



# Proposed Budget For Fiscal Year 2012



Submitted by: Percival E. Clouden, Chief Executive Officer  
Date: May 31, 2011

May 26, 2011

Carlton "Ital" Dowe  
Senator  
Chairman, Committee on Finance  
29<sup>th</sup> Legislature of the Virgin Islands  
Capital Building, St. Thomas, Virgin Islands 00804

Dear Senator Dowe:

I am pleased to present the Virgin Islands Economic Development Authority's Fiscal Year 2012 budget for consideration by the Committee on Finance. The General Fund budget request of \$5,011,328 is consistent with the level appropriated by the Legislature for Fiscal Year 2011.

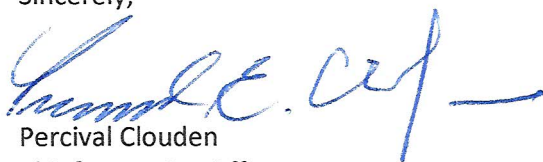
I am confident that at this funding level, the Economic Development Authority will be able to accomplish the goals and objectives outlined in this budget. These include, increasing the number of loans to local entrepreneurs and small businesses, attracting and retaining EDC companies, strengthening the partnership between the EDC Compliance Unit and existing EDC businesses, and implementing the Enterprise Zone Loan Program.

As the Authority continues to seek ways to improve services and reduce cost, it also notes improvements in the integrity and reliability of financial reporting. Our external auditors have issued a preliminary unqualified opinion on the Fiscal Year 2010 financial statements. Their final report is due by June 30, 2011.

This budget takes into consideration the current economic condition of the Government of the Virgin Islands and the role the Economic Development Authority must play in the recovery efforts. It is a task that the Authority is prepared to do well.

My staff and I are available to respond to your questions and to those of the Post Audit Division on this submission.

Sincerely,



Percival Clouden  
Chief Executive Officer  
Economic Development Authority

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## **VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY**

### **I.1 MISSION STATEMENT**

The Virgin Islands Economic Development Authority (VIEDA) is a semi-autonomous governmental agency responsible for the promotion and enhancement of economic development in the United States Virgin Islands. The Authority strives to be a customer service based organization that creates positive public/private sector partnerships for the enhancement of economic growth and development by meeting the challenges of the global economy and serving the needs of the business community, while embracing our unique cultural heritage and preserving our pristine natural environment.

