

Meeting Land Port of Entry Modernization Needs in Constrained Budgetary Environment

Joint Working Committee - October 27-28, 2011



U.S. Customs and
Border Protection



Outline

- Infrastructure Realities
- Magnitude of Need
- Land Port of Entry Cost Structure Overview
- Funding Constraints and Challenges:
 - Lack of funding in FY2011 and FY2012
 - Overview of presently unfunded projects
- Leasing Constraints
- CBP Statutory Limitations
- Importance of Master Planning



Infrastructure Realities

- On average, U.S. land ports of entry (LPOE) are over 40 y.o., some over 70 y.o.
- Most of the facilities in operation today were designed to meet legacy missions
- Rapid post-9/11 evolution of the U.S. Customs & Border Protection (CBP) mission and operational requirements has rendered many of the LPOEs outmoded
- Current LPOEs lack capacity to handle steadily increasing traffic volumes
- Many of the busiest LPOEs are site-constrained with limited room for expansion
- Increased staffing strains existing facilities designed for a smaller number of officers & administrative personnel



Costs Breakdown for GSA-owned LPOEs

The following costs are borne by the U.S. General Services Administration (GSA):

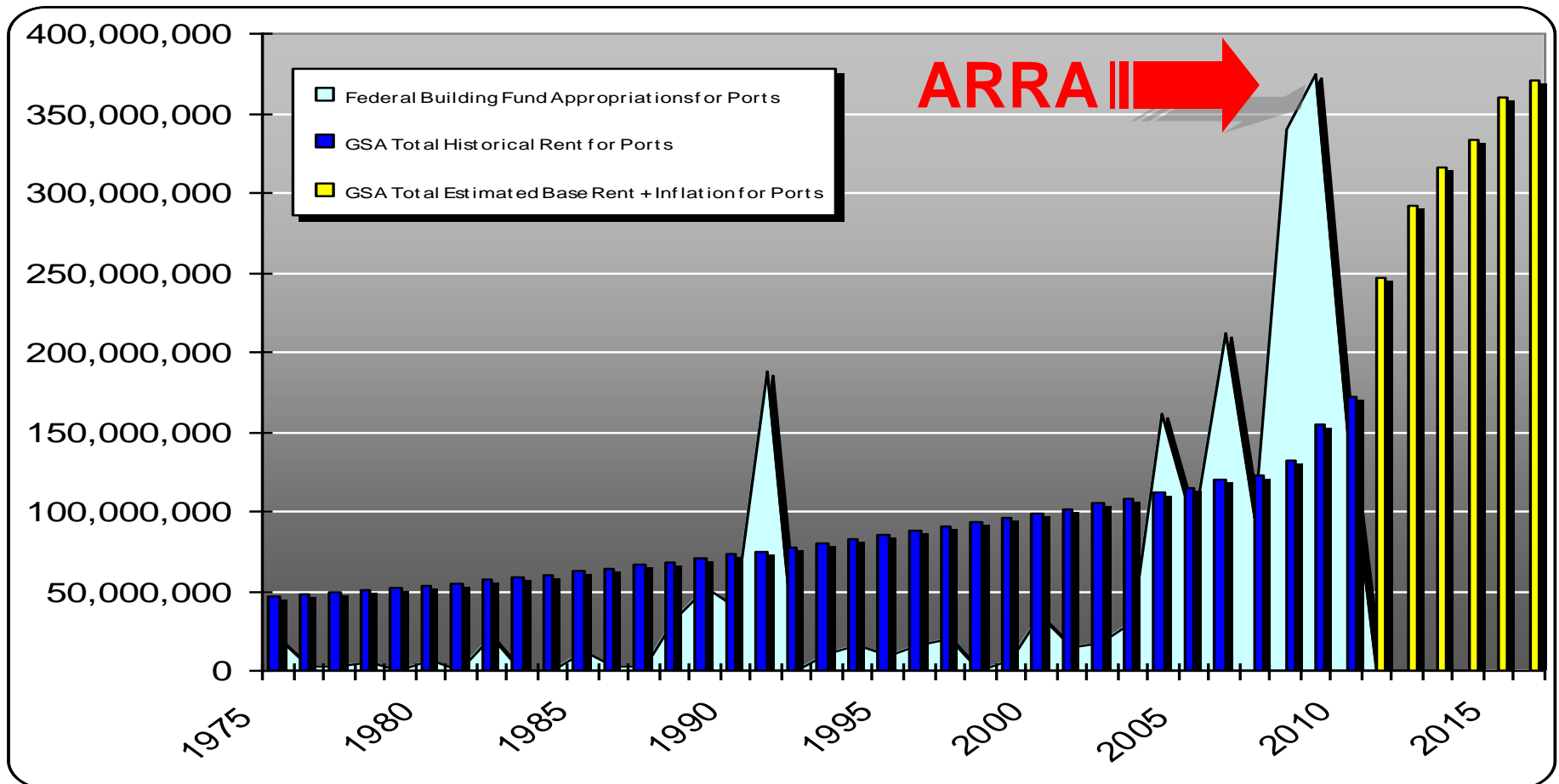
- Design Costs: initial funding needed to design new or redesign existing LPOEs
- Construction Costs: capital investment needed to build new or modernize existing LPOEs, generally a Congressionally-approved appropriation from GSA's Federal Buildings Fund (FBF)
- Operating Costs: utilities, maintenance, and other costs necessary to keep facilities operational

The following costs are borne by U.S. Customs and Border Protection (CBP):

