

1 **U.S. Virgin Islands Economic Development Authority**
2 **Testimony to the Committee on Finance**
3 **Fiscal Year 2018 Budget Hearing**
4 **32nd Legislature of the Virgin Islands**
5 **Wednesday, August 30, 2017**
6 **1:00 pm**

7
8 **Introduction**

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10 Good afternoon, Chairman Vialet, members of the Committee on Finance, other members of
11 the 32nd Legislature, the U.S. Virgin Islands Economic Development Authority team , ladies and
12 gentlemen in the Chamber, and the viewing and listening audience. I am Wayne Biggs, Jr., Acting Chief
13 Executive Officer of the U.S. U.S. Virgin Islands Economic Development Authority (“USVIEDA” or “the
14 Authority”). With me today is Ernest Halliday, Director of Administration and Finance and Tracy Lynch
15 Bhola, Esquire, General Counsel of the USVIEDA. Other members of the Authority’s management and
16 staff are also here in the Chamber with me today. These team members include: Sharmane Brookes,
17 Director of Lending; Margarita Greenidge-Benjamin, Director of Applications; Claude Gerard, Director of
18 Compliance; Nadine Marchena Kean, Director of the Enterprise Zone Commission; Wendy Wheeler,
19 Human Resources Manager; Cusa Holloway, Incubator Program Manager; Kelly Thompson-Webbe,
20 Budget and Financial Analyst; and Celina Morris, Executive Assistant. If necessary, they are available to
21 respond to any inquiries that you may have of them. Not here with us today is Mark Finch, Industrial
22 Park Superintendent.

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25 **The USVIEDA Organizational Structure**

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27 The Authority is an umbrella entity created to assume, integrate, and unify the functions of the
28 Virgin Islands Economic Development Bank, the Virgin Islands Economic Development Commission, the
29 Virgin Islands Enterprise Zone Commission, and the Virgin Islands Economic Development Park
30 Corporation. The Authority is governed under one executive board comprised of seven (7) members to
31 achieve maximum efficiency of operations, avoid duplication of services, reduce cost of operations, and

32 implement comprehensive programs for the economic development of the Territory. The entities
33 maintain distinct identities and function independently of one another, only to the extent necessary to
34 execute their specific mandates, but in all other cases operate in an integrated fashion.

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36 **Fiscal Year 2018 Budget Theme**

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38 The USVIEDA Fiscal Year 2018 budget theme, "Sowing the Seeds for Economic Prosperity" is
39 reminiscent of a farmer sowing seeds, carefully selecting the areas to plant in anticipation of harvesting
40 a bountiful crop. So, like this farmer, we have identified areas within this budget that we believe will
41 yield the greatest return in expanding the economic base and allowing the government to receive
42 additional tax revenues to improve the standard of living for the residents of the Territory.

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44 **Fiscal Year 2018 Budget Request**

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46 For Fiscal Year 2018, the USVIEDA is requesting funding in the amount of \$5,882,865. It is an
47 amount that is \$400,000 less than that appropriated in Fiscal Year 2017.

48 The reduced amounts were identified in the following areas:

49	1. Incubator Program	\$150,000
50	2. Marketing Initiatives	\$100,000
51	3. Cost Benefit Analysis	<u>\$150,000</u> (nonrecurring)
52	Total Reduction	<u>\$400,000</u>

53 Notwithstanding the reductions to the Incubator and Marketing budgets, we are confident that
54 we can achieve the objectives laid out in this budget.

55 The work that we are charged to do at the USVIEDA is not based on fiscal periods, but is based
56 on a continuous process of assessments that enable us to make whatever adjustments are necessary to
57 meet our objectives. As a result, we are in the process of hiring a Director of Marketing and an

58 Associate General Counsel. These additions to our team will provide us with the necessary staffing to
59 operate at an optimum level.

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61 **Selected FY 2017 Accomplishments - October 1, 2016 to June 30, 2017**

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63 We have accomplished a lot during the first three (3) quarters of the fiscal year. In the interest
64 of time, I will outline some of the major accomplishments of each division and department of the
65 organization.

