

April 25, 2017

**TO:** MR. GUILLERMO VALENCIA, CHAIRMAN, GNSCCPA  
**FROM:** Luis E. Ramírez Thomas, President, RAI-N  
**SUBJECT:** Activity Report

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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 and 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. **Donation Acceptance Program Update;**
2. **Visit to Nogales by Pinal County;**
3. **AMC Interplenary;**
4. **Visit to Nogales by the Arizona Corporation Commission;**
5. **Op-Ed on Boots on the Border Act;**
6. **FPAA Spring Policy Event;**
7. **Arizona-Mexico Corridor Study;**
8. **IOI Repair Update;**
9. **City of Nogales Trip to Washington, D.C.;**
10. **2016 Nogales Border Crossing Data; 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. *DONATION ACCEPTANCE PROGRAM UPDATE***

- ✦ The Nogales technical teams have been holding conference calls every two weeks with the members of the Federal Technical Team. The Nogales Technical team is in the process of selecting the architectural and engineering team that will work on the assessment of the existing facilities, design of the cold rooms and the eventual construction.
- ✦ A site visit is being planned for mid-April.
- ✦ All those that are part of the Technical Team are being vetted through the HSPD-12 process as required by the General Services Administration (GSA).
- ✦ Due to Non-Disclosure Requirements as dictated by the Federal Government, we are limited in the information we can provide.

**2. *VISIT TO NOGALES BY PINAL COUNTY***

- ✦ On March 20, 2017, a top-level delegation from Pinal County visited Nogales which included a visit to a produce warehouse, the Mariposa Port of Entry, a maquila in Nogales, Sonora, and a brief tour of downtown Nogales.
- ✦ In attendance from Pinal County were:
  - Richard Wilkie, Casa Grande Economic Development Supervisor
  - Anthony Smith, Pinal County Supervisor District 4
  - Stephen Miller, Pinal County Supervisor District 3
  - Daniela Gallagher, Sun Corridor Inc
  - Levi Gibson, Public Works Director
- ✦ Pinal County is the location for the new Lucid Motors auto assembly facility. Pinal County was looking for additional information as to what is available at the border in Nogales to spur new ideas for future investments.
- ✦ Pinal County showed particular interest in the advancement of the improvements at SR-189 as an essential link for Arizona but also for the automotive supply chain that is now of particular interest due to the Lucid Motors investment.

**3. *AMC INTERPLENNARY***

- ✦ On March 24, 2017, The Arizona-Mexico Commission hosted the Interlunar in Tucson. During this session, the Transportation, Infrastructure and Ports of Entry Committee met and agreed that during the meeting on June 2, there will be updates on the initial findings of the Arizona-Mexico Corridor Study.
  - The AMC summit will take place June 1-2, 2017 at the Omni Montpelier Resort in Paradise Valley. As always, it is recommended that the GNSCCPA have a strong representation during this event, in particular to have representatives participate in the following committee meetings

at least:

- Ports of Entry,
- Agribusiness,
- Environment and Water,
- Economic Development, and
- Tourism.

#### **4. *VISIT TO NOGALES BY THE ARIZONA CORPORATION COMMISSION***

- ✦ On March 15, 2017, a top-level delegation from the Arizona Corporation Commission visited Nogales. The GNSCCPA organized a briefing to the delegation which included:
  - Greater Nogales Santa Cruz County Port Authority
  - US Customs and Border Protection,
  - Fresh Produce Association of the Americas
  - INDEX.
- ✦ They also toured the community, including the downtown area to better understand the downtown retail sector.
- ✦ In attendance from ACC were the following:
  - Andy Tobin, Commissioner
  - Boyd Dunn, Commissioner
  - Matt Grass, Policy Advisor
  - Erin Ford-Faulhaber, Policy Advisors
  - Patrick Maloney, Executive Assistant to Commissioner Dunn

#### **5. *OP-ED ON BOOTS ON THE BORDER ACT***

- ✦ On March 9, 2017, Senators Jeff Flake, John McCain, and Ron Johnson introduced the *Boots on the Border Act*. The legislation would help address hiring shortfalls at Customs and Border Protection (CBP) by waiving onerous and duplicative CBP polygraph hiring requirements for applicants with qualifying law enforcement or military experience.
- ✦ An Op-ed piece was sent by the Transportation and Trade Corridor Alliance and the Arizona-Mexico Commission to newspapers throughout the state.
- ✦ In order to demonstrate the broad-based support for this legislation, a number of mayors and leaders of multiple organizations signed on to the letter. The list of signatories is provided:
  - The Honorable Gerardo Sanchez, City of San Luis
  - The Honorable Doug Nicholls, City of Yuma
  - The Honorable John Doyle, City of Nogales

- The Honorable Robert Uribe, City of Douglas
  - Jessica Pacheco, President, Arizona-Mexico Commission
  - Guillermo Valencia, Chairman, Greater Nogales Santa Cruz County Port Authority
  - The Honorable Matias Rosales, Chairman, Greater Yuma Port Authority
  - Carlos Fernandez, Chairman, Douglas International Port Authority
  - Patrick Shchedrin, Chairman, Douglas Regional Economic Development Corporation
- A copy of this Op-ed is provided in Attachment #2.

