

May 20, 2017

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 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. **AMC Summit;**
3. **Letter to CBP on Expansion of SETNRI at Nogales;**
4. **Presentation before Sinaloa Delegation;**
5. **State Rail Plan;**
6. **City and County Administrators Update;**
7. **County Hosts meeting on Regional Economic Development; and**
8. **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***

- ✦ On April 21, the Nogales Technical team along with the prospective architectural and engineering team conducted a site visit of the Mariposa facilities.
 - Special thanks to Joyce Jarvis of CBP for facilitating the visit.
- ✦ As a result of the visit to the installations, three general options are being considered:
 - A retrofit of the existing installations – Docks 50-55
 - Enclosing docks 45-49
 - A possible off-site facility
- ✦ Each option has a number of benefits and challenges which will be evaluated by the Nogales Technical team along with the respective federal agencies that are part of the technical review.
- ✦ Due to Non-Disclosure Requirements as dictated by the Federal Government, we are limited in the information we can provide.

2. ***AMC SUMMIT***

- ✦ The Arizona-Mexico Commission will be hosting its 2017 Summit on June 1st and 2nd at the Omni Montelucia Resort in Paradise Valley.
 - The venue and registrations are selling out very quickly so for those considering on attending please register and book your hotels as quickly as possible.
- ✦ Among the confirmed presenters are:
 - Senator Jeff Flake
 - Andres Fabre, President and CEO of AeroMar
 - Lance Fritz, President and CEO of Union Pacific
 - Ronald Vitiello, Deputy Commissioner, Customs and Border Protection
 - Paolo Carreño, Director General, ProMexico
 - Peter Rawlinson, Chief Technology Officer, Lucid Motors
 - Derek Jenkins, Vice President of Design, Lucid Motors
 - Among various others
- ✦ Additionally, the Transportation, Infrastructure and ports of Entry Committee has a packed program that will include presentations from Chairman Valencia, Customs and Border Protection and the General Services Administration.
 - An update on the Arizona-Mexico Corridor study will also be provided.
- ✦ Chairman Valencia along with The Honorable John Doyle, Mayor, are expected to participate in a private meeting with the Governors.

- ✦ The GSNCCPA is encouraged to have a strong presence at this event and participate in multiple committees.
- 3. *LETTER TO CBP ON EXPANSION OF SENTRI AT NOGALES***
- ✦ On April 9, 2017 a letter signed by the representatives of the GNSCCPA was sent to Mr. Efrain Solis, Jr., Nogales Port Director for Customs and Border Protection.
 - Since becoming involved in the Reconfiguration of the Mariposa port of entry, the GNSCCPA has advocated for the expansion of the SETNRI program to the Mariposa port of entry. In fact, during the design phase of the project, the GNSCCPA was a strong proponent of having all 12 vehicular lanes be equipped with the systems and technology so that lanes could be converted for SENTRI processing in the future.
 - With the growth in vehicular traffic in the past several years, the urgency of the deployment of SENTRI at Mariposa has only escalated.
 - A Copy of the letter is provided in Attachment #1
- 4. *PRESENTATION BEFORE SINALOA DELEGATION***
- ✦ On April 20 and 21, 2017, Chairman Valencia participated as part of an Arizona host committee for a top-level visit by a delegation from the state of Sinaloa.
 - Representing Nogales were Georgina Felix of the Fresh Produce Association of the Americas and Jaime Chamberlain of J-C Distributing and Board member of the Fresh Produce Association of the Americas.
 - ✦ Chairman Valencia provided an update on the Donation Acceptance Program proposal by the GNSCCPA.
 - Presenting during the event was William Brooks from Customs and Border Protection on Unified Cargo Processing
 - These two topics drew a lot of attention and the State of Sinaloa has requested that experts on these two topics travel to Sinaloa to present on these innovative efforts.
 - A copy of Chairman Valencia's presentation is provided in Attachment #2.



