

March 18, 2015

TO: MR. BRUCE BRACKER, 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. **Gubernatorial Transition;**
2. **Visit by Congressman Paul Gosar;**
3. **Arizona Congressional Border Briefing;**
4. **Querobabi Inspection Station;**
5. **Cross-border Trucking Update; and**
6. **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. Bruce Bracker 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. ***GUBERNATORIAL TRANSITION***

- Governor Ducey has appointed Kim Sabow as the new Director of International Affairs and Strategic Initiatives.
 - Ms. Sabow has worked as part of the Symington and Brewer Administrations in various functions. Most recently she was the Senior Director for State Relations at the University of Arizona.

2. ***VISIT BY CONGRESSMAN PAUL GOSAR***

- As part of the ongoing collaborative efforts with the Arizona-Mexico Commission, and the Tucson Hispanic Chamber of Commerce, a visit to Nogales was arranged for Congressman Paul Gosar. Special thanks to the Fresh Produce Association of the Americas for hosting the meeting!



Congressman Paul Gosar, Chairman Bruce Bracker, The Honorable John Doyle and the Honorable Ramon Guzman at the conclusion of the meeting at the offices of the Fresh Produce Association.



President Larry Lucero of the AMC along with Congressman Gosar, Chairman Bracker, the Honorable John Doyle and The Honorable Ramon Guzman

- During the meeting a variety of topics were raised with the Congressman, including:
 - Border Infrastructure;
 - Transportation funding;
 - CBP staffing for ports of entry;
 - Competition from other parts of the border;

- Border Banking; and
 - Various others.
- ✦ The Congressman confirmed his interest in working with the community on these issues.

3. *ARIZONA CONGRESSIONAL BORDER BRIEFING*

- ✦ The first Border Briefing for the Arizona Congressional Delegation took place this past March 2, 2015.
 - 10 of the 11 congressional offices were represented during this meeting.
- ✦ A copy of the agenda for the meeting is provided in Attachment #1
- ✦ The GNSCCPA and the City of Nogales provided a joint presentation on the major infrastructure issues that impact the Nogales area. A copy of the presentation by Chairman Bracker and City Manager Dille is provided in Attachment #2.
- ✦ Among the many topics discussed, the International Outfall Interceptor (IOI) and the Customs and Border Protection (CBP) 5-Year Capital Improvements plan.
 - CBP indicated that there are projects of critical interest in Douglas, Nogales, Lukeville and San Luis.
 - In order to secure unanimous support from the Arizona Congressional Delegation, a new approach that mirrors the Arizona-Sonora Border Master Plan was agreed upon, so that the delegation would support a package of projects versus individual projects.



Will Brooks, Director of Field Operations, CBP, The Honorable John Doyle, and Mr. JB Manson



Carlos Fernandez of the Douglas International Port Authority, Nogales City Manager, Shane Dille and the Honorable John Doyle



Rick Stilgenbauer from the Office of Senator McCain, Kim Sabow from the Office of the Governor and Sarah Pacheco from the office of Congresswoman McSally.

4. *QUEROBABI INSPECTION STATION*

- ✦ On March 11, 2015, The US Embassy in Mexico confirmed that the Department of Defense of Mexico (SEDENA) has started construction on a \$12 million modernization and expansion of the Querobabi Inspection station.
- ✦ This project will result in much greater inspection throughput with new primary and secondary lanes, the deployment of a new VACIS (Gamma and X-Rays, additional to the one that is already operational), refrigerated dock spaces (critical to the handling of produce), new entry and egress lanes among various other improvements.
- ✦ In addition, as part of the project underway by the Ministry of Communications and Transportation of Mexico to improve Highway 15, the north bound lanes will be expanded from 2 to 4 at Querobabi thus allowing for trucks to queue up

