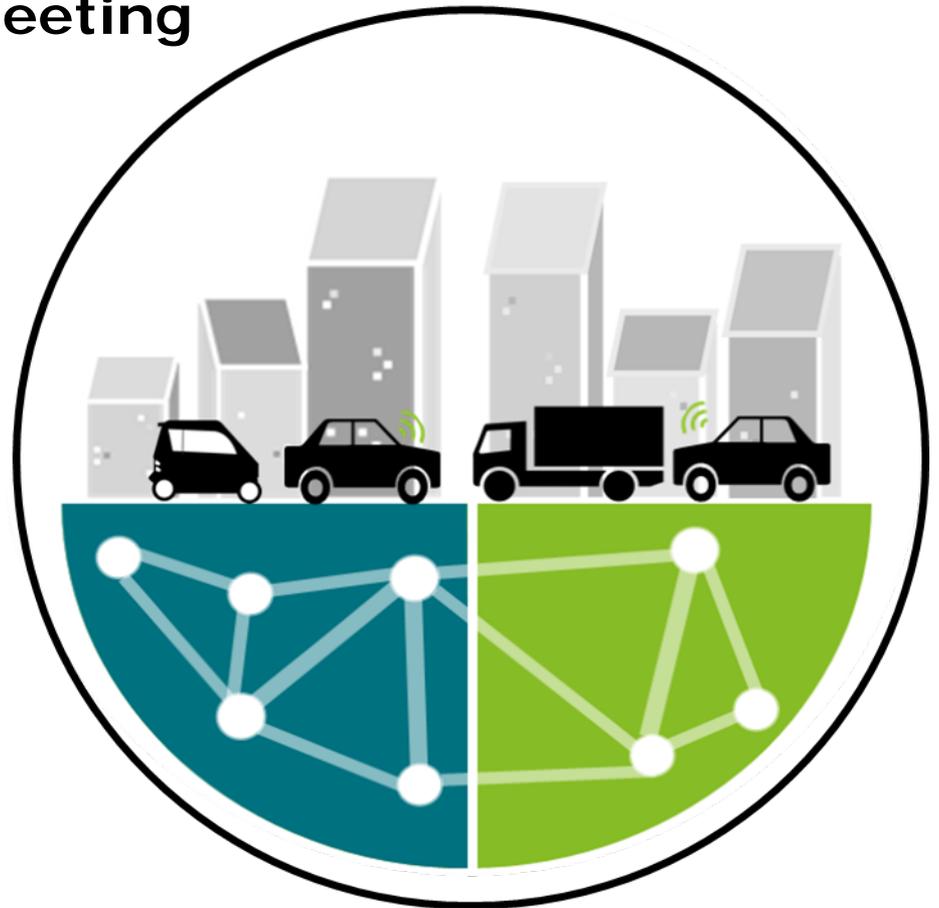




Cross-Border Connected Cities TTCA Steering Committee Meeting



February 9, 2017

Transformation Working Group / CBCC Background



- ▶ In May 2013, Presidents Obama and Peña Nieto announced the creation of the High Level Economic Dialogue (HLED).
- ▶ The US-Mexico CEO Dialogue initiative, as a counterpart to the HLED, was created and met for the first time in December 2013.
- ▶ Under the US-Mexico CEO Dialogue, ultimately four working groups were created (at right).
- ▶ Cisco, the former chair of the Transformation Working Group (TWG), proposed the creation of a “smart connected border”. The idea was approved in June 2014.
- ▶ Cisco retained Deloitte and both companies co-developed the SMART Border concept and assessed the viability of city pair pilot locations.
- ▶ Following a presentation to the National Governors Association, Deloitte began discussions with Arizona and New Mexico to start direct SMART Border engagements.
- ▶ Deloitte and Grupo Prodensa assumed chairmanship of the Transformation Working Group. Curt Mortenson was selected to lead Deloitte’s chairmanship.
- ▶ **In October 2016, Deloitte + Grupo Prodensa/INDEX met with public and private leaders at the Arizona-Mexico Commission Meeting to present the opportunities of the CBCC initiative to advance the Mega-Region.**
- ▶ **In November 2016, Governor Ducey sent a letter of support for the CBCC concept and pilot projects in the Mega-Region to the members of the US Chamber of Commerce and Consejo Coordinador Empresarial.**
- ▶ **On November 16, in preparation for the December meetings, Deloitte and Grupo Prodensa/INDEX held a working session for the Governor’s office, state agencies, and state department heads to collaboratively discuss potential “pilot” initiatives.**
- ▶ **In December 2016, Deloitte + Grupo Prodensa/INDEX updated the overall US-Mexico CEO Dialogue on progress, and potential “pilot” initiatives. Governor Pavlovich and Arizona Chief of Staff Kirk Adams offered their states’ support in moving the initiative forward.**

