

MINUTES
OF THE
MARICOPA ASSOCIATION OF GOVERNMENTS
ECONOMIC DEVELOPMENT COMMITTEE
September 6, 2011
MAG Offices, Saguaro Room
302 N. 1st Avenue, Phoenix, Arizona

MEMBERS ATTENDING

Mayor Thomas L. Schoaf, Litchfield Park,
Chair
Mayor Hugh Hallman, Tempe, Vice Chair
Steven Betts, GPEC
Dr. Joseph Cavinato, Thunderbird
Mark Dreher, East Valley Partnership
Thomas Franz, Greater Phoenix Leadership
Jim Kenny, El Dorado Holdings, Inc.
*Mayor Jim Lane, Scottsdale
#Mayor Michael LeVault, Youngtown
Mayor John Lewis, Gilbert
Mayor Marie Lopez-Rogers, Avondale
John McGee, ADOT
*Mayor Jackie Meck, Buckeye
#Mary Peters, Mary Peters Consulting

Jim Rounds, Elliott D. Pollack & Company
Todd Sanders, Greater Phoenix Chamber
of Commerce
*Mayor Jay Schlum, Fountain Hills
Mayor Elaine Scruggs, Glendale
Councilmember, Jack Sellers, Chandler
Jeffrey Simmons, Ryley Carlock &
Applewhite
Mayor Scott Smith, Mesa
#Mayor Lyn Truitt, Surprise
*Sandra Watson, Arizona Commerce
Authority
Candace Wiest, WESTMARC
*Supervisor Mary Rose Wilcox, Maricopa
County
Vice Mayor Thelda Williams, Phoenix

* Not present

Participated by video or telephone conference call

OTHERS PRESENT (from sign-in sheet(s)):

Eric Anderson, MAG
Roc Arnett, East Valley Partnership
Anubhav Bagley, MAG
David Berry, Swift Transportation
Christopher Bradley, Maricopa County
London Burns, Governmental Relations
Office
Brent Cain, HDR
Michael Celaya, Surprise
Ruth Collins, Mesa Leadership

Cheryl Covert, Buckeye
Kristen Cowley, Mesa Leadership Training
Mike Cronin, Eldorado Holdings
Dan Davis, Avondale
Valerie Day, MAG
Jami Garrison, MAG
Jeanna Goad, Glendale
Walt Gray, Private Citizen, Phoenix
Shirley Gunther, Avondale
Bob Hazlett, MAG

Patricia Kraus, Chandler
Beth Lewallen, Maricopa County
Gail Lewis, ADOT
Clem Ligocki, MCDOT
Dan Marum, Wilson & Company
Senator Al Melvin, Arizona Senate
David Moody, Peoria
Russell Moore, Parsons
Walter Murlock, Connected Centers

Tom Remes, Phoenix
Rebecca Timmer, Dibble Engineering
Karen Peters, Phoenix
Scott Powell, Gilbert
Karen Rasmussen, Arizona Trucking
Association
Audrey Skidmore, MAG
Deirde Whitehead, Arizona Transportation
Education Foundation

1. Call to Order

The Economic Development Committee (EDC) meeting was called to order by Chair Thomas Schoaf at 12:08 p.m. Chair Schoaf welcomed two new members to the committee: Mayor Scruggs from the City of Glendale and Councilmember Jack Sellers of Chandler. Mayor Schoaf also welcomed Senator Al Melvin from Tuscon. He noted that Senator Melvin is the Chairman of the Commerce and Energy Committee and Vice Chairman of the Economic Development of Job Creation and Appropriations. Chair Schoaf noted that Mayor Michael LeVault, Mayor Lyn Truitt, and Mary Peters were participating by telephone conference. Chair Schoaf noted that public comment cards were available for those members of the public who wish to comment. Transit tickets were available from Valley Metro for those using transit to come to the meeting. Parking validation was available for the MAG parking facilities for those who parked in the garage.