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67 **Administration and Finance, Legal and Human Resources Departments**

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69 These three (3) departments are the backbone of the organization's support structure.
70 Together, they provide financial planning, accounting and reporting, legal services, recruitment and
71 professional development of a diverse and talented workforce.

72 For the period October 1, 2016 – June 30, 2017, the major achievements of the Administration and
73 Finance, Legal and Human Resources departments include:

- 74 • ***Completed Fiscal Year 2016 financial audit. Received an unqualified audit opinion for the 8th***
75 ***consecutive year at the completion of the FY 2016 financial audit.*** An unqualified opinion is an
76 independent auditor's judgment that a company's financial records and statements are fairly
77 and appropriately presented, and are in accordance with Generally Accepted Accounting
78 Principles (GAAP).
- 79 • ***Maintained liquid position despite delayed release of allotments. In spite of the recent***
80 ***practice of receiving allotments monthly and which are usually late, the organization is current***
81 ***on all of its obligations.***
- 82 • ***Conducted and implemented a wage and compensation study for all USVIEDA employees.*** As a
83 result of the study, employees are compensated at salary levels competitive with their
84 counterparts locally and nationally.

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- ***Signed a five (5) year (October 1, 2016 to September 30, 2021) Collective Bargaining Agreement between the U.S. Virgin Islands Economic Development Authority (“USVIEDA”) of the Government of the Virgin Islands and the United Steel Workers, Local Union 8249 (United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied-Industrial and Service Workers International Union AFL-CIO-CLC). We negotiated a three-year settlement agreement instead of retroactive pay; created and implemented a grade and step pay plan; and negotiated other employee benefits and working conditions.***

The Virgin Islands Economic Development Bank (EDB)

The Virgin Islands Economic Development Bank offers direct loans and provides loan guarantees to help small businesses start-up, expand and grow into mainstream commercial banking customers.

For the period October 1, 2016 – June 30, 2017, the major achievements of the EDB include:

- ***Increased collections by approximately \$300,000 or 30% compared to the same period last year.*** This increase is mainly attributed to improved collection efforts and working closely with troubled borrowers to, if appropriate, offer loan restructuring, loan modifications and loan deferment alternatives.
- ***Reduced loan delinquency rate to 41% compared to 64% during the same period last year.*** The reduction in the delinquency rate is attributable to a change in loan servicing strategy. By using a proactive approach, we are able to spot troubled loans, intervene at an early stage, and adjust repayment plans before the loans go into default.
- ***Used 20% more of State Small Business Credit Initiative (SSBCI) funds compared to the same period last year.*** All SSBCI funds have been drawn from the U.S. Treasury – a total of \$13,227,911. Of this amount, approximately \$10,256,697 or 78% has been deposited and used

110 as collateral support for business loans. There are 34 businesses currently using SSBCI loan
111 funds, which potentially account for the creation of 185 new jobs and the retention of 414
112 others. An amount of \$2,971,214 remains available for use by local lenders.

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114 **The Incubator Program**

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116 The Incubator Program, a business incubator within the EDB on the island of St. Croix, is charged
117 with helping start-up and new businesses develop into full-fledged companies by providing management
118 training, and/or technical assistance and/or shared cost office space to help them grow and contribute
119 to the economic development of the Territory.

120 For the period of October 1, 2016 – June 30, 2017, the major achievements of the Incubator
121 Program include:

- 122 • ***Provided technical assistance to more than 20 entrepreneurs on the island of St. Croix in the***
123 ***areas of manufacturing, consumable products, engineering, aquaponics and hydroponics.*** It is
124 the goal of the Incubator Program to see every participant mature and grow into full-fledged
125 and successful businesses.
- 126 • ***Referred five (5) of its clients to the Economic Development Bank for financing. Additionally,***
127 ***one (1) client was referred to the Virgin Islands Economic Development Commission Small***
128 ***Business Program.*** It is anticipated that when these businesses are fully developed and
129 functioning, they too will join a growing list of businesses contributing to the economic
130 development of the Territory.