**High-Level Economic Dialogue
(US-Mexico)**

**US-Mexico CEO Dialogue
(Bilateral Private Sector Forum)**

Working Groups



Co-Chairs:
Curt Mortenson (Deloitte)
Emilio Cadena (Grupo Prodensa/INDEX)

SMART Border/CBCC

Deloitte Team Leads:
Jim O’Gara
Steve Hamilton

INDEX/CCE Team Leads:
Juan Vazquez
Alfonso Rojas
Salvador Ledon

US and Mexico Chambers

Private Sector Stakeholders

Public Sector Stakeholders

The CBCC Concept

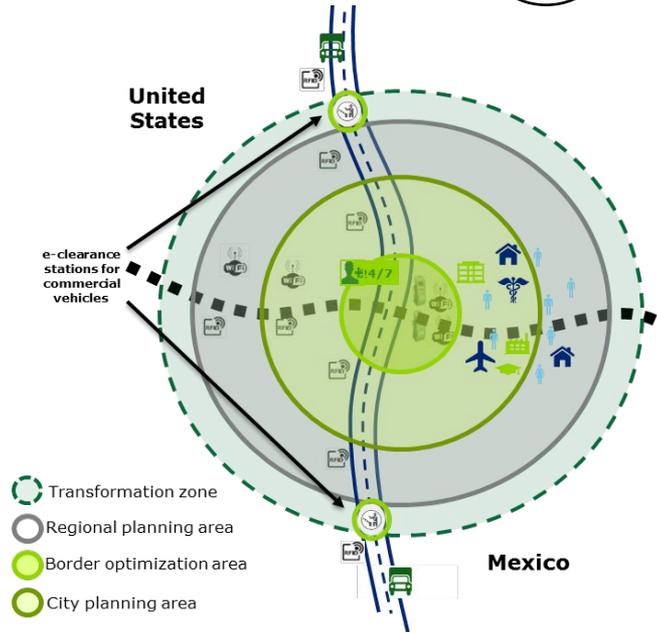


The Cross-Border Connected Cities (CBCC) Concept

- Was developed by Deloitte/CISCO in 2014/2015, as part of US-Mexico CEO Dialogue
- Builds on **interconnected** nature of US-Mexico city-pair communities
- Utilizes **technology-enabled infrastructure** to meet needs of citizens on both sides of the border
- Brings together **coordinated investment** in pilot projects in the greater transformation zone

The Border Dividend

City-pair communities joined by a SMART border will realize a “Border Dividend”—an economic return on targeted investments from improved services, security, and coordination. Example benefits include:



Broader Economic Development	Improved Mobility and Security	Broader Technology Access
Technology-enabled pre-clearance of goods and people can stimulate more enterprise growth nodes, increasing economic activity	Market-led “opt-in” information sharing can improve security and quality of life for communities	The technology infrastructure backbone (including the Internet of Things) expands access to ICT for new players
Increased Job Creation		
A transportation and trade hub with more efficient border crossings reduces congestion and increases the capacity for goods transport, increasing trade and cross-border shopping revenue. The technology infrastructure will create opportunities for IT-enabled businesses and services to flourish in border regions		

Why Arizona-Sonora?