2. Call to the Audience

Chair Schoaf stated according to the MAG public comment process, members of the audience who wish to speak are requested to fill out the public comment cards. He stated that there is a three minute time limit. Public comment is provided at the beginning of the meeting for items that are not on the agenda that are within the jurisdiction of MAG, or non action agenda items that are on the agenda for discussion or information only. Chair Schoaf noted that no public comment cards had been received.

3. Approval of the July 5, 2011 Economic Development Committee Meeting Minutes

Chair Schoaf asked if the members had any questions on the July 5, 2011 meeting minutes. There were none. Mayor Hallman moved to approve the July 5, 2011 Economic Development Committee meeting minutes. Vice Mayor Williams seconded the motion and the motion carried unanimously.

4. Approval of Economic Development Committee Meeting Start Time Change

Dennis Smith stated it was recommended that the Economic Development Committee meeting start time be changed from 12 Noon to 11:30 a.m. due to the length of the agendas. He noted this would conform to member's work schedules. The EDC members were in favor and Chair Schoaf noted effective immediately the new meeting time is in place.

5. MAG Freight Transportation Framework Study Development Strategy

Tim Strow, Transportation Planner and Project Manager of the Freight Transportation Framework Study, introduced Darren Henderson and Ryan Cooke from Parson Brinckerhoff. Mr. Strow noted that the project is being managed by MAG with cooperation from the Joint Planning Advisory Council. The goal of this project is to identify and develop freight related economic development opportunities for the Sun Corridor. Mr. Strow stated that they are focusing on the Sun Corridors strategic location relative to goods movement, identifying added value for the supply chain that will identify opportunities for expansion of the freight industry, which is intended to diversify the regional economic base and create additional employment opportunities. Mr. Strow stated that the study objectives are to identify freight commodity profiles, border crossing opportunities, funding options and sources, and identify freight infrastructures and improvements.

Darren Henderson from Parson Brinckerhoff discussed examining freight and multi-modal opportunities in the Sun Corridor. Mr. Henderson stated that a research study was conducted by interviewing and receiving internet surveys from shippers and carriers that operate in the Sun Corridor. The 40-question internet survey was sent to 4,500 individuals representing 2,500 supply chain firms with an approximate response rate of two percent. The participants represented a balance of supply chain companies and company size. The specific focus was on issues related to Arizona, such as the perception of business environment, perceptions of transportation infrastructures and the likelihood to locate within the Sun Corridor. Mr. Henderson also noted that most of the survey participants spend less than \$200 million annually transporting goods and that approximately half of that was spent on trucking as the mode of transportation. Mr. Henderson also stated that over two thirds of the companies are involved in the domestic import of finished good, while half of the companies are also involved in the foreign import of finished goods.

Mr. Henderson also noted that the Sun Corridor is primarily a consumption based economy and that the majority of the companies involved in foreign imports trade in the Pacific Rim and exports represent less than five percent of total shipments for more than two thirds of the companies surveyed. Mr. Henderson pointed out that this shows a trade imbalance in the U.S. economy. He noted that proximity to ports, markets and needed services were some of the important factors in shipper choice for port operations. Access to transportation was also important. Almost sixty percent of Mexican imports enter the U.S. through Texas ports of entry, while only eight percent enter through the Sun Corridor. Mr. Henderson also noted

that the majority of surveyed firms forecast an increase in cargo from Mexico in the coming years.

Mr. Henderson stated that transportation costs and highway capacity are strengths in Arizona. However, labor costs and the legislative climate are perceived as weaknesses. He noted that over half of those surveyed were “not sure” about Arizona. Mr. Henderson stated we need to better market the opportunities Arizona has to offer.

Mr. Henderson also noted that a 30 minute telephone survey was conducted with 25 shippers and transportation service providers who operate in the Sun Corridor and/or Southern California. The objective of this survey was to gain insights into the interviewees’ business affecting the Sun Corridor, by soliciting views of what infrastructure is attractive, what barriers hinder the flow of goods, and what improvements can be made to attract businesses. Mr. Henderson stated that they also obtained views on infrastructure improvements such as the South Mountain Freeway and I-11, and on the congestion relief in Tucson.