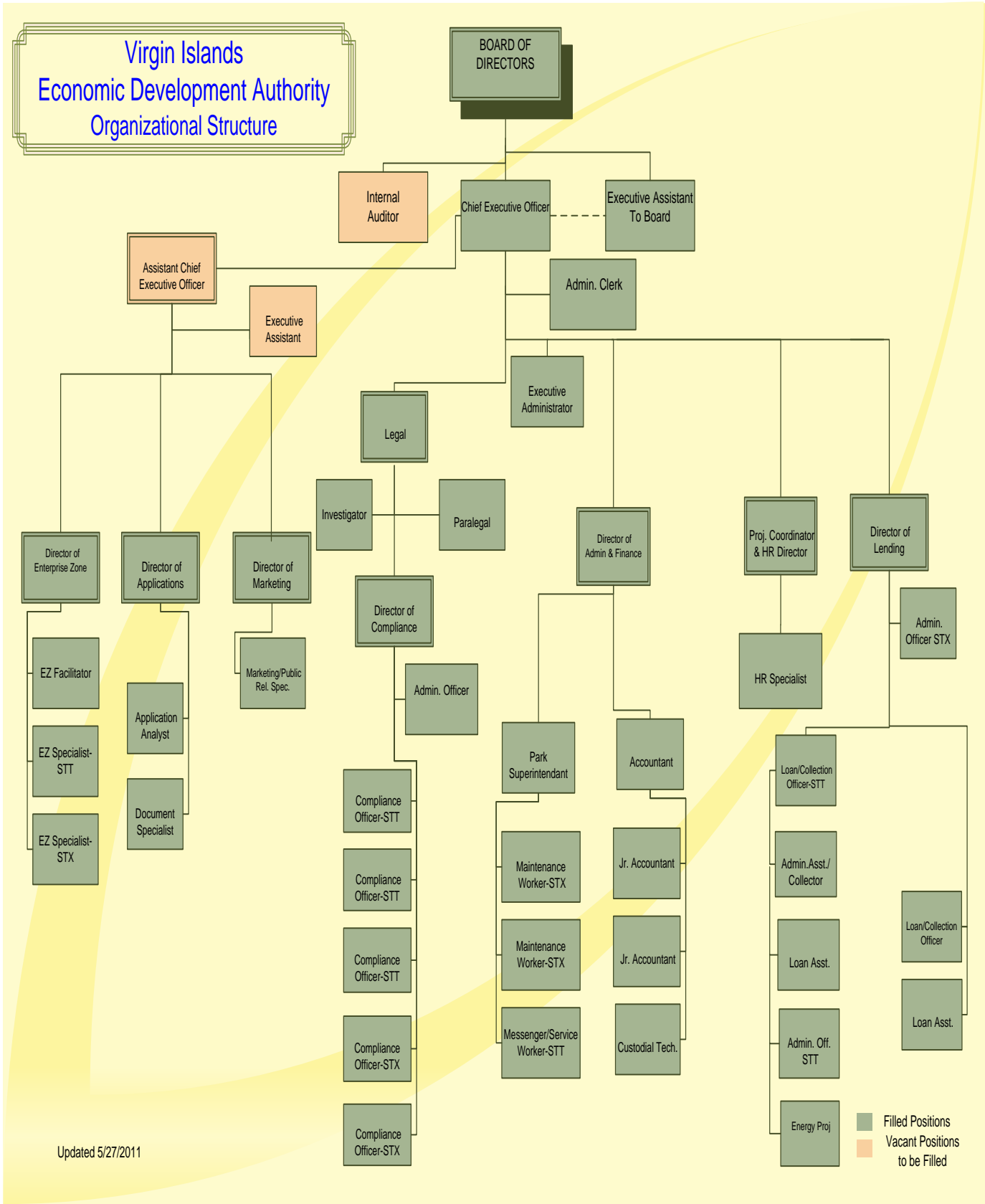
### **I.2 SCOPE AND OVERVIEW**

The Virgin Islands Economic Development Authority (VIEDA) was created on December 21, 2000 by Act No. 6390. Title 29, Chapter 17, Virgin Islands Code to assume, integrate and unify the functions of the Government Development Bank (GDB), the Economic Development Commission (EDC), the Industrial Park Development Corporation (IPDC), the Small Business Development Agency (SBDA) and the Enterprise Zone Commission (EZO) under one executive board in order to achieve maximum efficiency, streamline operations, and develop comprehensive programs to promote and enhance the economic development of the Territory.

The Authority accomplishes its mission by (1) attracting investors from the mainland to establish or relocate their businesses to the Virgin Islands, and (2) providing financial assistance through its lending arms (GDB and SBDA) to emerging and established businesses in the Territory. The Authority is funded primarily by allotments from the Office of Management and Budget via the Department of Finance based on an approved budget authorized by the Legislature of the Virgin Islands.

The powers of the Authority are exercised by a Governing Board consisting of the members of the Authority acting as a board. Of the seven (7) members appointed to the Board, three (3) shall not be employees of the Government of the United States Virgin Islands or the Government of the United States and shall be appointed by the Governor with the advice and consent of the Legislature. Three (3) shall be appointed by the Governor from among the heads of Cabinet-level executive departments or agencies or his executive staff, and one (1) shall be appointed from the Board or executive staff of the Government Employees Retirement system, the Virgin Islands Port Authority, or the University of the Virgin Islands.

**I. ORGANIZATION CHART**



## **1. ACCOUNTING SYSTEM AND FINANCIAL REPORTING ROLE AND RESPONSIBILITIES**

The Economic Development Authority (EDA) is a component unit of the U.S. Virgin Islands Government, and follows enterprise fund accounting and reporting. Therefore, the financial statements are presented in a manner similar to that of a private business, using the economic resources measurement focus and the accrual basis of accounting.

Management prepares a plethora of financial and statistical management reports, including the Financial Statement with Supplementary information (annual audit). Management is responsible for the integrity and objectivity of management and financial reporting. Reports are prepared in accordance with principles generally accepted in the United States of America ("GAAP"), applying certain estimates and judgments, as required.

The Authority employs internal controls that are designed to provide reasonable assurance as to the integrity and reliability of the financial reporting and to adequately safeguard, verify, and maintain accountability of assets. Such controls are based on established written policies and procedures and are implemented by trained, skilled personnel. The Authority's employment policy prescribes that EDA and all of its employees maintain the highest ethical standards and that its business practices be conducted in a manner that is above reproach.

Berth Smith and Company, EDA's independent auditors, audited the Authority's annual financial statements for fiscal year 2010. Their report is based on an audit conducted in accordance with auditing standards generally accepted in the United States of America, which include consideration of the Authority's internal controls to establish a basis for reliance thereon in determining the nature, timing and extent of audit tests to be applied. EDA is awaiting a final draft of its 2010 "unqualified opinion" audit report.

The VIEDA Board fulfills its responsibility for oversight and administration of the Authority's practices and governance through actions of the full Board as well as through committees comprised of a subset of its Members. The Finance Committee is responsible for reviewing budgets, making recommendations, and advising the Board on major issues and financial decisions.