Trade Activity in Arizona-Sonora



\$41.6 billion worth of goods in two-way trade processed at Arizona's ports



60-70% of the winter produce enter the US through the Nogales port-of-entry



50% of sales tax revenues for Santa Cruz County are from Mexican visitors

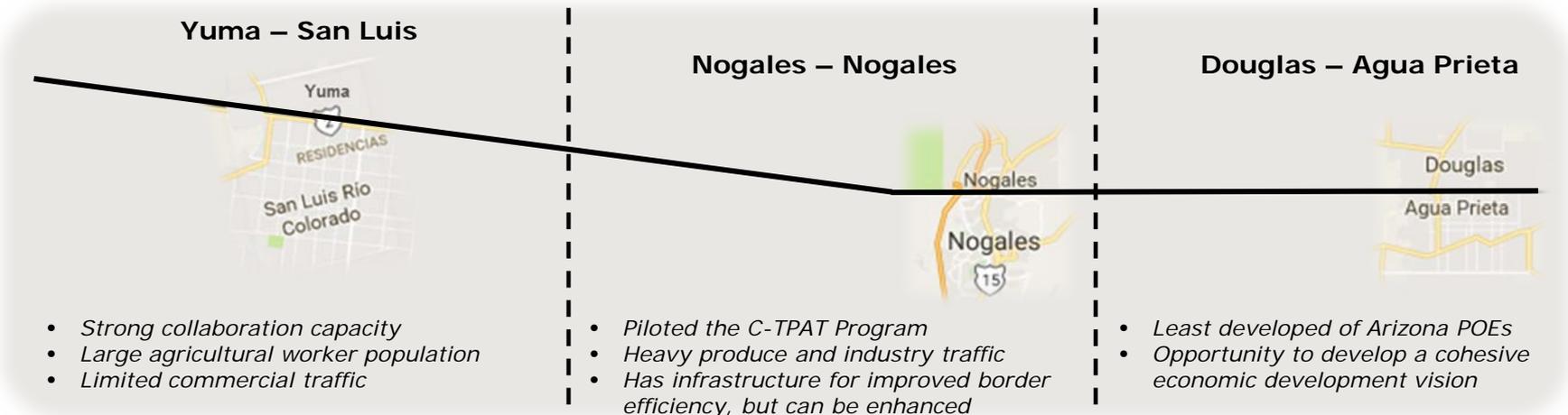
Economic Imperative for the Mega-Region

By implementing SMART Border/CBCC Concept, border pair cities can recognize the following benefits:

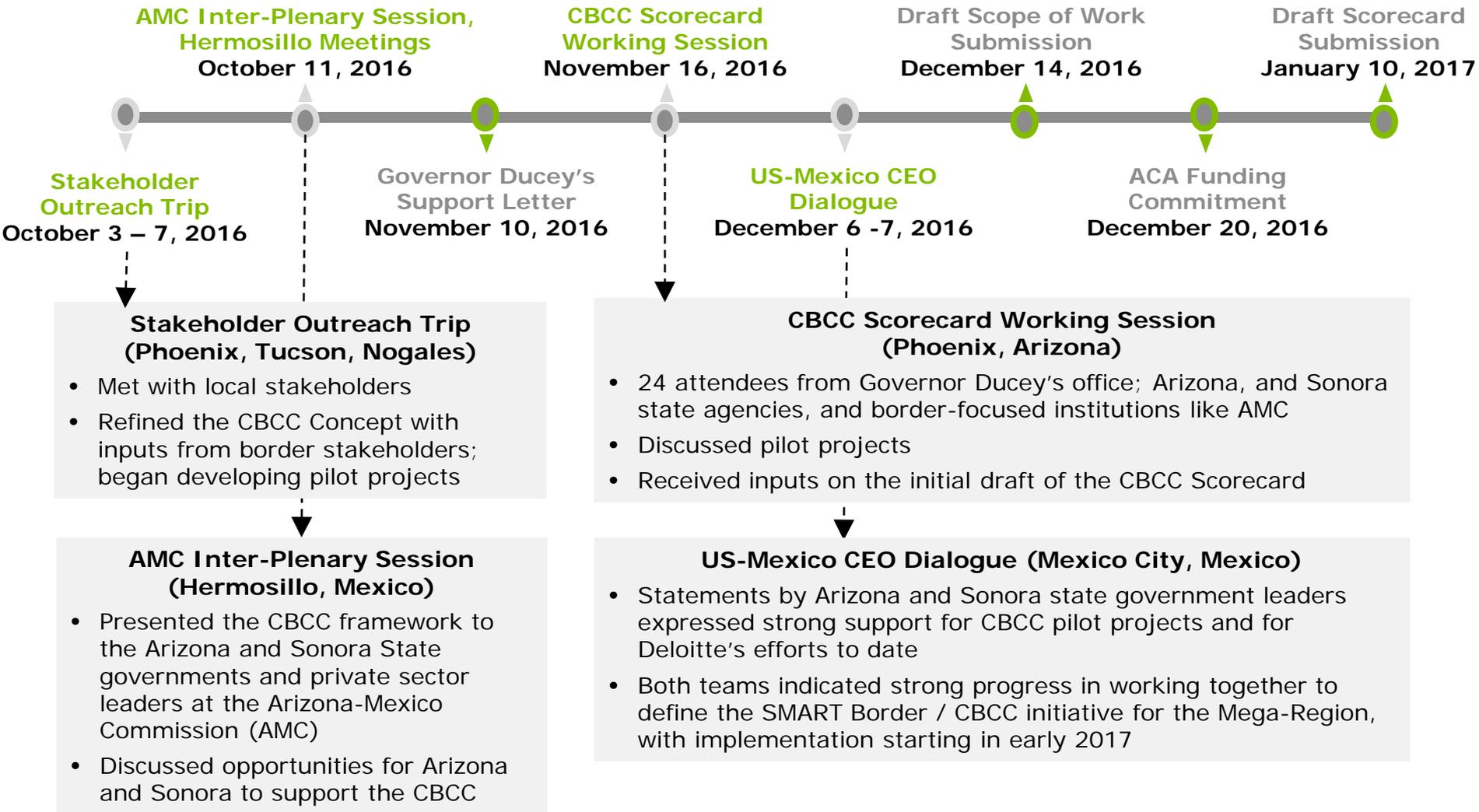
1. **Job creation** through technology infrastructure investments
2. **Increased economic activity** through greater traffic
3. **Lower costs for locally based industries** through border efficiencies

The Case for Change in Arizona-Sonora

Arizona ports have **strong existing private sector collaboration** and are already a site for several successful **pilot projects to improve border processes**.



Arizona / Sonora Progress (Oct. 2016 – Now) and Key Milestones



Governor Ducey's Letter of Support (Nov. 10)