- on 2 lanes while leaving 2 lanes for the flow of non-commercial traffic.
- ✦ The US Embassy has indicated that they are doing a small reassessment to ensure that the \$7 million, that were set aside from the Merida Initiative funds, are still slated for the appropriate areas and ensure the appropriate marriage with the SEDENA project. Recall that Merida Initiative funds are focused on equipment, technology and training.
 - ✦ This project will have a great positive impact on the flow of all the commercial traffic all the way from Central Mexico to the border at Nogales.
 - ✦ This has been a great team effort on many fronts over many years - but certainly very appreciative to Colonel Mike Burgoyne, Military Attaché at the US Embassy and National Chamber of Deputies member Mario Sanchez Ruiz of Sonora for their personal follow up on this. A great win for Arizona and the entire Arizona-Mexico Corridor.
 - ✦ This has been a high priority topic for the Port Authority and its member organizations, including the Fresh Produce Association of the Americas, for many years. **Congratulations!!**

5. *CROSS-BORDER TRUCKING UPDATE*

- ✦ We have been informed that Director John Halikowski of the Arizona Department of Transportation (ADOT) has sent a formal letter to the Federal Motor Carriers and Safety Administration (FMCSA) requesting that all Level 1 truck safety inspections be conducted by ADOT.
 - FMCSA would reserve the right to conduct Level 1 inspections if deemed necessary but the idea is to reverse the current ratio that almost 90% of all Level 1 inspections at the Arizona border are done by FMCSA.
 - ADOT has yet to receive a formal response from FMCSA.

6. *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;
 - Consulate General of Canada;
 - DHS/CBP;
 - Ferromex;
 - GSA;

- Offices of Arizona Congressional Delegation;
 - Office of the Governor;
 - SCT;
 - State Department;
 - State of Sinaloa;
 - State of Sonora;
 - Transportation and Trade Corridor Alliance;
 - Union Pacific; and
 - US Consulate in Nogales, Sonora.
- ✦ 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 the Agenda for the Congressional Border Briefing



Agenda - Border Congressional Briefing

March 2, 2015


Arizona State Capitol

1700 West Washington, 2nd Floor Conference Room, Phoenix, AZ 85007

- | | |
|---------------------|---|
| 10:00 - 10:15 AM | Registration
Introductions and Welcome <ul style="list-style-type: none">• Larry Lucero, President, Arizona-Mexico Commission (AMC)• Bruce Bracker, Chairman, Greater Nogales Santa Cruz County Port Authority |
| 10:15 - 11:15 AM | Update on Mexico Initiatives:
AZ-Mexico Indicators & AMC initiatives <ul style="list-style-type: none">• Margie Emmermann, Vice President, Molera Alvarez Corridor Initiatives <ul style="list-style-type: none">• Gail Lewis, Director Office of P3 & International, ADOT Arizona State Office in Mexico <ul style="list-style-type: none">• Fernando Jimenez, VP International, Arizona Commerce Authority |
| 11:15 - 11:45 AM | CBP Update
Impacts and opportunities for port of entry projects <ul style="list-style-type: none">• William Brooks, Director, Field Operations – Tucson, Customs and Border Protection |
| 11:45 AM - 12:45 PM | Working lunch |
| 12:45 - 1:30 PM | Update on Current POE Projects:
Douglas <ul style="list-style-type: none">• Douglas International Port Authority- Representative Nogales <ul style="list-style-type: none">• Nogales-Santa Cruz Port Authority - Representative San Luis <ul style="list-style-type: none">• Yuma Metropolitan Planning Organization - Representative |
| 1:30 - 2:30 PM | Congressional Updates and discussion <ul style="list-style-type: none">• Border Banking• Immigration Reform• ExIm Bank• POE Staffing• Transportation Budget• Probability of Infrastructure Bill• Change in Leadership positions• Update on Inter-Parliamentary meeting with Mexican delegation |