**6. *FPAA SPRING POLICY EVENT***

- Chairman Valencia was a presenter during the Fresh Produce Association of the Americas' Spring Policy forum.
- A copy of Chairman Valencia's remarks are provided in Attachment #2

**7. *ARIZONA-MEXICO CORRIDOR STUDY***

- The Consulting team working on the Arizona-Mexico Corridor Study was in Nogales march 8-9, 2017.
- A series of interviews with key stakeholders were arranged to make sure that various stakeholders from various sectors were included and their industry or sector specific comments were incorporated into the study.
- Among the names provided for the interviews were:
  - Guillermo Valencia, President of Valencia International Customs Broker and Chairman of the Greater Nogales Santa Cruz County Port Authority
  - Terry Shannon, Jr., President Shannon Brokerage and President of the Nogales Economic Development Foundation
  - Jaime Chamberlain, President of JC Distributing and Co-Chair of the Arizona-Mexico Commission's Transportation and Ports of Entry Committee
  - Scott Vandervoet, President, Vandervoet and Associates and incoming Chairman of the Fresh Produce Association of the Americas.
  - Richard Rubin, President, Javid International, Shelter Operator in Sonora, and a member of the Board of Directors of INDEX, the Maquila Association.
  - Jaime Olaiz, President, Amado Trucking and member of the Safe Border Trucking Association.

**8. IOI UPDATE**

- ✦ The State of Arizona submitted a list of priority infrastructure projects. This list included funding for the repair of the International Outfall Interceptor for \$30 to \$40 million. According to the information provided by the State of Arizona, the funding would be used for the five phases identified by the International Boundary and Water Commission (IBWC) that would reline the IOI itself.
- ✦ Below is the text that was included in the list for projects:

8. Arizona Department of Environmental Quality - Arizona Department of Environmental Quality	<ul style="list-style-type: none"> <li>• The Nogales International Outfall Interceptor (IOI) is a pipeline transporting millions of gallons of domestic sewage per day from Nogales, Mexico and Nogales, Arizona to the Nogales International Wastewater Treatment Plant (NIWTP) that extends nine miles from the United States and Mexican Border to Rio Rico, Arizona. The IOI has deteriorated over time and developed cracks and structural problems resulting in the release of untreated sewage into Nogales, Arizona and the Nogales Wash.</li> <li>• USIBWC has nearly completed an engineering study and design which is broken into 5 Phases covering different sections of the IOI and proposes a liner to rehabilitate the pipe. Phase 1 design is at 90 percent completion, but USIBWC does not have enough funding to complete the repairs, nor for any subsequent phases. USIBWC continues to look to Nogales, Arizona to provide funding for the repairs.</li> </ul> <p>Cost Estimates - \$30 - 40 million, for the five Phases, not including costs for storm water and erosion controls, and bank stabilization in Nogales Wash.</p> <p>Priority Infrastructure Project Justifications - Public Health and Safety and On the Path to Shovel Ready</p>
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**9. CITY OF NOGALES TRIP TO WASHINGTON, D.C.**

- ✦ In anticipation of the visit by the City of Nogales to Washington, D.C. a set of talking points were prepared for use by the delegation during their meetings.
- ✦ A copy of those talking points are provided in Attachment #3.

**10. 2016 NOGALES BORDER CROSSING DATA**

- ✦ The US Department of Transportation has posted the final numbers for the Nogales ports for 2016. In a year over year comparison, Nogales had a great year in 2016. Some of the more salient stats:
  - Trucks are up 5% (up by 15,990) in 2016 over 2015.
  - Bus traffic at Nogales is up 4% (up by 383) in 2016 over 2015.
  - Pedestrians are up 9.2% (or up by 288,730) in 2016 over 2015.
  - Cars were up by 0.2% (up by 6,944) in 2016 over 2015.
  - Car passengers were down by 1.8% (down by 129,381) in 2016 over 2015.
  - Trains were down by 7.3% (down by 234) in 2016 over 2015.
  - Total people were up 1.6% (up by 172,409) in 2016 over 2015.
- ✦ In total numbers for 2016, in two-way traffic, Nogales was the gateway for:
  - 11.3 million people,
  - 670,000 trucks,
  - 1,600 trains, and
  - 7 million cars.