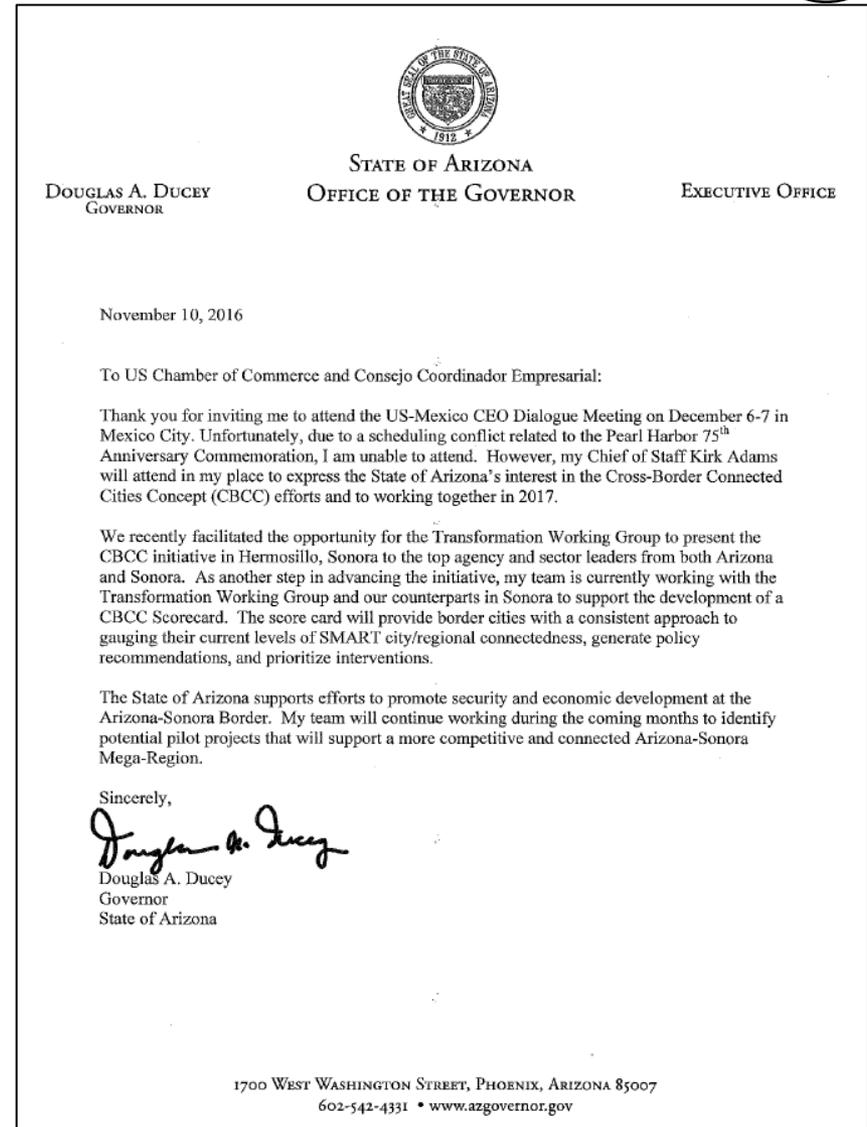


Support from Arizona Government

- Following our presentation to the AMC, including Chiefs of Staff for Governors Ducey and Pavlovich, **Governor Ducey** provided a letter of support for the CBCC concept as connected to the Arizona-Sonora Mega-Region (at right).

US-Mexico CEO Dialogue, Mexico City Meetings (December 6 – 7, 2016)

- Kirk Adams, Sandra Watson, and Marcos Garay attended the for the state.
- Curt Mortenson, Jim O'Gara, and Steve Hamilton attended for Deloitte.



Arizona / Sonora Scope of Work



On December 14, the Deloitte Team submitted a draft scope of work to **representatives of Governor Ducey's office, the Arizona-Mexico Commission, and the Arizona Commerce Authority**. There were four main phases to developing the CBCC concept in the Arizona – Sonora Mega-Region.

CBCC SOW Section	Description	Timeline
PHASE 1: Pre-Strategy/Current State Assessment	The Pre-Strategy phase spanned over three months, consisting of a two-month current state/demand assessment and a one-month strategy sprint. The objective of the Pre-Strategy phase was to gauge local challenges, opportunities, and efforts already underway and develop solutions based upon those findings.	October 2016 – January 2017
PHASE 2: Action Plan/Strategy Implementation	The Action Plan/Strategy Development phase will include meetings with stakeholders and alliance partners to finalize the strategy and pilot project structure; identify potential sources of financing for pilot projects through an alliance of public, private, and donor partners; and develop a one-year road map for the implementation of pilot projects; and define success criteria for pilot projects.	March 2017 – June 2017
PHASE 3: Pilot Project Implementation	The Pilot Project Implementation phase will consolidate financing for pilot projects into a single entity, establish a project management office to oversee execution of the implementation roadmap, and work with partners to implement pilot projects.	June 2017 – June 2018
PHASE 4: Scaling and Marketing	The Scaling and Marketing phase will track progress on pilot projects, identify lessons learned for scaling pilots, and develop tailored communications materials to promote the positive outcomes from pilot projects.	July 2017 – July 2018