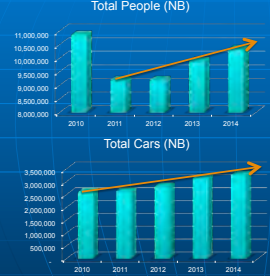
Attachment #2

Copy of Joint Presentation by GNSCCPA and City of Nogales



Nogales Update
 By: Bruce Bracker
 Chairman
 Phoenix, Arizona
 March 2, 2015

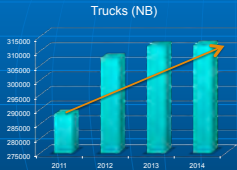
Nogales by the Numbers



- In two-way traffic Nogales processed approximately 20.6 million people and 6.6 million cars
- After sharp decreases during the Great Recession, traffic is on upward trend
- Pedestrian traffic is down while vehicle passengers are up

Source: US Customs and Border Protection


Nogales by the Numbers



- Nogales processed more than 624,000 trucks in two-way traffic.
- According to US Department of Commerce this represents more than \$26 billion of trade between US and Mexico
- More than 111,000 jobs in Arizona depend on trade with Mexico
- With expansion Mariposa can process more than 4,000 trucks per day

Source: US Customs and Border Protection

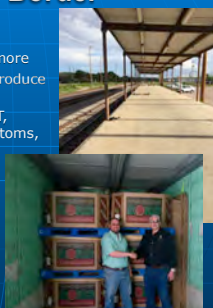
Mariposa Reconfiguration




- More than \$250 million in the modernization of the port of entry and connectivity to Interstate 19
- The latest in design and technology
- Actively promoting port expansion
- Wait times have decreased from an 8-12 hour range to 35-55 minutes!!
- Need staffing to operate at full capacity

Rail at the Border

- May 2014 tested shipment of watermelons from border to Baltimore
- Next step, test rail shipments of produce from Sinaloa to Nogales
- Stakeholders: UP, Ferromex, ADOT, Nogales Customs Brokers, US Customs, Aduanas and Port Authority
- Produce used to be shipped by train 40 years ago
- Goal: to build a multimodal yard at Nogales, Arizona



Why we need to be in Mexico



- Central Mexico is Mexico's true consumer mecca with more than 24 million people and manufacturing hub
- Our corridor is NOT seen as a priority corridor for the rest of Mexico.
- Working with ADOT on Arizona-Mexico Corridor Study

Promotional Map from the State of Mexico
 Ramirez Advisors Inter-National, LLC

Why we need to be in Mexico

- State of Sinaloa is actively promoting the new corridor connecting the west coast of Mexico with the Texas border from Mazatlan to Brownsville, Texas
- Sinaloa is working on another connector from Topolobampo to El Paso, Texas
- New corridor bypasses Arizona on its way to US market

Promotional Map from the State of Sinaloa

Border Banking

- Large US banks are leaving Arizona's border due to enhanced regulations aimed at money laundering
- Nogales based companies, with decades of history, are being notified that accounts are being closed
- Arizona companies now forced to turn to foreign banks (Portugal, Canada) to meet operational and line of credit needs
- Arizona's border communities are lacking in banking services
- Arizona Senators and Arizona State Legislature taking on the issue

Thank You

Bruce Bracker
Chairman
Greater Nogales and Santa Cruz County Port Authority

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City of Nogales

International Outflow Interceptor and Nogales Wash

Santa Cruz River

March, 2015

City of Nogales

International Outflow Interceptor and Nogales Wash

- Nogales, Arizona is geographically located downstream of Nogales, Sonora, Mexico.
- Nogales AZ has historically been the recipient of uncontrolled storm waters from Mexico.
- Over the past two decades as Nogales, Sonora has experienced poorly planned, but unprecedented growth, these storm waters have transported tons of garbage and untreated contaminants into the communities of Nogales and Santa Cruz County, Arizona
- Prior to the installation of the flood control channels in Nogales, Arizona, and Nogales, Sonora, Mexico, flood damage in these twin cities was frequent and severe.
- The August 8, 1930 flood was one of the most severe to hit Nogales. This flood resulted in the loss of several lives and heavy property damages. After the 1930 flood, the Nogales Wash Covered Floodway and the open, concrete-lined channels were installed (Flood Insurance Study, 2009, p. 10).