Mr. Henderson noted that through the interview process, it was determined that the Sun Corridor is primarily an inbound transportation region, which results in a cost imbalance with outbound freight. The main transportation challenge is highway congestion, especially during peak travel times. Mr. Henderson stated the positives are the potential construction of the South Mountain Freeway and I-11 Corridor, while Phoenix also compares positively on a national scale. Mr. Henderson stated that it was also found that rail is not used by shippers in this region due to the cost, time and reliability issues, although rising fuel costs and air quality legislation could increase future potential for rail use. He noted at this time, shippers are distributing and warehousing closer to ports such as Los Angeles and Long Beach, making it more economical. Mr. Henderson also noted that the shippers would like additional improvements while moving cargo through the Nogales border, such as extended hours of operation for inspections and establishing a Foreign Trade Zone within the Sun Corridor. A desire for dedicated truck lanes from Nogales to Tucson and Phoenix were also mentioned.

Mr. Henderson stated while interviewing transportation service providers, it was determined that the Sun Corridor needs to do more to improve the regions visibility, such as increase participation in trade shows and seminars to promote the Sun Corridor, and that I-11 and CANAMEX also needs to be promoted. The Sun Corridor also needs to do more to encourage private investment, such as inter-modal and warehousing opportunities to support imports coming in from Mexico.

Mr. Henderson noted that although Punta Colonet is not seen as a significant benefit to the region in the short term, it could have long-term benefits depending on related land transportation improvements and enhancements to border crossing to the Sun Corridor. Mr. Henderson stated that the Sun Corridor is less congested than peer regions. He noted that growth will likely be tied to agriculture and mining and a shift of sourcing to Mexico

provides significant opportunities for the Sun Corridor. Arizona's solid workforce, land availability, lower costs and legislation are seen as favorable. Mr. Henderson noted that Arizona must do a better job of promoting this region.

Chair Schoaf thanked both Mr. Strow and Mr. Henderson for their presentations. Mayor Hallman stated that it would be useful to know who were the respondents of the survey. Mr. Henderson replied that the identity of the respondents were not available, as this survey was done anonymously, but the nature and size of the business is available, so it could be determined which sectors of the market are being served.

Chair Schoaf asked if only two percent responded to the survey, how does this determine that more than fifty percent did not know what they thought of Arizona? Mr. Henderson stated that the study showed that 100 out of 300 survey participants did conduct business with Arizona. However, they still knew very little about the state. Chair Schoaf stated that this finding is very important and that we need to do a better job informing the decision makers why they should be doing business in Arizona.

There being no further comments or questions, Chair Schoaf thanked Mr. Strow and Mr. Henderson for their presentation.

6. Trucking Industry Update

Ms. Karen Rasmussen from the Arizona Trucking Association and Dave Berry from Swift Transportation, along with John Halikowski, from Arizona Department of Transportation, provided an update on the trucking industry. Mr. Berry noted that it is very difficult to do goods movement studies because it is hard to find a good data set of people survey. Swift Transportation is one of the few U.S. trucking companies that owns a Mexican trucking company and conducts movement between the two countries. Mr. Berry pointed out that ninety five percent of commodities in Arizona are served by truck only. Mr. Berry stated that the railroads are in the long-haul business and we are too close to California for shippers to use the rail and too few things are being manufactured in Arizona to be exported. Mr. Berry suggested that we contact premier transportation companies in our area to give insights and advice to improve ties to move products through Arizona.

Ms. Rasmussen, reiterated Mr. Berry's statement that ninety five percent of goods are moved by truck in Arizona. Ms. Rasmussen stated that the State of Arizona has the second highest registration fee rate in the country on heavy trucks, with Colorado being the first. She also noted that our state fee for registration of commercial semi-trailers is also the second highest in the country.

Ms. Rasmussen stated that many trucking companies register their vehicles in Indiana after that state aggressively marketed to truckers. Indiana lowered their registration and permit fees to make them competitive and business friendly. Ms. Rasmussen suggested that we

should make Arizona more business friendly and suggested online permitting, lowering costs of permits, and streamlining the permit process. Ms. Rasmussen also recommended that we provide a survey to trucking companies, transportation, and traffic managers to see what type of responses we would get back.

