Introduction

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

The USVIEDA Organizational Structure

The Authority is an umbrella entity created to assume, integrate, and unify the functions of the Virgin Islands Economic Development Bank, the Virgin Islands Economic Development Commission, the Virgin Islands Enterprise Zone Commission, and the Virgin Islands Economic Development Park Corporation. The Authority is governed under one executive board comprised of seven (7) members to achieve maximum efficiency of operations, avoid duplication of services, reduce cost of operations, and
implement comprehensive programs for the economic development of the Territory. The entities maintain distinct identities and function independently of one another, only to the extent necessary to execute their specific mandates, but in all other cases operate in an integrated fashion.

Fiscal Year 2018 Budget Theme

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

Fiscal Year 2018 Budget Request

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

The reduced amounts were identified in the following areas:

1. Incubator Program $150,000
2. Marketing Initiatives $100,000
3. Cost Benefit Analysis $150,000 (nonrecurring)

Total Reduction $400,000

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

The work that we are charged to do at the USVIEDA is not based on fiscal periods, but is based on a continuous process of assessments that enable us to make whatever adjustments are necessary to meet our objectives. As a result, we are in the process of hiring a Director of Marketing and an
Associate General Counsel. These additions to our team will provide us with the necessary staffing to operate at an optimum level.

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

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

Administration and Finance, Legal and Human Resources Departments

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

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

- Completed Fiscal Year 2016 financial audit. Received an unqualified audit opinion for the 8th consecutive year at the completion of the FY 2016 financial audit. An unqualified opinion is an independent auditor’s judgment that a company's financial records and statements are fairly and appropriately presented, and are in accordance with Generally Accepted Accounting Principles (GAAP).

- Maintained liquid position despite delayed release of allotments. In spite of the recent practice of receiving allotments monthly and which are usually late, the organization is current on all of its obligations.

- Conducted and implemented a wage and compensation study for all USVIEDA employees. As a result of the study, employees are compensated at salary levels competitive with their counterparts locally and nationally.
- **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
as collateral support for business loans. There are 34 businesses currently using SSBCI loan funds, which potentially account for the creation of 185 new jobs and the retention of 414 others. An amount of $2,971,214 remains available for use by local lenders.

The Incubator Program

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

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

- **Provided technical assistance to more than 20 entrepreneurs on the island of St. Croix in the areas of manufacturing, consumable products, engineering, aquaponics and hydroponics.** It is the goal of the Incubator Program to see every participant mature and grow into full-fledged and successful businesses.

- **Referred five (5) of its clients to the Economic Development Bank for financing. Additionally, one (1) client was referred to the Virgin Islands Economic Development Commission Small Business Program.** It is anticipated that when these businesses are fully developed and functioning, they too will join a growing list of businesses contributing to the economic development of the Territory.

The Virgin Islands Economic Development Commission (VIEDC)

The Virgin Islands Economic Development Commission is charged with promoting the growth, development and diversification of the economy of the United States Virgin Islands, which is accomplished by attracting new companies to the VIEDC Program.
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.
For the period October 1, 2016 – June 30, 2017, the major achievements of the Applications Department include:

- Received, reviewed and analyzed five (5) applications from new investors seeking VIEDC tax incentive benefits, a net increase of one (1) new application over the same period last year. Of the five (5) new applicants two (2) were approved by the VIEDC Governing Board and the Governor. One (1) was denied by the VIEDC Governing Board and the remaining two (2) applicants are in various stages of the review and approval process. If the remaining two (2) companies are approved and begin operations, it is estimated that the four (4) companies, in aggregate, will spend about $2M in capital investments, create 71 new jobs, pay approximately $2.8M in wages, and make an estimated $252K in charitable contributions. Additionally, the government is expected to realize approximately $300,000K in direct tax payments and approximately $1.8M in additional tax revenues within the first five (5) years of these businesses’ operations.

- Received and reviewed five (5) existing Beneficiaries’ applications requesting extension and modification of tax incentive benefits, which is the same number when compared to the same period last year.

- As of June 30, 2017, six (6) public hearings were held, at which time the VIEDC Board and staff heard presentations made by 20 applicants seeking initial, extension, modification or transfer of benefits. A total of six (6) decision meetings were held. In addition to the three (3) new applicants, the Board considered 27 applications (4-New, 2-Transfer, 8-Extension/Modification and 13 petitions for admission of new partners/entities, corrective and administrative actions).
The Compliance Department is primarily responsible for monitoring VIEDC Beneficiaries to ensure that they adhere to the terms of their agreements using a customer service approach. For the period October 1, 2016 – June 30, 2017, the major achievements of the Compliance Department include:

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

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

The Enterprise Zone Commission (EZC)

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

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

- **Applied for over $500K in grant funds, an increase of $463K or 1,251% compared to the same period last year.** To date, we have received $258K. In conjunction with the Department of Agriculture, the USVIEDA received a grant in the amount of $250K from the
Department of the Interior to fund a feasibility study for the establishment of a local fruits and other agricultural processing and packaging plant. We are currently in negotiations with the University of the Virgin Islands to conduct this study. Other funds in the amount of $128K sourced from VIEDC beneficiaries were earmarked to accomplish specific projects such as Scrape, Paint and Rejuvenate, Board Up and Historic Building Rehabilitation.