## **2. VI ECONOMIC DEVELOPMENT AUTHORITY**

### **2.1 ADMINISTRATION**

#### **FUNCTIONAL STATEMENT**

The administration unit provides administrative and other support to EDA and all the other entities that it operates. It ensures that their activities are consistent with EDA's mission, authority, goals, and or adheres to and meet statutory and legal standards. The functions and activities of the executive office, accounting, human resources, legal and marketing fall within the administration unit.

#### **FISCAL YEAR 2011 GOALS**

- Update and maximize use of all software programs
- Continue to provide staff development and training
- Improve financial reporting systems to provide more accurate and timely information
- Ensure a reliable, efficient, and cost- effective computer network system
- Develop a system for accessing and reporting financial information for management decision-making purposes
- Prepare contracts and lease agreements
- Review , revise and drafting of legal documents
- Manage and facilitate resolution of conflicts
- Provide legal advice to Authority and Board members

#### **FISCAL YEAR 2011 ACCOMPLISHMENTS TO DATE**

- Completed Fiscal Year 2010 financial audit
- Provided MAS 500 training to accounting staff
- Upgraded EDA Internet network
- Prepared contracts and lease agreements
- Conducted background investigation on EDC applicants
- Researched, reviewed and drafted documents
- Provided advice on internal and external matters
- Completed 2012 budget preparation processes
- Prepared general educational information and specific background investigation for EDA's proposed entrance into New Market Tax Credits
- Prepared educational information and legal analysis of EDA utilization of ARRA funding
- Conducted investigation of EDC beneficiary accused of misconduct
- Drafted several pieces of legislation for revamping EDC law and GDB. Included also draft and passage of at least 10 resolutions for Board consideration for divisions of EDA
- Supervised collections process for resolution of delinquent accounts
- Integrated the Compliance Unit into the Legal Department



## **FISCAL YEAR 2012 GOALS**

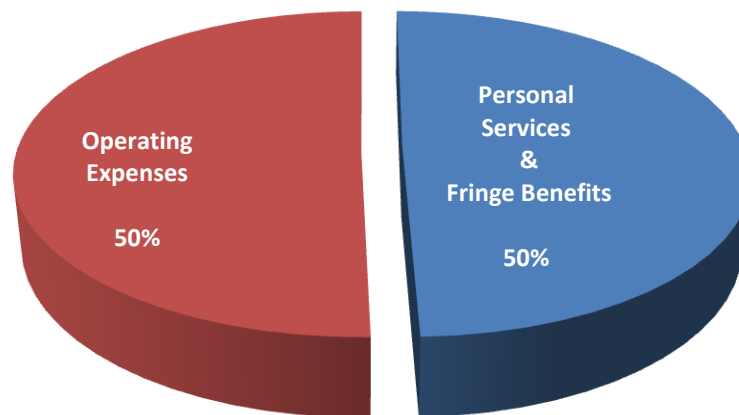
- Prepare white papers outlining benefits, legal issues, etc for several industries to be used by Marketing
- Finalize EDC law changes
- Finalize the merger of GDB and SBDA
- Litigate or settle a substantial number of delinquent loans being carried by the GDB and the SBDA
- Provide a reliable, efficient, and cost –effective computer network system
- Provide staff development and training opportunities
- Improve financial reporting to support better decision making
- Update and maximize use of software programs for greater agency efficiency
- Develop and Implement a compensation program for the Authority
- Develop and implement a performance management program.
- Negotiate a three-year collective bargaining agreement
- Implement an employee recognition and employee relations program
- Prepare a training and succession plan for Board approval

## **FISCAL YEAR 2012 OBJECTIVES**

- Complete Fiscal Year 2011 financial audit by the end of the first quarter
- Finalize 2013 budget preparation processes by April 30, 2012
- Identify areas to reduce cost and improve overall efficiency by the end of the fiscal year
- Report financial results to unit heads and the EDA Finance Committee by the end of each quarter
- Monitor and evaluate the integration of the Compliance Unit into the Legal Department.
- Develop and implement a protocol for the review and approval of legal document required by EDA units.

2012 ADMINISTRATION BUDGET	
PERSONAL SERVICES	1,132,205
FRINGE BENEFITS	537,970
OPERATING EXPENSES	<u>1,697,105</u>
<b>*TOTAL BUDGET</b>	<b><u>3,367,280</u></b>
* Include all EDA indirect costs.	