John Halikowski, Director of the Arizona Department of Transportation, thanked the Chair and members of the EDC. Mr. Halikowski stated that we realize the economic potential Arizona has to offer when it comes to trade and interstate commerce, but we are not marketing ourselves or the Sun Corridor well enough to enhance the advantages. Mr. Halikowski noted that there is a real potential for Arizona's economy to diversify in the future if we recognize that we need to take care of the infrastructure and also the business side. He reminded the committee that ADOT not only builds, maintains and operates the highways, but they are also responsible for the ports of entry at various spots in the state and for the ports along the U.S. and Mexico Border. Mr. Halikowski noted that there is a funding gap that needs to be addressed.

Mr. Halikowski discussed the new Overweight Border Permit Program that ADOT implemented, which allows trucks to cross the border at 93,000 pounds, increased from the prior limit of 80,000 pounds. He noted the permit fee is \$75 and can be purchased online or at the port. Mr. Halikowski noted that this has been a win-win situation. It has increased security, improved traffic flow, and increased traffic safety. He reported that carriers have experienced average freight cost savings of about \$285 per load, and air quality improved because the trucks are moving more quickly and not idling for extended periods. He stated that increased efficiencies for the produce industry also provide additional revenues to the State Highway User Revenue Fund, which is the primary source of funding for state and local transportation projects and maintenance.

Mr. Halikowski summarized by noting three focus areas: Arizona needs to focus on establishing priorities so that businesses are sure about doing business in Arizona, Arizona needs to make the system as seamless as possible for the industry, and Arizona needs to build the infrastructure. Mr. Halikowski thanked the committee for their time and asked if there were any questions.

Chair Schoaf asked what the state could do to help with the current issue of timely delays on the Nogales border crossing. Mr. Halikowski stated that many agencies have jurisdiction at the borders, both state and federal. The federal agencies shut down at 5 p.m. and you have to go through those agencies first. At some point, we will need to address the selective ports and see if they could run 24/7. He noted the other issue is there are multiple agencies such as USDA, FDA and U.S. Customs completing various exams. He also noted that infrastructure needs to be improved for both private and commercial traffic. Mr. Berry noted that before any shipment can come across it has to be cleared by a customs broker and, unfortunately, in Mexico the brokers set the rules. He also noted the Mexican brokers are

not interested in working longer hours. This is an issue along the whole Southern border and it does need to be addressed.

Mr. Hallman thanked Mr. Berry for his comments and asked Mr. Halikowski if he thought SR189 should be a priority for Arizona. Mr. Halikowski responded that this is a top priority. Chair Schoaf then asked in regards to the hours of operation at the border, who could we contact to address this issue. Mr. Halikowski suggested the Arizona Mexico Commission would be a good point of contact, along with the Border Governors Conference.

Ms. Rasmussen was asked by Mr. Betts to give an overview on how the state is perceived by the trucking industry. Ms. Rasmussen believes that the perception is that the state has too many agencies involved in enforcement and the trucking industry feels like they are getting “piled on”. She stated that she has been discussing, with ADOT, how they can work together to make sure ADOT gets what they need at the port of entry, along with allowing DPS to do their job enforcing commercial safety and regulations and the cities getting what they need, while not repeatedly disadvantaging the same trucking companies.

Ms. Rasmussen gave an example where a trucker went to ADOT and purchased a “envelope” permit, which costs \$1,500 per year, per truck to move his product at night. She noted the issue is that each jurisdiction, whether it is county or city, have their own regulations. This may result in the trucker not being able to move through a particular city within the state at night. The issue that needs to be addressed is how can we get the city and counties of the state to be on the same page. She also noted that there is no job training or funding for truck drivers in Arizona. Ms. Rasmussen stated that this will take commitment from the industry, the regulatory agencies, government and business sectors.

Mr. Betts asked how Mr. Berry would have responded if he was surveyed. Mr. Berry stated that he would have preferred to know more about Arizona commerce, specifically. What can we do to help Tucson, Yuma, Kingman and other parts of the state.