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

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

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

**Marketing Department**

The key responsibilities of this department are to market the U.S. Virgin Islands as the best place to operate a business and promote a range of services that are offered by the USVIEDA.
For the period of October 1, 2016 – June 30, 2017, the major achievements of the Marketing Department include:

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

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

- **Attended several focused marketing events to showcase the U.S. Virgin Islands and the VIEDC program.** A sampling of events attended include:
  - Private Wealth – Latin America & Caribbean Forum- Miami, Florida
  - Cayman Alternative Investment Summit – Cayman Islands
  - Select USA Summit – Washington, D.C.

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

The Economic Development Park Corporation is chartered as a public corporation to acquire and operate industrial parks in the U.S. Virgin Islands. The EDPC is a self-supporting entity that derives its revenues from the rent it receives from tenants within the industrial parks. The EDPC has two (2) locations – one located in Estate Negro Bay, St. Croix known as the William D. Roebuck Industrial Park and the other in Sub Base on St. Thomas, known as the St. Thomas Industrial Park.
For the period of October 1, 2016 – June 30, 2017, the major achievements of the EDPC include:

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

**Fiscal Year 2018 Budget**

As we work to accomplish the objectives we have set this year, we are reminded that each succeeding budget is a continuation of work that was started many years ago – building on a foundation that was laid before. The Fiscal Year 2018 budget is no different - it is intended to be a guide as we navigate through tough financial times.

**Fiscal Year 2018 Budget Priorities**

In crafting the Fiscal Year 2018 budget, my staff and I decided on the areas that we think would yield the greatest return with our limited budgeted dollars.

We have outlined some of the major objectives we hope to accomplish in Fiscal Year 2018, while remaining within our requested budget limit of $5,882,865:

1. Develop a comprehensive 5 -10 year strategic plan for the USVIEDA;
2. Develop a long-term plan for the USVIEDA’s self-sufficiency;
3. Finalize the rules and regulations for the Hotel Development Act, International Financial Services Entities Program, Tax Increment Financing, and the Youth Recreational Incentive Act, and the Enterprise Zone Commission; and update rules and regulations for the Economic Development Bank, the Economic Development Commission;
4. Continue to develop local and non-local marketing strategies;
5. Use data mining techniques to help make marketing decisions;
6. Process a “completed” application for VIEDC benefits within sixty (60) working days of receipt;
7. Implement the online VIEDC Application;
8. Complete the VIEDC Compliance Handbook for Beneficiaries’ use;
9. Promote the STARS program to internal and external stakeholders;
10. Reduce the EDB’s loan delinquency rate to at least 35%;
11. Grant at least an additional $1.8M in quality loans and loan guarantees;
12. Host a Young CEO Camp in both the St. Thomas-St. John and St. Croix districts;
13. Complete eight (8) Scrape & Paint, two (2) rehabilitations, and four (4) board-up projects;
14. Conduct the Entreprenow program in both the St. Thomas-St. John and St. Croix districts and a community building presentation within each school in the zones;
15. Actively promote the EZC incentive program and strengthen the compliance component; and

Conclusion

This fiscal year (FY2017), Governor Mapp recommended and the Legislature approved an additional $500K to market USVIEDA programs. I would like to take the opportunity to publicly thank Governor Mapp and the Legislature for the supplemental appropriation. We have embarked on an aggressive marketing and advertising campaign showcasing USVIEDA programs, assets of the U.S. Virgin Islands, and the VIEDC tax incentive program. We now would like to show you some of the advertisements that were placed and the articles featured in various publications. This aggressive local and national advertising campaign will continue in fiscal year 2018.

[VIDEO PRESENTATION]
At this time, I would like to thank my staff for all their hard work and dedication on behalf of the people of the Virgin Islands of the United States of America, and for the continued support they have given me; the U.S. Virgin Islands Economic Development Authority Governing Board for their continued support and guidance; Governor Kenneth E. Mapp, Lieutenant Governor Osbert E. Potter, and their
team for their continued support of the USVIEDA; and, this body for your interest and continued support.

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

We are available to answer any questions you may have.

Thank you.