Pilot projects that address sectoral needs within the border region will allow Arizona-Sonora to become a first-mover in the CBCC concept and realize economic benefits from increased trade and investment.



Broadband and Digital Kiosks

Problem: *In the modern age, access to the internet has become essential for expanding innovation, educational attainment, business development, and a key instrument in the battle to remain globally competitive.*

Opening the gateway to cheaper and more easily accessible information through the creation of a supportive foundation for IT-enabled services can profoundly impact the growth, security, and standard of living of the Arizona-Sonora border region. The pilot project will focus on working with partners to deploy broadband services at the border. Implementing broadband will facilitate the use of advanced technology and data by border agencies, and give citizens access to critical information like state services and emergency response services through interactive kiosks.



SMART Energy

Problem: *Arizona and Sonora have energy-intensive industries like trade, advanced manufacturing, and defense/aerospace and have major opportunities to improve the usage of energy to reduce costs and attract new business.*

Increasing energy efficiency and reducing carbon emissions will brand the Arizona-Sonora Mega-Region as a low-carbon port of entry for goods, enticing new businesses to ship goods through Arizona and potentially reducing long-term energy costs. The first pilot project will explore mapping opportunities for renewable energy and energy efficiency in the trade supply chain to establish the Arizona-Sonora Mega-Region as a SMART Energy corridor. The CBCC initiative will also explore financing for cross-border transmission infrastructure that link Arizona and Sonora and promote regional energy trade.



Pilot projects that address sectoral needs within the border region will allow Arizona-Sonora to become a first-mover in the CBCC concept and realize economic benefits from increased trade and investment.



Banking and Consumer Financing

Problem: *Due to stricter anti-money laundering laws, many consumer banking institutions have left the US-side of the border. The lack of access to banking institutions and financial loans along the border is a hindrance to business growth in border communities and limits border customers' access to loans and cash*

The pilot project will work with financial services firms to develop innovative financing mechanisms to increase access to finance, improving trade flows and the ease of doing business at the border. The pilot will be developed based upon an analysis of business and personal financing needs at the border. Following implementation, the project will facilitate adoption of the new financing pilot through education and outreach to businesses / trade associations.



Education / Workforce Exchanges

Problem: *To fuel the growing aerospace and manufacturing industries, Arizona-Sonora Mega-Region needs a cross-border workforce that will equalize the skills mismatch between workers and vocational opportunities mismatch between students.*

The pilot project will engage private sector firms and local universities to enhance vocational opportunities for students. Students enrolled in the exchange will have a corresponding internships with sponsoring firms that utilize the skills learned during the exchange, providing an incentive to join, particularly students in Arizona. The pilot project will also develop a professional workers database that will be accessible by employers on both sides of the border.

CBCC Scorecard

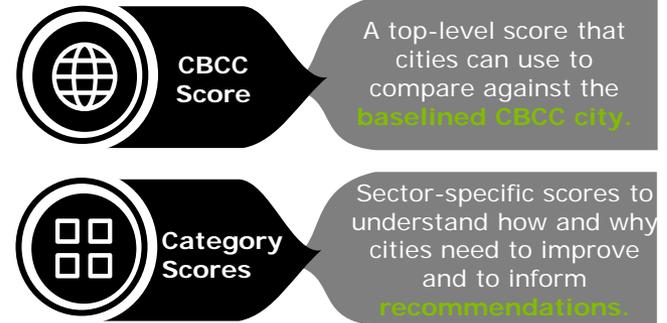


Deloitte developed the CBCC Scorecard as a **tool border decision-makers can use to gauge their level of connectedness and economic integration** and compare it with other border regions. Deloitte is testing the tool in the Arizona/Sonora Mega-Region and will build on lessons learned to **scale it throughout the world**.