Chair Schoaf asked if there were any other comments or questions. There were none.

7. Update on the Nogales Port of Entry

Dennis Smith stated that it is refreshing to see a discussion at MAG about a Port of Entry on our border. He noted that this has been an issue that has not been a focus of this region. Dennis Smith introduced Tim Strow to provide an update on a recent meeting at the border, and to discuss a potential trip to the Nogales Port of Entry.

Mr. Strow stated that he was invited to meet the Board of Directors for the Greater Nogales Santa Cruz County Port Authority. This membership consists of the City of Nogales, Fresh Produce Associations of Americas, Nogales Alliance Port of the Future, Nogales Community Development Cooperation, Chamber of Commerce, Nogales U.S. Customs Brokers Association, Santa Cruz County Tourism Council, Association of Maquiladoras of Sonora

and U.S. Customs and Border Patrol. They were very excited to have MAG visit and participate in their activities. Mr. Strow noted some basic issues such as the commercial vehicle wait times at the Mariposa port of entry, staffing needs at the U.S. Border Patrol and U.S. Border Protection were discussed. Mr. Strow noted only twenty percent of funding goes to freight inspections, while the other eighty percent goes to US Border Protection. He stated there are no dedicated fees for ports of entry in the State of Arizona and the overweight fees go back into the General Fund and not directed back to the ports. Mr. Strow also noted that US Border Patrol is short approximately 250 agents at the Port of Nogales and over 500 agents across the Southern Border.

Mr. Strow noted at this time, one rail crosses the border, which can take up to two hours for inspection and perhaps this could be streamlined. Another issue that was heard and will need to be addressed is SR189. He noted that ADOT is currently doing a Design Concept Report on that roadway. Once this Port of Entry Expansion Project is completed in 2014, it will be putting all vehicles on a two-lane road, which will need to be addressed. Mr. Strow stated that this region was invited to meet with the different agencies and possibly tour the ports of entry. Mr. Strow noted that the Arizona Mexico Commission has been key and helpful every step of the way. Chair Schoaf stated that staff will contact the committee to determine the interest in participating in a bus trip to tour the Port of Entry in Nogales.

Chair Schoaf asked if there were any other comments or questions. There were none.

8. Punta Colonet Port and Potential Arizona Rail Crossing Update

Mr. Anderson provided an update on the Punta Colonet and Interstate 11 Corridor project. He noted that these are two separate projects, but closely related and linked. He stated that he agreed with Mr. Halikowski's comments regarding Punta Colonet. Mr. Anderson noted that President Calderon's term is up in 16 months and officials in the Transportation Cabinet say the intent is to have a RFP out for the port development in six months. Mr. Anderson noted that projects of this scale are a challenge at all levels in their development and ultimate construction. Mr. Anderson noted that President Caldron would like to make this a landmark project for his administration and hopes that this project will get far enough along during his term so that it will happen. Mr. Anderson also noted that there is substantial interest in improving and increasing the manufacturing capacity in Mexico coming from Asia due to transport times, cost, and supply chain reliability, which would be a positive aspect for Arizona.

Mr. Anderson then discussed the Interstate 11 Corridor that came out of the Hassayampa Framework Study back in 2008. Mr. Anderson stated that the Interstate 11 corridor is a project linking metropolitan areas and over 30 military installations, enhancing north-south travel and alleviating parallel route congestion, and improving the overall capability for goods movement and freight reliability.

He noted the concept originally was how do we connect Las Vegas and Phoenix with a

freeway, two of the largest metro areas in the country that are not connected by an Interstate. He noted that there is a lot of interest out of Nevada to make I-11 happen. Mr. Anderson stated that if I-11 is extended up into the western region, this corridor would be tapping onto the major economic activities and port activities in the western part of Canada. He also noted that to complete this corridor, it would need to be extended to Mexico. He stated that an Interstate system that runs from Mexico through Arizona up into Canada is extremely critical. He noted the I-11 is approximately 1,400 miles of new interstate roadway with the provision for accommodating rail, water and power transport. This corridor will strengthen international trade between the U.S., Canada and Mexico by linking West Coast ports in all three countries. Mr. Anderson also stated that we were recently invited to the Western Regional Partnership, which is a coalition of military installations that ties in with National Defense. He noted that positive press regarding Interstate 11 from Majority Leader Senator Reed and Governor Brewer show they are on board. In addition, the Nevada Assembly passed a resolution in March 2011 urging Congress to designate this as Interstate 11.