### 2012 ADMINISTRATION BUDGET



## **2.2 MARKETING UNIT**

### **FISCAL YEAR 2011 GOALS**

- Implement Search Engine Optimization (SEO)
- Assist in identifying pre-qualified companies that may be eligible for EDC benefits
- Redesign collateral materials to be in-line with EDA's re-branding objectives
- Marketing the Territory as an ideal film location
- Engage in public awareness campaign which reflects findings of impact analysis
- Increase EDC global exposure through advertisement, conferences, and expos
- Improve Lending unit's local outreach by building public awareness through local events and activities

### **FISCAL YEAR 2011 ACCOMPLISHMENTS TO DATE**

- Completed EDA 2011 annual report
- Facilitated website updates, monitored web contents and postings of press releases
- Reviewed and re-engaged SEO implementation strategies
- Completed final draft of EDA newsletter
- Assisted the Lending division in promoting the St. Croix Agriculture and Food Fair
- Prepared and distributed press releases to media outlets
- Conducted potential investor research, including photovoltaic solar manufacturing
- Planned and coordinated conferences, expos and target meetings with follow-up

### **FISCAL YEAR 2012 GOALS**

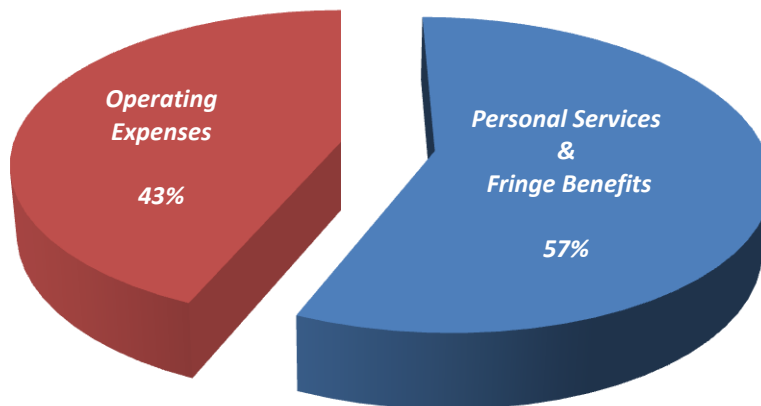
- Continue to promote the growth, development and diversification of the economy of the Virgin Islands by securing new business investment consistent with our target market
- Promote and support local entrepreneurship and small business development
- Support the growth and expansion of existing businesses in line with our vision and target markets.
- Incorporate social marketing components into the EDA's website.

### **FISCAL YEAR 2012 OBJECTIVES**

- Re-evaluate the Authority's marketing plan and adjust implementation strategies by first quarter.
- Identify and conduct comprehensive marketing outreach to emerging industry sectors to increase the pool of EDC applicant
- Continue to diversify EDC advertisement outlets and rebranding mechanisms to attract new industries
- Increase awareness of the various services and benefits offered by EDA in order to reach a larger clientele

2012 MARKETING BUDGET	
PERSONAL SERVICES	126,350
FRINGE BENEFITS	31,588
OPERATING EXPENSES	<u>121,305</u>
<b>*TOTAL BUDGET</b>	<b><u>279,243</u></b>
* Direct Costs Only	

## 2012 Marketing Budget



## **2.3 VI ECONOMIC DEVELOPMENT COMMISSION**

### **FUNCTIONAL STATEMENT**

The Economic Development Commission (EDC) is charged with promoting the growth, development, and diversification of the economy of the United States Virgin Islands by developing the human and economic resources of the Territory, preserving job opportunities for residents of the U.S. Virgin Islands, and promoting capital formation to support industrial development in the Territory. The EDC is comprised of the Applications Unit, which is the first point of contact by a business seeking to apply for economic development benefits, and the Compliance Unit, which monitors beneficiaries to ensure that they comply with the terms and conditions of their certificates and other requirements of law.

### **APPLICATION UNIT**

#### **FISCAL YEAR 2011 GOALS**

- Increase the number of applications to be processed for executive decisions and public hearings
- Continue to reduce the backlog of applications currently awaiting benefits decision
- Continue to actively interact with clients or applicants through interviews and on-site visits to understand their business models and respond to their requests
- Work collaboratively with other departments to streamline the application process
- Provide mini-workshops to clients on the proper procedures for completing EDC applications which can facilitate the timely processing of applications and ultimately achieve the targeted 80- to 90-day processing timeline
- Continue to develop working relationship with the Marketing Division to actively recruit new applicants through trade shows, conferences, and agency sponsored seminars

#### **FISCAL YEAR 2011 ACCOMPLISHMENTS TO DATE**

- Processed a total of six (6) applications, including 3 new applications and three (3) applications for extension or modification of benefits
- Streamlined the application process from 120 days to 90 days,
- Collaborated with the Marketing Division to actively recruit new applicants through trade shows, conferences, and agency-sponsored seminars
- Significantly reduced backlog of applications currently awaiting benefits decision: for example, For Fiscal year 2011, a total of twelve (12) applications cases were presented to the Board. The Board heard nine (9) cases in public hearing and recommended seven (7) for benefits; two (2) are awaiting Boards decision and three (3) were approved for the addition of partners
- The division actively interacted with clients and potential applicants through interviews and on-site visits to identify with their business models
- Revised jointly with other division and placed in circulation a new version of the EDC Online Application
- Provided training to all Application Staff on the Online Application process