Chairman Valencia with Members of the Sinaloa Delegation and a picture of the entire Arizona-Sinaloa delegates

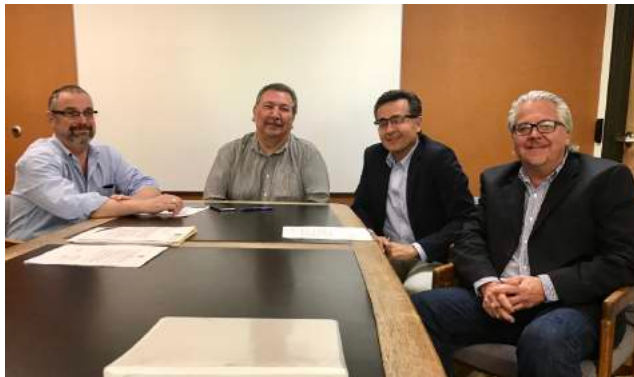
5. ***STATE RAIL PLAN.***

- ✦ On April 25 and 26, 2017 the Arizona Department of Transportation (ADOT) help two of several statewide meetings to solicit input from stakeholders as they develop a State Rail Plan.
- ✦ During the meeting, a request was made that ADOT consider the state's rail connectivity with Mexico through Nogales. In specific, issues like a possible trans-shipment Yard at Rio Rico be considered and that ADOT needs to identify the impacts to Arizona from the new Union Pacific Rail Yard at Santa Teresa, New Mexico.
- ✦ Both Freeport McMoRan and Resolution Copper, two of Arizona's largest mine operators, were present during the meeting. Freeport expressed the needed to improve the logistics and security of the rail system that connects into Mexico. They are frustrated by the lack of enough infrastructure for them to stage unit trains at either Tucson or Nogales.
 - Freeport McMoRan has been invited to participate as one of the interviewees for the Arizona-Mexico Corridor Study. The mining sector is poised for tremendous growth and rail connectivity will be essential.
- ✦ The group was provided with information on the efforts lead by the GNSCCPA to explore the possibility of shipping fresh produce via rail, with the first test done to ship a load of watermelons to the east coast. And that the GSCCPA is pushing for a second phase of the test to ship fresh produce from Culiacan, Sinaloa to the rail yard at Rio Rico.
 - During the session, the Arizona Farm Bureau Federation asked to be kept in the loop as they see this as a great opportunity to promote exports.

- ADOT disclosed up front that they have little or no money to support any significant investments in rail but that they are prepared to support and assist with grant applications.
 - There will much more to this outreach and the opportunity to provide direct input into the ultimate plan. The first draft will be ready by September and that will be put out for public comment. This means that the GNSCCPA and its integrating members will have considerable time to provide input into the process.
- ✦ Allison Moore, of the Fresh Produce Association of the Americas, also participated in one of the other meetings to make sure that Nogales concerns are kept as top of mind as the study moves forward.

6. *CITY AND COUNTY ADMINISTRATORS UPDATE*

- ✦ On April 13, Supervisor Bracker was able to set up briefing meetings with Carlos Rivera, Manager of the City of Nogales and with Jennifer St. John, Administrator for Santa Cruz County. The meetings were designed to provide an update of the past year's activities, updates on current activities and to ensure that the GNSCCPA is adhering to the contractual requirements with each organization.
- Both Ms. St. John and Mr. Rivera expressed their appreciation for the efforts of the GNSCCPA.



Chairman Valencia with Supervisor Bracker, Mr. Terry Shannon and Mr. Carlos Rivera



Chairman Valencia with Supervisor Bracker, Supervisor Manuel Ruiz, Ms. Jennifer St. John and Mr. Terry Shannon

7. COUNTY HOSTS MEETING ON REGIONAL ECONOMIC DEVELOPMENT

- ✦ On April 27, Santa Cruz County hosted a regional economic development session.
- ✦ The meeting served to foster a dialogue of cooperation among the local government organizations and the local and regional economic development, promotional and like-minded organizations from the private sector.
 - Supervisor Bracker presented a proposal for a Joint Economic Development Authority (JEDA) (See Attachment #3) that creates a 7-member board (3 from the City, 3 from the County and 1 from the GNSCCPA)
 - Chairman Ruiz presented a set of criteria for an economic development effort
 - The Southeastern Arizona Governments Organization (SEAGO) and Chicanos por la Causa (CPLC), were among the organizations that offered to participate in an effort to define the mechanism and process to create an economic development entity in the Nogales/Santa Cruz County area
 - It was agreed that Jennifer St. John would convene a follow up planning session, including a possible day-long work session.