Mr. Anderson stated that ADOT is going to conduct the Interstate 11 Corridor Feasibility Study rather than an Environmental Impact Statement at this time. He noted that they would like to determine the purpose and need for I-11. For example, is it going from Phoenix to Wickenburg, Phoenix to Las Vegas, or Vancouver, Canada to Mexico. Mr. Anderson stated that the Brookings Institution asked MAG to submit I-11 as a possible Transformative Investment, a project that can change the economic landscape. Mr. Anderson noted that if this becomes a Transformative Investment for Interstate 11, national attention to this corridor and additional funding may become available.

Chair Schoaf asked if the members had any questions or comments. There were none.

9. Brookings Metropolitan Business Planning Initiative Update

Amy St. Peter thanked the chair and members of the EDC for the opportunity to provide an update about the Brookings Metropolitan Business Planning Initiative. Ms. St. Peter stated that a notice was received from Brookings in July that MAG is confirmed for the second round of pilot projects. She noted that we share this round with Syracuse, New York; Memphis, Tennessee; and Louisville/Lexington, Kentucky. Since receiving notice to proceed, MAG has become heavily engaged in researching data for the strategic overview of the region's economy. Ms. St. Peter explained that Brookings has supplied extensive market analysis for 100 metro regions, including this one. Brookings research will help us to better understand the dynamics in this region, as well as compare ourselves to peer region markets.

Ms. St. Peter stated that the data are being organized around five leverage points by Brookings: Enhance regional concentrations (clusters), deploy human capital aligned with job pools, develop innovation-enabling infrastructure; increase spatial efficiency, and create effective public and civic culture and institutions. Ms. St. Peter also noted that in addition to the data Brookings sent, MAG has researched 29 additional reports, indices and web sites. MAG is also coordinating with our partners to reduce any possibility for duplication of effort

and to leverage/promote existing efforts. Ms. St. Peter stated the benefit of working with Brookings is they can assist MAG in analyzing the market research and identifying opportunities for the region to become more competitive on a national and global scale.

Ms. St. Peter noted that the initial analysis will be provided to the Leadership Advisory Team (LAT) on Monday, September 12, 2011. LAT members include representatives from Maricopa Community College, ASU Skysong, Thunderbird School of Global Management, GPEC, and the Morrison Institute. The first draft will be submitted to Brookings by September 19, 2011. Brookings will then analyze the data and identify areas for additional research and focus for the lead initiative(s). Ms. St. Peter stated that MAG is preparing a Request for Proposals to secure a business consultant to assist with the project. Support is requested in three main areas to suggest possible lead initiatives based on strategic overviews, to develop a business plan. This would include a description of the staffing, structure and supplies needed. The third area is to develop a prospectus to solicit public, private and civic investment in the lead initiative(s). Ms. St. Peter noted that the goal is to release the Request for Proposal today with a due date of approximately October 6, 2011 and a notice to proceed by mid-December. She noted other significant dates include a public launch at the next Economic Development Committee meeting on October 4, a Phoenix work session on October 20-21 a Strategic Overview due to Brookings on October 31, and an all region technical staff meeting in Washington, DC on December 8-9. Ms. St. Peter thanked the committee for their time and concluded her presentation.

Chair Schoaf asked if there were any comments or questions. There were none.

10. Request for Future Agenda Items

Chair Schoaf asked if there were any requests for future agenda items. There were none.

11. Comments from the Committee

Chair Schoaf asked if there were any comments from the committee members. There were none. He noted that the next meeting is scheduled for October 4, 2011.

Adjournment

There being no further business, the Economic Development Committee meeting was adjourned at 1:52 p.m.

Chair

Secretary