## **FISCAL YEAR 2012 GOALS**

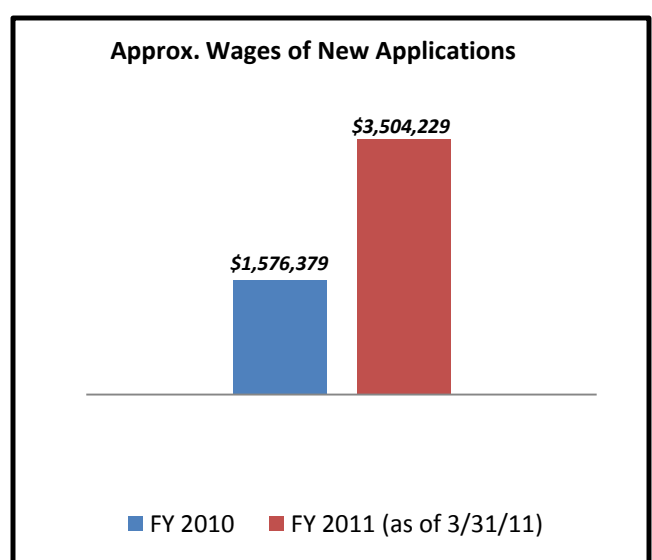
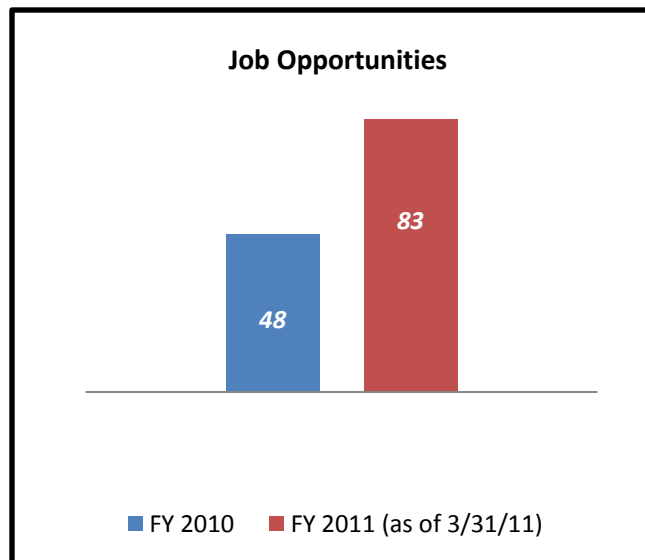
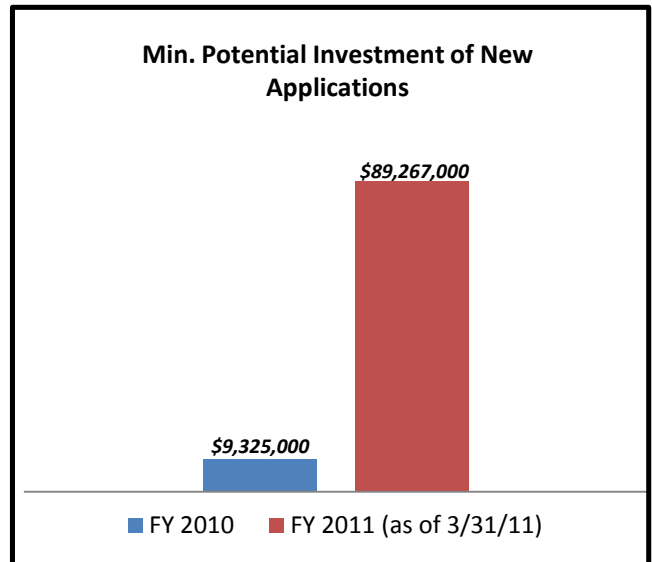
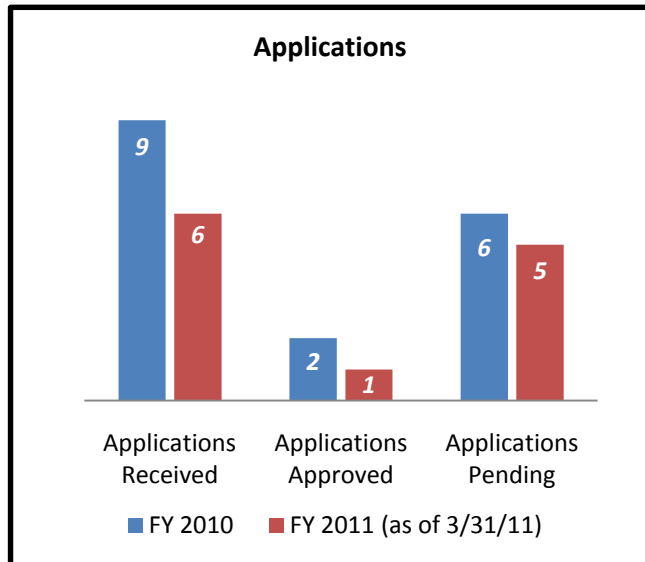
- Continue to work closely with local attorneys and accounting firms which normally bring new businesses to the EDC
- Continue to provide mini-workshops to clients on the proper procedures for completing EDC applications which can facilitate the timely processing of applications and ultimately achieve the targeted 80- to 90-day processing timeline
- Increase applications to approximately thirty (30) per year
- Increase the number of approved applications for benefits over the Fiscal Year 2011 level
- Reduce the processing time from receipt of applications for benefits to decision by EDC

