
CITY COUNCIL REPORT

DATE: November 19, 2019
TO: Mayor and Councilmembers
FROM: Jerene Watson, City Manager
CC: Dawn Prince, Deputy City Manager; Leadership Team
SUBJECT: PORT OF ENTRY TOUR OF SAN LUIS November 13, 2019

This report is to provide an update to all of City Council since not everyone was able to attend the San Luis (SL) Port of Entry Tour on November 13, 2019.

DISCUSSION:

Last week Councilmember Jose Grijalva and City Manager Jerene Watson, Luis Ramirez and Corrine Ray spent a day in San Luis meeting with city officials, CBP staff and touring the ports of entry. This report provides notes from our discussion with San Luis Mayor Gerry Sanchez, Vice Mayor Maria Cruz, Councilmember Rosales via phone for 30 minutes, City Manager Tadeo de la Hoya and Economic Development Director Jenny Torres

Mayor Sanchez greeted us with opening remarks including praise that Douglas is doing great and Mayor Uribe is really pushing the Governor. He noted that Douglas is going same direction as San Luis with two ports and modernizing.

Trips to Wash, DC are a lot of work, a little intimidating but needs to happen. Douglas has a Category 1 level port, a real advantage as it can process everything without restriction. Their port is a Category 2 and has some restrictions and can't move fuel or used car parts.

History Trucks were commingling with private vehicles as they came through port. Saw the need to separate commercial from other interactions. Safety is critical so separating them created safer environment. We used this message in order to move the federal government to action, as well as locals, and to understand. **TOP PRIORITY WAS SAFETY.** Safety concerns, like hazardous material, must move away from residential and business district. Ports separating into two and the need/reason why San Luis is mentioned by GSA and CBP today as what to do right, using SL as example. Warehouses didn't really exist near older port.

Organized unions reduced the numbers of maquiladores to where there are less than 20 today. Changes occurred via unions which came in to get more money. Anecdotal: A company that did sewing for Eddie Bauer jackets and paid for child care, paid doctors to be onsite at manufacturing plant, fed 2 meals free daily because the owner wanted to make a difference and wanted employees to benefit. However, unions came in and wanted more even though they were already getting 300% more above average.

Wait Times: Historically, San Luis has the longest wait times for private vehicles and today still sits at 2 1/12 hr. - 3 hr. wait with only 8 lanes; often lanes are not all open due to staffing

shortages and other reasons. Commercial wait times less than 20 mins. They have dual processing and doing training across the border and they do have a climate-controlled facility from locals who are investing in coolers & cold storage warehouses. It is not in the federal government's plan nor part of port but located immediately adjacent.

Commodities crossing: lettuces of all types (80% of national market comes from Yuma), electronics, brakes, Ships for Las Vegas, Textiles

Now manufacturing coming in such as Bose, Flex (worldwide company that works very differently than Bose and is very general in manufacturing). The Mexico side is very aggressive but cost of land rising. Water is plentiful here in Arizona but cost of construction much cheaper in Mexico, along with labor.

ADOT has instituted **unified cargo processing** and trucking and imports prefer it over California. Unified cargo has to be sold. San Luis went operational in 2009 with the Unified Cargo - **docks set up in linear fashion, to great success.**

LESSONS LEARNED:

1. **Be prepared for growth.** Never thought private vehicles would have grown so much - city on Mexican side has grown 100% - 108%. Six years ago, they started focusing on economic development and containing housing growth, which is the issue as a city with no property taxes. The challenge become how to pay for infrastructure and services to residents/new housing areas (e.g., PD is 14 officers short). City almost always running lean and has not accumulated debt, has refinanced and that is critical to them. (e.g., fire truck paid outright.) Tried to build surplus w/mixed results but the goal is no debt because they have no property taxes

2. **Compete for grants aggressively** (for streets award - local state YMPO and regional/state grants)

SL POE processes 8 million vehicles and people through our port. Today, 95% of streets have been resurfaced.

3. **Work Regionally to collaborate to coalesce stakeholders to minimize competition and leverage resources:**

Established "**Forefront**" an organization created by mayors in Yuma, San Luis, Somerton & Wellton. They realized they shouldn't always compete when not offering the same things so wanted to promote the region. Stronger because of it.

They work as a group with Port Authority, other cities and everyone works together with resources and technical expertise brought into the group. This cooperation has been attributed to their success. Mayors can promote each other. County approaches it as how can you make the cities better and it all works together. If whole county does well, all do well and they welcome friendly competition because of our united goal for the region to succeed.