**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;
  - Offices of Arizona Congressional Delegation;
  - Office of the Governor;
  - SAT;
  - SCT;
  - SIDUR;
  - State Department;
  - State of Sonora; and
  - Transportation and Trade Corridor Alliance.
  
- ✦ 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 OpEd piece in support of Boots on the Border

**Boots on the Border: Good for the Border**

Earlier this month, Senators Jeff Flake and John McCain of Arizona, along with Senator Ron Johnson, Chairman of the Senate Homeland Security and Governmental Affairs Committee, introduced the Boots on the Border Act. This legislation is designed to remove the onerous, and at times duplicative, polygraph testing that is currently imposed on applicants that are veterans, military service members and members of other law enforcement entities that are applying for positions with US Customs and Border Protection (CBP).

CBP has not been able to fill 1,100 positions that were funded in the 2014 budget because the overly burdensome polygraph process is eliminating many veterans and current army personnel that are considering a career protecting our nation and our borders. CBP is reporting that the Tucson sector alone has over 21% of its fulltime positions unfilled. This condition is perpetuated by the extremely low ratio of job applicants to actual hires at CBP.

Arizona and its federal partners, CBP and the General Services Administration have invested over \$400 million in port of entry infrastructure over the last 8 years but there is simply not enough staff to open-up every lane that is available. Port Directors have to play a constant game of taking from one to open up another in order to minimize the impacts to our ports of entry and to our border communities. Officers are forced to work extensive amounts of overtime and at times max out and cannot work anymore overtime. CBP needs to have the necessary staff to ensure the security of our nation along with facilitating trade and tourism that are critical to the Arizona and national economy.

Arizona's border communities report that at least 70% of the sales tax generated in each community is directly attributable to the Mexican visitor and shopper. But if visitors have long delays to cross the border then they simply will not come to our stores and our restaurants. Additionally, Arizona's trade relationship with Mexico totals over \$15 billion in imports and exports and without efficient ports of entry we cannot maximize the opportunities that exist for Arizona companies.

CBP has made great efforts to streamline the recruiting process but they still have a long way to go. The Boots on the Border Act offers a new tool and a tremendous opportunity for Customs and Border Protection to recruit and hire some of the most qualified individuals our nation has to offer. We urge the entire Arizona Congressional delegation to support this legislation.

Signed,

The Honorable Gerardo Sanchez, City of San Luis

The Honorable Doug Nicholls, City of Yuma

The Honorable John Doyle, City of Nogales

The Honorable Robert Uribe, City of Douglas

Jessica Pacheco, President, Arizona-Mexico Commission

Guillermo Valencia, Chairman, Greater Nogales Santa Cruz County Port Authority

The Honorable Matias Rosales, Chairman, Greater Yuma Port Authority

Patrick Scherden, Chairman, Douglas Regional Economic Development Corporation

Carlos Fernandez, Chairman, Douglas International Port Authority



**Attachment #2**

Remarks by Chairman Valencia At FPAA Spring Forum

**Donation Acceptance Program**

- The Port Authority, in full coordination with the Fresh Produce Association of the Americas and the Nogales Customs House Brokers, submitted a proposal to US Customs and Border Protection (CBP) to convert 6 docks of the Mariposa port of entry to cold storage rooms.
- The submittal was presented under the Section 559 Donation Acceptance Program, better known as DAP, that permits CBP to receive donations for infrastructure and staffing related costs.
- DAP is a recognition that Customs simply does not have the necessary resources to address all of its infrastructure and staffing needs on a timely basis. This program allows for third parties, such as city governments and private entities like the Port Authority, to put forward a proposal to address a port or staffing deficiency. In this case, our state of the art port at Mariposa is not equipped to handle temperature sensitive commodities.
- Many of you in the audience have expressed the need to have temperature controlled facilities that can handle products like berries, avocados and even shrimp, through Nogales. We are also aware that there are some pharmaceutical products that could also benefit from a cold storage facility at the port.
- We are also aware that our biggest competitors have or are building cold storage rooms at their ports of entry. We recognized that if we don't act now more commodities will start moving to other ports of entry.
- We can work to attract commodities that are currently crossing at other ports of entry in Texas and California.
- Our proposal has been accepted, we have signed the Memorandum of Understanding with CBP along with the necessary Non-Disclosure Agreements for the Technical Team.
- Representing the Port Authority in the technical team will be Jose Valencia, Hector Suarez on behalf of the Customs Brokers and Matt Mandel and Lance Jungmeyer on behalf of Fresh Produce. Additionally, Allison Moore will serve as an advisor to the process and Luis Ramirez will serve as our liaison with the federal agencies.
- We are starting the process of selecting the architects and engineers that will work with us on the design and construction of the project.