## **FISCAL YEAR 2012 OBJECTIVES**

- Facilitate the timely processing of complete application brought into this Division for consideration
- Provide training for staff through conferences, tradeshow and in-house resources
- Reduce backlog of pending applications currently awaiting benefits decision
- Actively interact with clients and potential applicants through interviews and on-site visits to identify with their business models and requests
- Continue to work collaboratively with other departments to reduce the application process
- Continue to work closely with the Marketing Division to actively recruit new applicants through trade shows, conferences, and agency's sponsored seminars

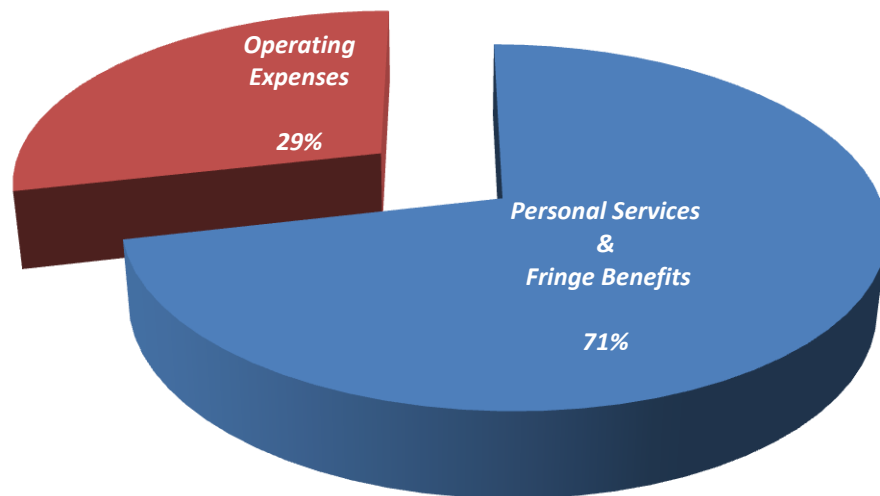
**Table 1: Economic Development Commission – FY 2010 Actual compared to FY 2011 (as of 3/31/2011)**

	FY 2010 Actual	FY 2011 (as of 3/31/11)
Applications Received	9	6
Applications Approved	2	1
Applications Tabled / Denied	0	0
Applications Pending	6	5
Job Opportunities	48	83
Approx. Wages of New Applications	\$1,576,379	\$3,504,229
Min. Potential Investment of New Applications	\$9,325,000	\$89,267,000



2012 APPLICATION UNIT - BUDGET	
PERSONAL SERVICES	173,557
FRINGE BENEFITS	43,389
OPERATING EXPENSES	<u>86,747</u>
<b>*TOTAL BUDGET</b>	<b><u>\$303,693</u></b>
* Direct Costs Only	

## 2012 Application Budget





## **COMPLIANCE UNIT**

The mission of the Compliance Division is to ensure the integrity of the Economic Program and assist the beneficiaries in meeting the requirement outlined in their certificates. The Compliance Unit reports its finding to the EDC Commission, which has the legal authority to assess fines for non-compliance. Funds derived from such penalties are used to support education, workforce development and training programs within the Territory.