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132 **The Virgin Islands Economic Development Commission (VIEDC)**

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134 The Virgin Islands Economic Development Commission is charged with promoting the growth,
135 development and diversification of the economy of the United States Virgin Islands, which is
136 accomplished by attracting new companies to the VIEDC Program.

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A Prospective Look at the VIEDC program

Most of us are in agreement that the VIEDC Program is vital to the economic development and growth of the U.S. Virgin Islands. As we await the findings of an economic impact study being conducted by the University of the Islands on behalf of the USVIEDA, we are confident that the study will support our data.

Our most current statistics as of June 30, 2017 for the calendar year ending December 31, 2015, with 64 of 77 active Beneficiary reports, reveal that VIEDC Beneficiaries:

- ✓ *Employed an average of 3,000 employees*
- ✓ *Paid gross wages and benefits of approximately \$136M*
- ✓ *Made local capital expenditures of approximately \$84.3M*
- ✓ *Purchased goods and services locally of approximately \$96.8M*
- ✓ *Made local charitable contributions of approximately \$3M*
- ✓ *Paid income taxes of approximately \$22.6M*

The above data clearly indicates that the contributions of VIEDC Beneficiaries to the economic development of the U.S. Virgin Islands are significant.

The functions of this division are divided between the Applications and Compliance Departments:

Applications Department

The Applications Department is primarily responsible for receiving the applications of businesses seeking VIEDC tax incentives, reviewing and analyzing these applications, and providing support and recommendations to the VIEDC's Governing Board for its consideration of each applicant's request for benefits.

164 For the period October 1, 2016 – June 30, 2017, the major achievements of the Applications
165 Department include:

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- 167 • ***Received, reviewed and analyzed five (5) applications from new investors seeking VIEDC***
168 ***tax incentive benefits, a net increase of one (1) new application over the same period last***
169 ***year.*** Of the five (5) new applicants two (2) were approved by the VIEDC Governing Board
170 and the Governor. One (1) was denied by the VIEDC Governing Board and the remaining
171 two (2) applicants are in various stages of the review and approval process. If the remaining
172 two (2) companies are approved and begin operations, it is estimated that the four (4)
173 companies, in aggregate, will spend about \$2M in capital investments, create 71 new jobs,
174 pay approximately \$2.8M in wages, and make an estimated \$252K in charitable
175 contributions. Additionally, the government is expected to realize approximately \$300,000K
176 in direct tax payments and approximately \$1.8M in additional tax revenues within the first
177 five (5) years of these businesses' operations.
- 178 • ***Received and reviewed five (5) existing Beneficiaries' applications requesting extension***
179 ***and modification of tax incentive benefits, which is the same number when compared to***
180 ***the same period last year.***
- 181 • ***As of June 30, 2017, six (6) public hearings were held, at which time the VIEDC Board and***
182 ***staff heard presentations made by 20 applicants seeking initial, extension, modification or***
183 ***transfer of benefits.*** A total of six (6) decision meetings were held. In addition to the three
184 (3) new applicants, the Board considered 27 applications (4-New, 2-Transfer, 8-
185 Extension/Modification and 13 petitions for admission of new partners/entities, corrective
186 and administrative actions).

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190 **Compliance Department**

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192 The Compliance Department is primarily responsible for monitoring VIEDC Beneficiaries to
193 ensure that they adhere to the terms of their agreements using a customer service approach.

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195 For the period October 1, 2016 – June 30, 2017, the major achievements of the Compliance
196 Department include:

197 • ***Completed 20 compliance reviews of Beneficiaries--an increase of five (5) or 33%***
198 ***compared the same period last year.*** With the increased compliance reviews, we are closer
199 to our goal of conducting reviews on a 3-year cycle. We anticipate that within the first
200 quarter of FY 2018, we will achieve our 3-year review goal.

201 • ***Held Practitioners' Forums and Beneficiaries' Meet & Greet sessions on the islands of St.***
202 ***Thomas and St. Croix.*** The Practitioner's Forums allowed VIEDC staff and beneficiaries to
203 have intimate discussions around the program and its processes to maintain and build
204 relationships with local tax and accounting advisors that are directly connected to the VIEDC
205 Program. The Beneficiaries' Meet & Greet allowed beneficiaries to meet the USVIEDA
206 Governing Board and staff, VIEDC Taskforce Members, and Government officials in a social
207 setting.

