about the role transportation infrastructure plays in building an export-based economy. The Arizona Department of Transportation provided a compelling presentation on Key Commerce Corridors, which are routes connecting Arizona to global markets. These include Interstates 10, 8, 19, 40 and the forthcoming Interstate 11. Arizona's strategic position in the Southwest puts us within a one day drive of 16 million consumers in Southern California, 13 million in central Texas and 10 million in northwestern Mexico. Our position also provides ready access to Canadian markets via I-15 through Nevada and China via the Port of Long Beach.

Arizona's exports to the world reached \$21.1 billion in 2014. Our state enjoys a healthy trade surplus with several key trading partners, including Mexico. International trade brings new money into our economy, and the jobs connected to trade generally pay above the median wage.

This is exciting news, but challenges remain. Mariposa is the largest port of entry for Mexican produce, handling 35% of all deliveries in the U.S. A 2013 analysis by the University of Arizona found that the fresh produce industry accounts for \$303.4 million in business in Santa Cruz County. This is attributed to shipping, warehousing, distribution, freight forwarding, customs brokerage and related logistics activities. An astounding 22% of all jobs in Santa Cruz County are directly or indirectly related to this industry! Unfortunately, State Route 189, which connects the Mariposa Port of Entry in Nogales to I-19 is in serious need of improvements. The Ruby Road interchange which provides access to produce warehouses north of Nogales is struggling with traffic delays that affect delivery times for trucks. ADOT currently has only a fraction of the funds required to perform the necessary upgrades.

Competition is fierce. Texas and California are not sitting idly by. The State of Sinaloa in Mexico is actively promoting two new trade corridors, one from Mazatlán to Brownsville, Texas and another from Topolobampo to El Paso, Texas. Investing in further upgrades to the Mariposa Port of Entry in Nogales and making improvements to the highway and interchange infrastructure that support this port are essential to ensuring that Arizona continues to receive the many economic benefits of international trade.

This week we are heading to Casa Grande.