### **FISCAL YEAR 2011 GOALS**

- Enhance the Cost Benefit Model into electronic application that reports on macro data
- Implement Application and Compliance reporting System

### **FISCAL YEAR 2011 OBJECTIVES**

- Complete initiative to enhance the cost benefit model
- Increase compliance reviews and site visit by 20%
- Review and update compliance audit procedures and processes

### **FISCAL YEAR 2011 ACCOMPLISHMENT TO DATE**

- (6) Orientations and (12) Site Visits Conducted
- (9) Compliance Reviews Completed
- (14) Eligible Supplier Applications Approved
- All Compliance Staff received Compliance Professionals Certification
- Completed eligible suppliers files audit and decertification
- Contracted firm to develop an online automated compliance reporting system
- Completed Phase 1 Update to Cost Benefit Model to include extension of years & analytical reporting and comparison of application and compliance data
- Implemented Resolutions to effectively monitor program and facilitate application and compliance processes (Management Training Plan, Procurement Waivers, Admission of New Shareholders, Change Location to historic district and two districts)
- Commenced Economic and Fiscal Impact Study for 2008-2009

### **FISCAL YEAR 2012 GOALS**

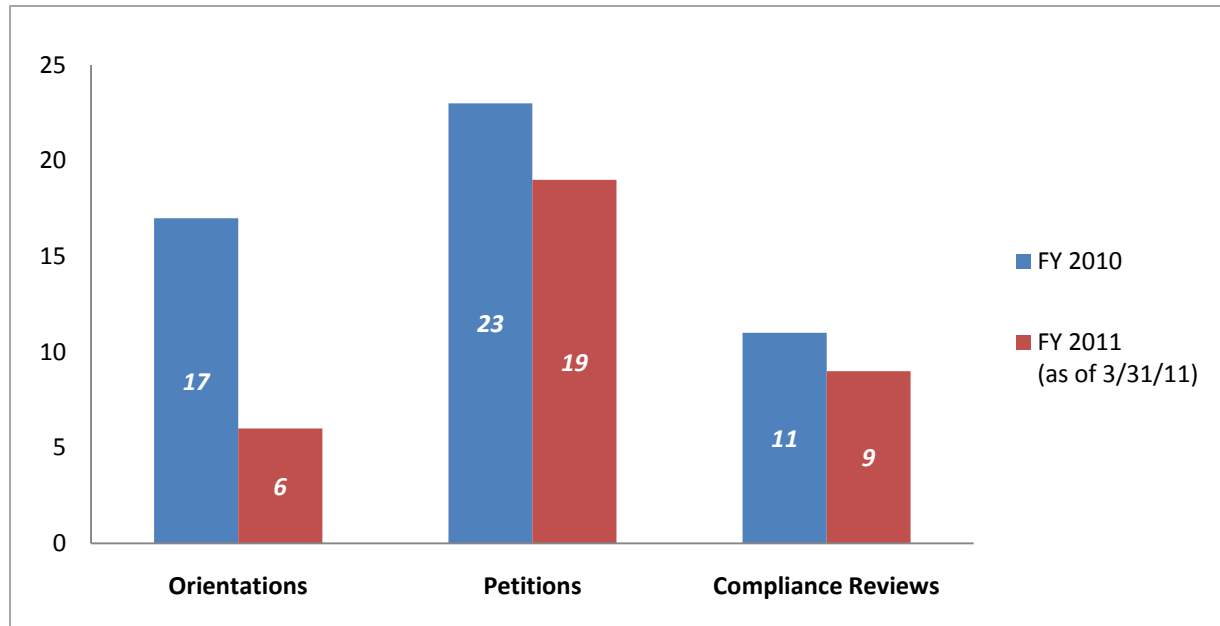
- Enhance the Cost Benefit Model into electronic application that reports on macro data
- Continue to review and update compliance audit procedures and processes
- Continue to educate Beneficiaries, Suppliers, and the Public regarding program requirements and changes

### **FISCAL YEAR 2012 OBJECTIVES**

- Complete next phase to enhance the cost benefit model for electronic module w/ macro data
- Increase compliance reviews and site visits by 20%
- Develop internal electronic compliance case management system
- Reinstitute the Annual Compliance, Eligible Supplier, and Consultant conferences

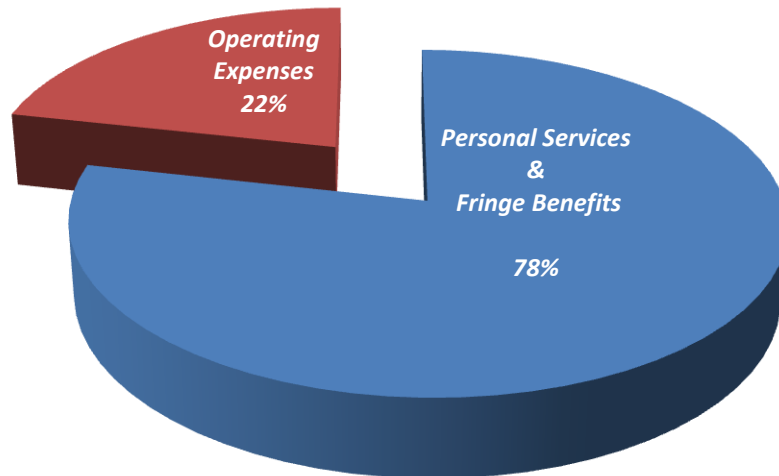
**Table 1: Economic Development Commission – FY 2010 Actual compared to FY 2011 (as of 3/31/2011)**