Meeting Participants



County Supervisors leading the dialogue



Councilman Greg Lucero, Councilman Marcelino Varona and Randy Heiss of SEAGO

8. 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;
 - 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 Letter for Expansion of SENTRI at Nogales



April 9, 2017

Mr. Efrain Solis, Jr.
Nogales Port Director
Office of Field Operations
US Customs and Border Protection
9 North Grand Avenue
Nogales, Arizona 85621

RE: Deployment of SENTRI at Nogales West Port of Entry

Dear Mr. Solis,

On behalf of the Greater Nogales Santa Cruz County Port Authority, I write in support of the efforts to deploy the SENTRI (Secure Electronic Network program for Travelers Rapid Inspection) program at the Nogales West ("Mariposa") port of entry.

The Port Authority has been an ardent proponent of any effort that will help expedite cross-border traffic at Nogales, particularly low-risk travelers. Our community is heavily dependent on Mexican visitors, with more than 70% of the sales tax for the City of Nogales directly attributable to our Mexican visitors. We understand that there are some access limitations for northbound non-commercial traffic but any improvement or program that has a positive impact in the reduction of wait times is something that we support as this is a cumulative process and not a single-solution challenge.

In fact, when the Mariposa Reconfiguration project was in the design phase, the Port Authority pushed for the inclusion of SENTRI technology and capabilities at each one of the 12 car lanes with the anticipation that once the decision was made, the supporting systems and networks would be ready for deployment without any delays.

The Port Authority is ready to work with you on any effort to improve the signage at the border and any efforts to inform the traveling public once SENTRI is available at Mariposa.

The Port Authority, in existence since 2005, is focused on the improvement of the ports of entry at Nogales and the quality of life of the residents of the binational region. The Board of Directors of the Port Authority includes the City of Nogales, Santa Cruz County, the Fresh Produce Association of the Americas, Nogales US Customs House Brokers, INDEX,

Mr. Guillermo Valencia
Chairman
May 20, 2017

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Mr. Efrain Solis, Jr.
US Customs and Border Protection
April 9, 2017

Nogales Community Development and the Nogales-Santa Cruz County Economic Development Foundation.

Again, the Port Authority stands behind your efforts to expand the SENTRI Program to include the Mariposa Port of Entry. I thank you for the consideration you give to this letter.

Respectfully,



Guillermo Valencia
Chairman

The Honorable John Doyle, Mayor
City of Nogales

The Honorable Manuel Ruiz, Supervisor
Santa Cruz County

Gonzalo Avila, Chairman
Fresh Produce Association of the Americas

Terry Shannon, Jr., Chairman
Nogales-Santa Cruz County Economic
Development Foundation

Alfonso Soto, President
INDEX Sonora

Hector Suarez, Chairman
Nogales US Customs House Brokers

Nilo Larriva, President
Nogales Community Development

Attachment #2
 Presentation before Sinaloa Delegation



A Commitment to Competitiveness

Guillermo Valencia
 Chairman

Phoenix, Arizona
 April 20, 2017

Regional Competitiveness

- Nogales is Arizona's principle gateway for trade, tourism and Innovation
- \$250 million of investment in modernizing port of entry
- Close to \$2 billion being invested on MX15 connecting Arizona with Mexico City
- ADOT investing \$70 million in Phase I modernization of Mariposa Road
 - Community exploring ways to advance Phase II in partnership with ADOT.
- Committed to promoting Nogales and the region to attract new trade and investment
- Home-base for the testing of Unified Cargo Processing
 - Northbound, Southbound and Rail operations
 - THANKS TO CBP AND ADUANAS!