- I did want to mention and thank Lance for opening the door with the Governor's Energy Office as we are now exploring a possible grant from the state to help defray the cost of the project. Additionally, the Port Authority will be working with the North American Development Bank and the Arizona Department of Environmental Quality to help identify other possible grants for this project.
- It is not an easy project as we are not just converting these rooms to cold storage but also need to comply with all the security standards by Customs as well as the LEEDS certification of the facility that is truly a very energy efficient and green port of entry.
- I want to thank the technical team for volunteering on this critical project for Nogales and Arizona. It will be opening the door for a number of opportunities and a number of new commodities to come through Nogales. We hope to have it completed by summer of 2018. I promise to keep you informed of our progress.

### **Unified Cargo Inspections**

- By now most of you should know about our historic program called Unified Cargo Inspections.
- This program places both US and Mexican Customs inside the Mariposa Port of Entry and both agencies inspect the truck at the same time, meaning a single stop to comply with the requirements of both the US and Mexico.
- At last report, Customs indicates that the average wait times for a truck to be processed under this program is 24 minutes. This is unmatched at any location in Texas, New Mexico or California.
- This program is now open to all C-TPAT/FAST certified trucks.
- And as of December 13, 2016 the Unified Cargo program has been expanded to southbound traffic. This means that today, at Nogales, any C-TPAT truck can cross the border in both directions faster than anywhere else.
- Nogales is today the example for the rest of the border. There have been many delegations coming to Nogales to study how this is being done and how Nogales got it done.
- In a very large part, this is due to the out-of-the-box thinking by Will Brooks, Director of the Tucson Field office for Customs and his Mexican counterpart, Alberto Morales of Mexican Aduanas.

- While we continue to push for investments in our infrastructure, it is programs like this that streamline the inspection and compliance process that makes us better than everyone else.
- But we need to get the word out.
- This is where I ask for your help. I ask that you turn to your networks in the US, Mexico and beyond and tell them the story of Nogales. That we have a state of the art facility at Mariposa. That we are investing in cold storage rooms for new commodities. That we are deploying new programs that make our ports more efficient than ever and than anyone else. That we have a truly united community in pushing the trade and tourism agenda in our community.
- I know we still have other issues that need our attention so we remain committed to pushing the Nogales agenda in Phoenix, in Washington, DC, in Mexico City and anywhere else where our voice needs to be heard.

**Attachment #3**

Copy of Talking Points for City of Nogales Washington, D.C. Visit



March, 2017

**Key Issues for Discussion with Congressional Delegation**

**Ports of Entry need Additional Staffing**

- According to CBP reports, Arizona's ports of entry have a 21% shortfall in current staffing. That equates to approximately 270 positions. This does not consider or include the anticipated growth in volumes traffic and new enforcement initiatives at the ports of entry.
- We urge our entire Congressional delegation to support the efforts by Senators Flake and McCain, along with Martha McSally, on securing additional CBP staff for our ports of entry.
- Senator Flake, during the last congressional session introduced the Customs and Border Protection Hiring and Retention ([CBP HiRe](#)) Act that would, among various initiatives, help streamline the CBP recruiting process and gives flexibility to CBP in the selection of the most appropriate polygraph test. The Senator is looking for ways to either reintroduce this bill or insert similar language in other legislative vehicles.
- Lack of staffing means that current staff is forced to work severe amounts of overtime and that CBP must pick and choose which lanes or modes (pedestrian, vehicular, buses, trucks or trains) to staff – a decision that is a zero-sum game until they can get additional staff.
- Delays in hiring are due in great part to the very intensive polygraph exams that many recruits are failing, including military veterans that are applying for these positions once they return to civilian life. Proposals by the Trump Administration offer the opportunity to streamline recruitment and hiring process for CBP personnel.

**Funding of Repairs to the IOI and the Grand Tunnel**

- The General Services Administration (GSA) will soon be starting some minor repairs to the US side of the Grand Tunnel under the DeConcini port of entry. But the issue remains unresolved on the Mexican side where major repairs are required to the tunnel in the short-term as well as the need to have a broader long-term approach to the Nogales watershed and basin that feeds into the storm water tunnels into Arizona.