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210 **The Enterprise Zone Commission (EZC)**

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212 The Enterprise Zone Commission is responsible for the revitalization of areas that were once
213 socially and economically vibrant communities.

214 For the period of October 1, 2016 – June 30, 2017, the major achievements of the EZC include:

215 • ***Applied for over \$500K in grant funds, an increase of \$463K or 1,251% compared to the***
216 ***same period last year.*** To date, we have received \$258K. In conjunction with the
217 Department of Agriculture, the USVIEDA received a grant in the amount of \$250K from the

218 Department of the Interior to fund a feasibility study for the establishment of a local fruits
219 and other agricultural processing and packaging plant. We are currently in negotiations with
220 the University of the Virgin Islands to conduct this study. Other funds in the amount of
221 \$128K sourced from VIEDC beneficiaries were earmarked to accomplish specific projects
222 such as Scrape, Paint and Rejuvenate, Board Up and Historic Building Rehabilitation.

223 • **Completed 40 compliance reports of EZC Beneficiaries, which represents an increase of**
224 **233% compared to the same period last year.** This is a significant change due to the
225 addition of an EZC Program and Grants Compliance Officer, which resulted in increased
226 monitoring of EZC Beneficiaries receiving tax credits.

227 • **Received four (4) new applications for EZC tax credits.** If approved, these projects are
228 expected to generate economic activities totaling approximately \$30M in direct and indirect
229 expenditures, which represents an increase of 675% over the projected amount of the
230 previous fiscal year.

231 • **Successfully completed the EntrepreNow Program on St. Thomas and St. Croix, which**
232 **offered young men opportunities to focus on their professional future and equipping them**
233 **with skills to do so.** The EntrepreNow program is a collaborative effort between the EZC, the
234 Virgin Islands Office of the Public Defender and Youth Arise, a non-profit organization. This
235 year 10 students graduated from the program – five (5) on St. Thomas and five (5) on St.
236 Croix. It is anticipated that the progress of these 10 and the previous 12 graduates from last
237 year’s program will be tracked throughout their school years and into adulthood.

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239 **Marketing Department**

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241 The key responsibilities of this department are to market the U.S. Virgin Islands as the best place
242 to operate a business and promote a range of services that are offered by the USVIEDA.

243 For the period of October 1, 2016 – June 30, 2017, the major achievements of the Marketing
244 Department include:

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246 • ***Produced for local audiences a series of video testimonials from businesses sharing stories***
247 ***about how the USVIEDA programs and services have helped them.*** Other local activities/
248 sponsorships include: sponsorship of the Annual V.I. Quiz Bowl Competition on St. Thomas,
249 sponsorship of Agrifest 2017 on St. Croix, sponsorship of the St. Croix Christmas Boat Parade,
250 and sponsorship of the St. Croix Christmas Festival, Virgin Islands (St. Thomas) Carnival, and St.
251 John Celebration parade broadcasts on WTJX.

252 • ***Contacted 5,600 companies in the key target areas such as: Financial Services, Back-Office***
253 ***Processing, High-Value Manufacturing and Maritime.*** In addition, the USVIEDA hosted 14 site
254 visits on St. Thomas and St. Croix to company owners that have shown interest in relocating
255 their business to the Territory.

256 • ***Attended several focused marketing events to showcase the U.S. Virgin Islands and the VIEDC***
257 ***program.*** A sampling of events attended include:

258 ✓ Private Wealth – Latin America & Caribbean Forum- Miami, Florida

259 ✓ Cayman Alternative Investment Summit – Cayman Islands

260 ✓ Select USA Summit – Washington, D.C.

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262 **The Economic Development Park Corporation (EDPC)**

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264 The Economic Development Park Corporation is chartered as a public corporation to acquire and
265 operate industrial parks in the U.S. Virgin Islands. The EDPC is a self-supporting entity that derives its
266 revenues from the rent it receives from tenants within the industrial parks. The EDPC has two (2)
267 locations – one located in Estate Negro Bay, St. Croix known as the William D. Roebuck Industrial Park
268 and the other in Sub Base on St. Thomas, known as the St. Thomas Industrial Park.