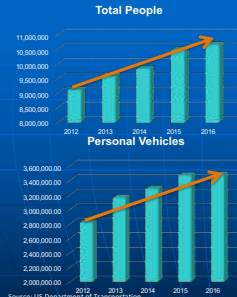
Arizona-Mexico Corridor



- Nogales is Arizona's principal international gateway
- Connected to principal markets
 - Mexico City
 - Guadalajara
 - Tepic
 - Culiacan
 - Ciudad Obregon
 - Hermosillo
- Big supporter of the Corridor Study between ADOT, SCT, and ADOT

Arizona-Mexico Corridor

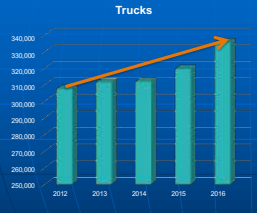
Nogales by the Numbers



- In 2016, Nogales processed more than 21.2 million people and 7 million cars (two way traffic)
- Nogales is the gateway for more than 83% of trucks and 40% of the people that cross the border between Arizona and Mexico
- Growth in cars and people means greater regional economic activity in tourism, retail, real estate and professional services sectors

Source: US Department of Transportation

Nogales by the Numbers

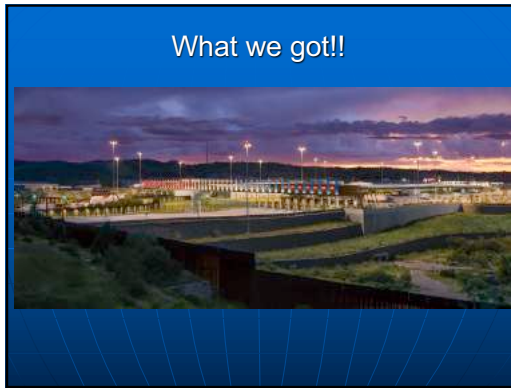


- In two way traffic, in 2016, Nogales processed more than 670,000 trucks.
 - Up by over 5% over 2015
- According to USDOC this represents more than \$26 billion of trade between US and Mexico
 - \$3 billion in produce
 - \$23+ billion in manufactured products
- Expect trend to continue for foreseeable future


Source: US Department of Transportation

What we had!






Investment in Nogales



- Since the completion of the Mariposa Reconfiguration project, approximately 1.2 million SF of warehousing and Distribution Center space has been constructed in the Nogales/Rio Rico area.
- This represents \$52 million of direct investment in the community and state of the art facilities to handle fresh produce and various other commodities

Nogales DAP Proposal



- CBP has accepted proposal under Small Scale provisions of Section 559
- Convert 6 docks to refrigerated docks in order to handle any temperature sensitive commodity
- Initial cost estimate +/- \$500,000
- CBP/GSA and Port Authority Technical team working on design of project
- Approximately the same capacity as the Cold Facilities at Laredo World Trade Bridge

Nogales DAP Proposal

Commodity	Volume in 10,000 lbs units				
	2010	2011	2012	2013	2014
Total	104,142	100,081	114,000	112,161	111,100
Automotive	75,134	70,764	62,257	60,760	67,254
Construction	44,440	42,790	42,474	47,706	47,210
General	30,445	28,266	31,171	28,481	28,776
Food Products	30,488	41,180	51,948	51,407	52,124
Machinery	20,200	20,200	20,572	20,700	21,244
Metal	17,433	18,240	17,184	17,203	18,024
Miscellaneous	17,477	17,019	16,637	17,418	17,197
Chemicals	12,248	10,474	11,488	10,098	10,617
Textiles	11,100	7,700	10,100	10,100	9,900
Other	9,716	8,961	8,776	8,911	8,824
Iron and Steel	8,745	7,444	6,137	5,132	5,074
Chemicals	6,285	5,251	4,852	5,284	4,704
Special Metals	5,135	4,979	4,348	4,856	4,914
Machinery	4,115	4,043	4,263	4,263	4,288
Automotive	2,113	2,095	1,685	1,675	1,624
Automotive	2,040	2,022	1,506	1,504	1,510
Automotive	2,114	2,096	1,685	1,675	1,624
Automotive	812	742	592	590	542
Automotive	152	150	152	154	151
Automotive	1	34	122	155	207
Automotive	222	189	186	184	189
Automotive	217	190	180	171	183
Automotive	186	87	91	81	102
Automotive	198	174	77	63	54
Automotive	152	1	1	1	1
Automotive	17	79	54	23	5
Automotive	4	7	4	46	143
Automotive	13	25	21	23	5
Automotive	17	1	1	1	1
Automotive	4	4	4	4	4
Automotive	1	1	1	1	1
Automotive	1	1	1	1	1