Economic Development:

SL has Greater Yuma Port Authority (GYPA) and an Industrial Development Authority to promote economic development. They have received planning grants but recently hired an executive director so they can go beyond industrial properties.

GAP study - City studied needs and what was missing for development. Found a shortcoming in that they have no natural gas and no rail. Heard rail is important for a certain type of company who are asking for these things.

Now bringing natural gas into industrial park. They also have the binational treaty on water that goes into Mexico and has to have quality at no cost to Mexico (Note: Bureau of Reclamation (BOR) is pumping from wells and pumping water into Colorado river rather than recharging. AZ requirement of 100-yr. water supply protects us (v. California without laws)

Limitations for economic development is the WWTP effluent. There is no effluent capacity in SL. Mexico is digging more wells and runs through canals so there is water evaporation whereas SL pipes water. Manganese content is high so it makes water yellow (in Mexico and SL). Need to invest in water infiltration system to avoid this.

Labor - have good groups near to find and focus on.

Some ready sites came in through Port Authority and private developers. We Use the CFD (community facilities district) as financing tool - can only sustain with use of these tools and private sector knows how to use the CFD and are willing participants.

Before the Port Authority was not being used

Now city has been putting \$50k into it every year along with Yuma County and Somerton and every year the city invests for about 10 years now. They have a CEO and director and Councilmember Rosales who is involved in both.

4. Key is recognizing the need for COLLABORATION in all respects:

City Council has to be on the same page involved beyond just 'yes' / 'no' votes. It has to be a priority and understanding of what the community needs. It is not what the mayor thinks but is supported by what the data shows. Council needs to know what you're voting on and why (don't have economists on staff).

Must have Council Work Session as it works best to have a cohesive Council working together. Hold Ex. Sessions to have honest discussions. Use the format of the Mayor asking around the circle of each to get a sense of Council. All Councilmembers get same invitations; no secret meetings. When you deal with GSA and other federal agencies you don't invite the whole community. Over years there is reason to understand why they do this.

Q: If you were king or queen for the day building a port design, what should we have in it?

a. Staffing!! If building new pedestrian annex, make sure federal government budget for Customs agents

b. Another component is emergency medical at entry/exit points. Always need facilities collocates so not tripping over regular traffic – SL gets 200 calls per month

c. Have a cold storage building on site; currently temperature control room is only what exists at San Luis and yet should be requested by Customs/GSA for future use. Don't want to have to convert temp control into cold room.

d. Commercial port absolutely needs good technical base. Staffing and technology. Good back-up generator has to have redundancy for mobile power when shore power goes.

e. Design an extended canopy that helps the K-9 units not to walk on hot surfaces, especially on western side of POE. Need good water and have filtration system built into design. Prolong facility life with these. They retrofitted for these components.

f. GSA/EPA Charrette looked at impact to community but not space design. Old port is confined because design standards from GSA/EPA will be used to design. The reality is that *budget* will constrain what gets built. Current footprint is on 5-6 acres active and then up 10 acres of all of port

g. Need the ability to put routers where needed and CAT wire wherever; going towards wireless but don't have wireless providers currently. Wireless would be helpful as it keeps officer from needing to be near computer. POE static not using GPS technology like drones (border control does more of that)

h. Crosser should enter the compound right at the border but plan a design allowing a short distance to drive up to booths for dogs to run primary before they get to the booths. Assists with facilitating search and other processing.

i. Pedestrians v. Commercial: need to plan for pedestrians there as they will come and not segregate even if ports are separated - has to have big enough space to accomplish all tasks.

Q: Inspections & highways - would you recommend we co-locate ADOT, DPS and FMCSA buildings? They are not necessarily needed to be right there and it might be opportunity to work together and recognize each other's inspections. However, a new facility may want to co-locate inspections from the state and federal agencies. Preferred option now is the 'no build' option which then forces FMCSA to co-locate with ADOT (Administrator of FMC in conversation).

QUESTIONS & ANSWERS:

1. What is the staffing of CBP US Customs officers - Currently shortage of 34 of temporary staff who were moved to Texas and 25 other agents in Academy and short at least 47 up to 75 up any one time (actual numbers of vacancies are higher)

This Presidential administration more receptive to needs – previous President cut funding of GSA budgets and now there is \$\$ coming into presidential budgets (House has full funding @ \$245m; with \$150m in Senate).