269 For the period of October 1, 2016 – June 30, 2017, the major achievements of the EDPC include:

- 270 • Increased occupancy by 14% compared to the same period last year;
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- 272 • Increased collection of rents by 12% compared to the same period last year; and
- 273
- 274 • Increase capital expenditures by 74% compared to the same period last year.
- 275

276 **Fiscal Year 2018 Budget**

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278 As we work to accomplish the objectives we have set this year, we are reminded that each

279 succeeding budget is a continuation of work that was started many years ago – building on a foundation

280 that was laid before. The Fiscal Year 2018 budget is no different - it is intended to be a guide as we

281 navigate through tough financial times.

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283 **Fiscal Year 2018 Budget Priorities**

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285 In crafting the Fiscal Year 2018 budget, my staff and I decided on the areas that we think would

286 yield the greatest return with our limited budgeted dollars.

287 We have outlined some of the major objectives we hope to accomplish in Fiscal Year 2018, while

288 remaining within our requested budget limit of \$5,882,865:

- 289 1. Develop a comprehensive 5 -10 year strategic plan for the USVIEDA;
- 290 2. Develop a long-term plan for the USVIEDA’s self-sufficiency;
- 291 3. Finalize the rules and regulations for the Hotel Development Act, International Financial Services
- 292 Entities Program, Tax Increment Financing, and the Youth Recreational Incentive Act, and the
- 293 Enterprise Zone Commission; and update rules and regulations for the Economic Development
- 294 Bank, the Economic Development Commission;
- 295 4. Continue to develop local and non-local marketing strategies;
- 296 5. Use data mining techniques to help make marketing decisions;
- 297 6. Process a “completed” application for VIEDC benefits within sixty (60) working days of receipt;
- 298 7. Implement the online VIEDC Application;

- 299 8. Complete the VIEDC Compliance Handbook for Beneficiaries' use;
- 300 9. Promote the STARS program to internal and external stakeholders;
- 301 10. Reduce the EDB's loan delinquency rate to at least 35%;
- 302 11. Grant at least an additional \$1.8M in quality loans and loan guarantees;
- 303 12. Host a Young CEO Camp in both the St. Thomas-St. John and St. Croix districts;
- 304 13. Complete eight (8) Scrape & Paint, two (2) rehabilitations, and four (4) board-up projects;
- 305 14. Conduct the EntrepreNow program in both the St. Thomas-St. John and St. Croix districts and a
- 306 community building presentation within each school in the zones;
- 307 15. Actively promote the EZC incentive program and strengthen the compliance component; and
- 308 16. Complete a micro-grid investment audit of the William D. Roebuck Industrial Park;

309
310 **Conclusion**

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312 This fiscal year (FY2017), Governor Mapp recommended and the Legislature approved an

313 additional \$500K to market USVIEDA programs. I would like to take the opportunity to publicly thank

314 Governor Mapp and the Legislature for the supplemental appropriation. We have embarked on an

315 aggressive marketing and advertising campaign showcasing USVIEDA programs, assets of the U.S. Virgin

316 Islands, and the VIEDC tax incentive program. We now would like to show you some of the

317 advertisements that were placed and the articles featured in various publications. This aggressive local

318 and national advertising campaign will continue in fiscal year 2018.

319
320 **[VIDEO PRESENTATION]**

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322 At this time, I would like to thank my staff for all their hard work and dedication on behalf of the

323 people of the Virgin Islands of the United States of America, and for the continued support they have

324 given me; the U.S. Virgin Islands Economic Development Authority Governing Board for their continued

325 support and guidance; Governor Kenneth E. Mapp, Lieutenant Governor Osbert E. Potter, and their

326 team for their continued support of the USVIEDA; and, this body for your interest and continued
327 support.

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329 Finally, we hope that the seeds that we are about to sow in fiscal year 2018 will germinate, grow
330 strong, and bear a bountiful harvest we can all be proud of.

331 We are available to answer any questions you may have.

332 Thank you.