- Cold Rooms would allow a variety of temperature sensitive commodities to be processed at Nogales without breaking the Cold-Chain
- Among those commodities that could benefit from this investment are:
 - Grapes
 - Corn
 - Broccoli
 - Asparagus
 - Blueberries
 - Artichokes
 - Avocados

Thank You!

Guillermo Valencia
Chairman
Greater Nogales Santa Cruz County Port Authority

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(520) 287-2707
gvalencia@evalencia.com

Attachment #3
JEDA Proposal

Greater Nogales Santa Cruz County Port Authority

Joint Economic Development Authority
Nogales - North America's Gateway for Trade and Innovation

As Arizona's principal gateway for trade and tourism over 5 billion pounds of fresh produce, over \$30 billion worth of manufactured products cross and over 16 million people cross through Nogales each year.

With that volume of trade and tourism, combined with the infrastructure investments, the City of Nogales and Santa Cruz County are a principal strategic area of the Arizona-Sonora border poised for tremendous growth. In great part, due to the efforts lead by the Greater Nogales Santa Cruz County Port Authority (the Port Authority), over \$400 million worth of infrastructure investments have been made to the ports of entry and the road and rail infrastructure that connects the binational community to North America.

The Board of Directors of the Port Authority is comprised of:

- The City of Nogales
- Santa Cruz County
- INDEX - Maquila Association
- The Fresh Produce Association of the Americas
- Nogales Community Development
- Nogales Santa Cruz County Economic Development Foundation
- Nogales US Customs Brokers Association

Since 2013, as the new Mariposa Port of Entry was coming on line, more than 1.2 million SF of warehousing and Distribution Center space has been built – and construction permit applications indicate that another 1 million SF are in the pipeline. This represents more than \$52 million of investment. Based on conversations with various developers and industry experts, it is estimated that as much as \$30 million came from Mexican investors that are bullish on the Nogales area as a sound location for their investments.

The commitment to create a new Joint Economic Development Authority is based on what is happening in the greater Nogales and Santa Cruz County region without a conscious or committed effort to attract new investment, which in turn creates jobs in the community. The Nogales Santa Cruz County JEDA offers the community the opportunity to focus efforts to identify, target, pursue and recruit new investment in our community.

Nogales, Sonora is a North American hub for manufacturing with close to 100 maquiladoras employing more than 35,000 employees. Nogales, Arizona is a North American hub for the fresh produce industry with close to 110 distribution centers employing close to 3,000 people.

The Nogales population is well educated and has a very high percentage of bilingual speakers. Nogales also counts with a University of Arizona Campus as well as the Santa Cruz County Provisional Community College District offering higher learning opportunities to residents and well-trained personnel for employers.

It is proposed that the JEDA be housed under the Port Authority. The Port Authority, which brings all the principal stakeholders together in a single institution, has a 12-year track record of consensus building, advocacy and success. The longevity of the Port Authority means that it transcends changes in administrations at the City and the County. It also brings both the public and private sectors together to a single table. But perhaps more importantly it offers all entities outside of Nogales a reliable partner in advancing many trade, tourism, security and commercial initiatives. Government and business leaders in throughout Arizona, the United States and Mexico have come appreciate and recognize the Port Authority as an effective and reliable voice for Nogales. Having the JEDA housed under the umbrella of the Port Authority allows the JEDA to immediately leverage the Port Authority's track record, resources, and network of contacts throughout North America.

How will the JEDA Work?