- The State of Arizona, earlier this month, submitted a list of 12 infrastructure projects for consideration as part of the Trump Infrastructure Plan. This list included the International Outfall Interceptor for \$30 to \$40 million to pay for the multiphase project of repairs to the pipeline.

<p>8. Arizona Department of Environmental Quality - Arizona Department of Environmental Quality</p>	<ul style="list-style-type: none"> <li>• The Nogales International Outfall Interceptor (IOI) is a pipeline transporting millions of gallons of domestic sewage per day from Nogales, Mexico and Nogales, Arizona to the Nogales International Wastewater Treatment Plant (NIWTP) that extends nine miles from the United States and Mexican Border to Rio Rico, Arizona. The IOI has deteriorated over time and developed cracks and structural problems resulting in the release of untreated sewage into Nogales, Arizona and the Nogales Wash.</li> <li>• USIBWC has nearly completed an engineering study and design which is broken into 5 Phases covering different sections of the IOI and proposes a liner to rehabilitate the pipe. Phase 1 design is at 90 percent completion, but USIBWC does not have enough funding to complete the repairs, nor for any subsequent phases. USIBWC continues to look to Nogales, Arizona to provide funding for the repairs.</li> </ul> <p>Cost Estimates - \$30 - 40 million, for the five Phases, not including costs for storm water and erosion controls, and bank stabilization in Nogales Wash.</p> <p>Priority Infrastructure Project Justifications - Public Health and Safety and On the Path to Shovel Ready</p>
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- Working with the offices of Senators McCain and Flake as well as Congressman Grijalva and Congresswoman McSally to find a vehicle to reintroduce the language that addresses the funding issues of the repairs to the IOI.
- For your reference, here is the language that we want included:
  - SEC. 8008. INTERNATIONAL OUTFALL INTERCEPTOR REPAIR, OPERATIONS, AND MAINTENANCE.**
  - (a) SENSE OF CONGRESS.—It is the sense of Congress that, pursuant to the Act of July 27, 1953 (22 18 U.S.C. 277d–10 et seq.), and notwithstanding the memorandum of agreement between the United States Section of the International Boundary and Water Commission and the City of Nogales, Arizona, dated January 20, 2006 (referred to in this section as the “Agreement”), an equitable proportion of the costs of operation and maintenance of the Nogales sanitation project to be contributed by the City of Nogales, Arizona (referred to in this section as the “City”), should be based on the average daily volume of wastewater originating from the City.
  - (b) CAPITAL COSTS EXCLUDED.—Pursuant to the Agreement and the Act of July 27, 1953 (22 U.S.C. 5 277d–10 et seq.), the City shall have no obligation to contribute to any capital costs of repairing or upgrading the Nogales sanitation project.
  - (c) OVERCHARGES.—Notwithstanding the Agreement and subject to subsection (d), the United States Section of the International Boundary and Water Commission shall reimburse the City for, and shall not charge the City after the date of enactment of this Act for, operations and maintenance costs in excess of an equitable proportion of the costs, as described in subsection (a).
  - (d) LIMITATION.—Costs reimbursed or a reduction in costs charged under subsection (c) shall not exceed \$4,000,000

**Infrastructure Funding and Ports of Entry**

- Urge the creation of a predictable mechanism for the funding of ports of entry. This is essential in helping to pay for future projects, including the modernization of the DeConcini Port of Entry.
- As you are discussing funding for infrastructure, it is important to be on the lookout for possible funding opportunities for our key projects, including Phase II of Mariposa Road, Ruby Road/Rio Interchanges and frontage roads, and the grade separation (overpasses) for at least 2 vehicular rail crossings at Nogales
- Nogales DAP (Donation Acceptance Program)
  - Customs and Border Protection has accepted the proposal submitted by the Greater Nogales Santa Cruz County Port Authority for the conversion of 5 docks at the Mariposa port of entry to cold rooms.
  - The Technical team has been created that includes representatives of the Port Authority, Customs and GSA that will be involved in the design, engineering and construction of the improvements.
  - The Port Authority is looking for possible grant opportunities to help defray the cost of the project (initial estimates indicate a total cost of approximately \$600,000).
  - The cost is higher due to need to comply with the Platinum LEEDS certification of the port of entry thus we need to find environmentally friendly technologies that typically cost more upfront but are much cheaper to maintain and operate in the long run. The offices of Senators McCain and Flake, Congressman Grijalva, and Congresswoman McSally are very much in the loop on this project but we still need help in finding some additional grants.