- Tenant Improvement Costs: represent investment in IT infrastructure, furniture, security, voice/data, and other CBP-specific equipment, operationally required by CBP to perform its duties, but not provided by GSA
- Annual Rent: rent paid by CBP as the tenant agency to occupy LPOE facilities owned or leased by GSA:
 - ❑ Donation of land, building or construction costs from outside sources to GSA does NOT eliminate the rent that CBP pays to GSA
 - ❑ GSA is required to recoup facilities' functional replacement value through rent to be able to rebuild the facilities at the end of their life span, along with the operating and some other expenses
- Staffing Costs: represent the funding needed to train and retain additional CBP personnel to support operation at the new or expanded LPOE facilities

Funding Constraints & Challenges

- Federal appropriations have not kept pace with needs
- There were no LPOE FBF appropriations in FY2011, FY2012 funding is uncertain
- Rapidly increasing rent costs are detracting from the already strained budget



Lack of Funding in FY2011 and FY2012

The U.S. Congress did not approve the requested Federal Building Fund (FBF) appropriation for LPOE modernization projects in FY2011 and is likely to reject the FY2012 submission due to the federal budget deficit reduction measures

- Planned FY2011 projects that did not receive funding:

- Calais Ferry Point, ME – Site/Design
- Calexico West, CA - Phase I Construction

Total funding need: \$86M FBF, \$6.7M TI, \$8.4M Rent Impact, \$4.5M Staffing

- Planned FY2012 projects at risk of not receiving funding:

- Columbus, NM – Construction
- Alexandria Bay (Phases I & II), NY - Construction
- Laredo Bridges I & II, TX – Design/Construction
- Dunseith, ND - Construction
- Brownsville Gateway, TX – Site/Design

Total funding need: \$371M FBF, \$29.7M TI, \$37.1M Rent Impact, \$38.5M Staffing

- Proposed Surface Transportation Reauthorization Bill is highly unlikely to pass



Presently Unfunded LPOE Projects

The following LPOE modernization projects, currently in design or construction-ready, are planned for advancement pending funding availability:

- San Ysidro, CA Phase II – Construction
- San Ysidro, CA Phase III – Construction
- San Luis I, AR – Construction
- Alexandria Bay, NY Phases I – Construction
- Alexandria Bay, NY Phases II – Construction
- Calexico West, CA Phase I – Construction
- Calexico West, CA Phase II – Construction
- Laredo Bridge I, TX – Construction
- Laredo Bridge II, TX (Bus Processing) – Construction
- Columbus, NM – Construction
- Otay Mesa, CA – Construction
- Progreso, TX – Lease Improvements
- Port Huron (Blue Water Bridge), MI – Lease Improvements
- Lewiston Bridge, NY – Lease Improvements
- Peace Bridge, NY – Lease Improvements

Total funding need: \$1,285M FBF, \$190M TI, \$185M Rent Impact, \$150M Staffing



Presently Unfunded LPOE Projects

Given the present financial realities, CBP/GSA, in collaboration with the border community, must reevaluate the LPOE modernization strategy moving forward:

- Continue to pursue large-scale modernization projects, in anticipation of future funding despite the worsening budgetary outlook for the foreseeable future.
- Maintain the original scope, but phase projects - where possible - to fit the available funding.
- De-scope / scale down projects to focus on specific challenges vs. complete port replacement.
- Acknowledge that funding may not be available for years to come and reprioritize projects, deferring those unlikely to be funded due to size/scale, complexity, or other constraints.
- Look for alternative funding solutions to supplement federal appropriations, as authorized by law.



Leasing Constraints

- CBP operates 22.5 LPOEs that are leased by GSA from outside entities.
- The current federal guidance makes modernization of leased LPOEs complicated, restricting capital leases while making qualifying for an operating lease impossible:
 - ❑ The asset must be a general purpose asset rather than being for a special purpose of the government and not built to the unique specification of the government as lessee
 - ❑ There is a private sector market for the asset
 - ❑ The lease term does not exceed 75 percent of the estimated economic life of the asset
- CBP is required to provide up-front lump sum funding for entire useful life of assets.
- CBP and GSA budgets are not allocated for these investments, causing the leased projects currently in planning/design to incur schedule delays and cost escalation.



CBP Statutory Limitations

- Federal statutes permit some federal agencies (e.g. GSA) to accept donations of land / property.
- However, under federal law, federal agencies generally cannot accept monies from sources other than Congress.
- Thus, absent statutory authority, CBP cannot accept reimbursement from private parties for its staffing and operational expenses at LPOEs.
- In light of current budgetary constraints, CBP is exploring any existing legal authorities that would permit CBP to accept reimbursement from private parties for its staffing and operating costs.
- However, enactment of new statutory authority likely will be necessary in order for CBP to accept private funding to offset its staffing and operating expenses at LPOEs.



Importance of Border Master Planning

- CBP has a strong interest in pursuing border-wide master planning, as it helps direct the Agency's resources to the areas of greatest need:
 - ❑ Better targets limited resources
 - ❑ Assists in reducing parochial project proposals
 - ❑ Recognizes regional planning expertise
 - ❑ Ensures multi-stakeholder input
 - ❑ Enhances International planning focus

Location	Commencement	Completion	Status
California – Baja California Refresh	January 2012	Fall 2012	Original study completed in 2008 and requires updating to reflect recent area developments. Kick off meeting is scheduled for 11/29/2011
Arizona – Sonora	August 2011	Fall 2012	Contract awarded, Notice to Proceed issued on 9/30/2010
El Paso, TX/Santa Teresa, NM – Chihuahua	Pending	Pending	Operations study complete, full border master plan to begin in the next six months
Laredo, TX – Coahuila/Nuevo Leon/Tamaulipas	August 2009	Fall 2011	Study in final completion stages by Texas Department of Transportation
Lower Rio Grande Valley - Tamaulipas	August 2011	Summer 2012	Initiated and underway. Kick off meeting is scheduled for 10/8/2011





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