- The Port Authority will create the JEDA as a standing committee of the organization.
- The Board of Directors of the JEDA will be comprised of 7 members. Board members will serve one two (2) year term and may be reappointed for one additional two (2) year term. Should the terms of office expire prior to the term as a member of the Board of Directors of the JEDA, the City or the County will appoint a replacement to serve out the time left in the term of that Board member.
- The Board will be comprised as follows:
 - One member of the Nogales City Council;
 - One member of the Santa Cruz County Board of Supervisors
 - The representatives of the Nogales City Council and Santa Cruz County Board of Supervisors will each be tasked with selecting two (2) additional members of the board; and
 - The 7th board member will be selected by the Board of Directors of the Port Authority from its membership.
- The City, the County and a representative of the private sector that sits on the JEDA Board will take turns chairing that committee, serving one-year terms each. The rotation of the chairmanship will be determined by a vote of the Board of the JEDA.
- The Port Authority will enter into a contractual agreement with the City and the County in order to create and fund the JEDA.
- The City and the County will make a 4-year commitment to fund the position of the Executive Director of the JEDA. The City and the County would each make a \$75,000 annual contribution (The annual contribution from each government entity would be used as follows: \$60,000 towards salary and \$15,000 towards marketing, travel, promotional and related efforts by the JEDA).

- Additionally, the Port Authority would make a \$15,000 annual contribution that would be comprised of \$10,000 in cash and \$5,000 in in-kind support and related services.
- **OPTION #1:**
 - The JEDA Executive Director will be an employee of Santa Cruz County to afford that individual a benefit structure and the certainty of the state employment system. The Executive Director will report to the leadership of the JEDA.
- **OPTION #2**
 - The JEDA Executive Director shall be a contract employee of the Port Authority. The contract will be for a 4-year term with annual reviews. The JEDA Board will be housed at a convenient location through a contract with like-minded organizations, such as the Santa Cruz County Provisional Community College District, Nogales Community Development, or the Fresh Produce Association of the Americas.
- The JEDA will make monthly reports to the Port Authority, reports that will be shared with the members of the JEDA Board and the Board of Directors of the Port Authority. Additionally, the Executive Director will make quarterly reports before the City and the County.
- The JEDA will ensure a cohesive and collaborative effort with the Port Authority and the many areas of focus and attention. The JEDA will coordinate with the Port Authority's leadership and its international advisor, Ramirez Advisors Inter-National, LLC, to ensure the maximum return on the joint investment.
- The JEDA will generate a list of prospective investment and job creation sources and ensure a timely and continual follow-up by providing the necessary information as required by the prospective investor.
- The JEDA will also work with the members of the Port Authority Board of Directors to identify perceived and real obstacles to business promotion and promote strategies to address and rectify the situation.

Strategic Areas of Focus:

- Define and document areas where Nogales offers a competitive advantage for prospective investment.
- Identify any possible obstacles at the City or County level that could be impacting the ability for companies to expand or locate in the region and propose ways to make the necessary changes, including permitting, zoning, etc.
- Explore ways to promote the Nogales Foreign Trade Zone.
- Promote Nogales as the gateway for North America throughout Mexico's central and Pacific coast regions in order to help retain traditional trade flows. This may also include exploring commercial and tourism routes from other regions of Mexico.
- Create an informational and promotional strategy that leverages virtual media, strategic publications and participation in select industry events throughout North America. This strategy must integrate a bilingual component.

- Identify best practices from other key binational communities in Texas, New Mexico and California.
- Identify and forge strategic partnerships with like-minded organizations, to engage and participate in broader economic development efforts that are focused on positioning the Arizona-Sonora Megaregion. This list includes but is not limited to:
 - The Manufacturing sector in Nogales, Sonora;
 - The Municipality of Nogales, Sonora,
 - The Arizona Commerce Authority,
 - Arizona-Mexico Commission,
 - Sun Corridor Inc.,
 - COPRESON,
 - University of Arizona - South,
 - Santa Cruz County Provisional Community College District,
 - Among various others.
- Pursue projects that bring full time, non-seasonal employment to the region.
- Job creation and investment can be on either side of the border.

DRAFT