2. How do you keep sales tax from being a pass through? Most of sales tax comes from pedestrians walking to port then go to work in field. Not an issue of it going elsewhere. (Note: Specialty wheat is shipped to Italy due to dryness so commodity is not just lettuce but wheat, too.

3. Do you conduct binational marketing? *Did research and talked to Texas and Buxton did not carry through with their marketing results trying to use credit card tracking because more people use cash.* Plans on hold for now for using that tool as there is a 12% decrease in crossing. SL had been focusing on bringing infrastructure in and shovel-ready sites. When they had EPA look at what was needed, looking at downtown within Opportunity Zones, they found need was to focus on mom & pops. Focus now is to do more targeted marketing and storefront locations to help this segment thrive.

4. What economic development tools have you created and needs identified?

a. Incubator - EDA and CDBG funding for 20k sf business industrial incubator (not commercial but requests now coming in for commercial so looking at a 2nd incubator).

b. Challenge is within the Marketing to get the word out with need to explain it is industrial for light industrial companies so others don't show up thinking it is a commercial incubator.

c. Need hotels and gas station/convenience store, clinic and sit-down restaurants and even fast food like Starbucks, Panda Express, etc. Challenge is that 70% of land is federal (Bureau of Reclamation, etc.) and AZ State lands.

d. Limited amount of commercial land so selling at too high a price. Phoenix goes for \$10/sf but here it is \$15/sf – lose ground with the competition in other parts of state

5. What about the educational component of economic development and is academic achievement at a level that it is attractive to companies?

GYEDC - Greater Yuma Education Dev. Corp. (like a TREO and GPEC in Tucson and Phoenix) big partner and finds for SL. We are Involved in economic and education in the area.

Education is a challenge and they are trying to work with tech schools to do training (job fairs, Goodwill presence and SBA/SBDC and provide more skill labor). High school has partnership with AWC. Forefront looked at the educational needs and workforce coming forward. AWC (AZ Western College) has good folks - CTE vocational training for AG workers (plumbing, electrical and more emphasis on a trade). Need to approach this smarter like other countries such as France and Europe where kids come out of high school and community college with technical skills.

Implementing programs through high schools Gen. Motors have a testing facility at the proving grounds. GM knows you start young and they are your future workers.

(Need to talk with Cochise and find out who among the 100 Fortune 500 companies).

Construction, technology, entertainment, nursing, other high demand). Has to be approached by college and municipalities - Council needs to get behind this.

Make presentations as a group: SL, AWC, Yuma County, etc. and willing to address all the issues and skilled work force, water needs.

We do have an Education Advocacy Council as we know that is part of economic dev.

(Similar to Education Partnership Council in Douglas).

6. Do you have cold storage as part of the POE property? No Cold storage on POE property, but many private companies coming in are doing private development at large dollar amounts immediately adjacent and City is trying to support that development.

7. What other ideas should we consider or advice to share?

a. Need to “celebrate our wins” more in education and economic vitality. San Luis has over 3000 kids and 70% coming out of college. AWC (Arizona Western College) and SL have made a strong partnership. They know education is key. Lowest drop-out rate in state. Phoenix uses the examples of San Luis and Nogales where they don’t have in affluent high schools in larger metro area. Strong sports and recreational department in schools and compete.

b. COUNCIL HAS TO PROMOTE AND MARKET SELF. Economic development has to be a priority and do it as a region. Support Mayor and Council - Council has to have one voice and find common ground - understand there are compromises but hugely important and they have to be involved. When going to Wash. DC, taking Mexican counterparts, city and private investors to participate is key and part of targeting actions we can do to promote the region, opening new trade opportunities.

c. Buses load on city streets outside of port to pick up field workers by 7 am. Businesses in downtown want to keep them waiting for buses there not elsewhere, but it is crowded so presents challenges. City has encouraged businesses to purchase property or lease space. Circle K leases places for buses around downtown and having a surface lot would be a big money maker. Charge \$6/vehicle

d. Plan for infrastructure on both sides of the border. Roads on Mexican side (state of Sonora) and ADOT needs to make sure roads are there (improvements from Cananea and other roads connecting to AP and up from Mexico). Current Governor has 18 months in office so that will impact future development. Private companies know a good investment. Taylor Farms put in \$80m in investment on Mexican side to process the lettuce grown in Yuma. Yuma supplies 80% of lettuce market.

RECOMMENDATION / CONCLUSION:

This report is for information and to be used with the Douglas Port of Entry Technical Team in preparation for our next meetings with GSA.