Deloitte will use the CBCC Scorecard to help cities around the world

- 1** Gauge and compare their current levels of **SMART city / region connectedness**
- 2** Generate **policy recommendations** to improve connectedness
- 3** Prioritize **interventions and policy changes** in high-impact sectors

CBCC Scoring



Scorecard Summary

Category	Category Description	Score	Weight
Governance	Stakeholders and mechanisms to convene stakeholders to drive and advise cross-border planning, initiatives, and operations.	#	9%
Technology and Infrastructure	Public, foundational technology and infrastructure to support binational communities.	#	9%
Financing	Public and private sector financing and supportive regulatory regime for financing cross-border initiatives and operations.	#	9%
Economic Development	Strategy, vision, and supportive initiatives for economic growth in priority sectors.	#	9%
Human Capital	Knowledge, skills, and training of regional, binational workforce.	#	9%
Social, Culture and Arts	Common cultural identity and exchange of cultural customs and norms between border pair communities.	#	9%
Security	Technology and infrastructure to support security and safety in a binational community.	#	9%
Transportation	Technology and infrastructure to support efficient movement of goods and people across the border.	#	9%
Health	Technology and infrastructure to support quality health care services and technology in remote areas that lead to good health outcomes and coordinated health resources.	#	9%
Energy/Sustainability	Technology and infrastructure to support efficient energy use, environmental management and sustainability.	#	9%
TOTAL SCORE		#	

Detailed Sector Breakout

Indicator	Rating (1-5)	Scoring Rationale
Formality of Coordination • Is there a formal, local governance body that coordinates with stakeholders from both sides of the border to facilitate improved human capital?	4	The AMC Education Committee continues to foster greater dialogue between Arizona and Sonora education institutions and meets bi-yearly. However, discussions should also focus on professional workforce development and opportunities on both sides of the border.
Outcomes of Coordination • Are there jointly-developed plans or initiatives in place to facilitate improved human capital?	3	There are plans to develop a professional workers' database, but has yet to be implemented. Arizona and Sonora universities have student exchange programs, but opportunities are unequal. The AMC Education Committee also planned to identify technical careers for bi-state certification in AZ-Sonora by June 2014, but it is unclear if this was completed.
Impact of Coordination • Have joint plans or initiatives improved human capital at the border?	2	The "Electronic Student Data Exchange Process between Arizona and Sonora" program MOU was signed in June 2013; however, there haven't been any notable human capital improvements as a result of it. It is unclear if expansion of bi-state certification opportunities has improved job opportunities for citizens.
TOTAL SCORE		3

Alliance Financing Model: Bringing Together Multiple Sources of Funding



The future of Deloitte SMART Cities investments is a **decentralized ecosystem model** that brings **together public, private, and donor stakeholders**, known as **Alliance Financing**. Each stakeholder provides funding for initiatives that align to its main priorities. Deloitte is convening this ecosystem and will bring together different sources of funding for a common purpose.

Deloitte



SMART Cities development is a high-growth area for us, and Deloitte is committed to investing internally to CBCC initiatives.

Government and State Agencies



Local governments will convene state agencies that are involved in cross-border activity and provide grants and funding that support those agencies' priorities.

Donor Stakeholders



Deloitte will work with donor stakeholders based on their geographical and sector focus. Donor contributions will primarily be through grants and fund matching.

Technical Partners



Technical partners will be brought on based on their expertise. They will directly support pilot initiatives that align with their core priorities and capabilities.



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