	FY 2010	FY 2011 (as of 3/31/11)
<b>Orientations</b>	<b>17</b>	<b>6</b>
<b>Petitions</b>	<b>23</b>	<b>19</b>
<b>Compliance Reviews</b>	<b>11</b>	<b>9</b>



2012 COMPLIANCE UNIT BUDGET	
PERSONAL SERVICES	365,940
FRINGE BENEFITS	91,485
OPERATING EXPENSES	<u>125,624</u>
<b>*TOTAL BUDGET</b>	<b><u>\$583,049</u></b>
* Direct Costs Only	

## 2012 Compliance Budget



## **2.4 VI INDUSTRIAL PARK DEVELOPMENT CORPORATION**

### **FUNCTIONAL STATEMENT**

The Industrial Park Development Corporation (IPDC) is chartered as a public corporation to acquire and operate industrial parks in the United States Virgin Islands and to complement activities of the Economic Development Commission (EDC). At present, two such Industrial Parks fall under the auspices of the Industrial Park Development Corporation. The William D. Roebuck Industrial Park on St. Croix and the St. Thomas Industrial Park located in Contant.

### **FISCAL YEAR 2011 GOALS**

- Promote and increase the industrial parks level of occupancy.
- Maintain and upkeep industrial parks to meet needs of current and prospective tenants.
- Review and initiate policies for collecting outstanding rent.
- Establish procedure for vehicle and building maintenance program
- Initiate energy consumption program

### **FISCAL YEAR 2011 ACCOMPLISHMENTS TO DATE**

- Ongoing improvements and enhancements to industrial park infrastructure and grounds
- Improved collections and reduced receivables by 50%
- Set up procedures to handle receivables and uncollectible accounts
- Negotiated lease agreement for prospective tenant at the St. Thomas Park
- Set up procedure for energy conservation program

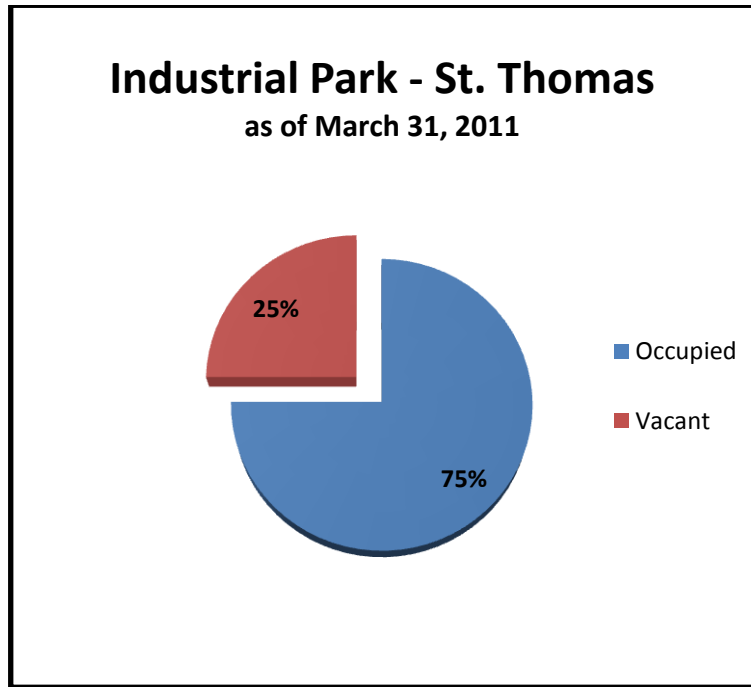
### **FISCAL YEAR 2012 GOALS**

- Promote and increase the industrial parks level of occupancy
- Maintain and upkeep industrial parks to meet industry standards
- Review and update lease agreements with tenants
- Reduce level of outstanding rent receivables
- Continue to implement energy conservation program

### **FISCAL YEAR 2012 OBJECTIVES**

- Increase the level of tenant occupancy of the industrial parks by 90%
- Improve collections and reduce receivables by at least 65%
- Review and update procedure for vehicle and building maintenance program
- Continue to reduce energy cost by 40%, utilizing energy efficient methods

**VI INDUSTRIAL PARK DEVELOPMENT CORPORATION**  
**St. Thomas Occupancy Rate**



**OCCUPANCY / VACANCY LISTING**

St. Thomas Occupancy Listing

1. Billy D's Special Tees – 5,000 square feet
2. St. Thomas Plastic Bottle – 5,000 square feet
3. Smooth Kreationz, Inc. – 5,000 square feet
4. Alliance Data – Antenna Site

**TOTAL SQUARE FOOTAGE OCCUPIED = 15,000 SQ. FT.**

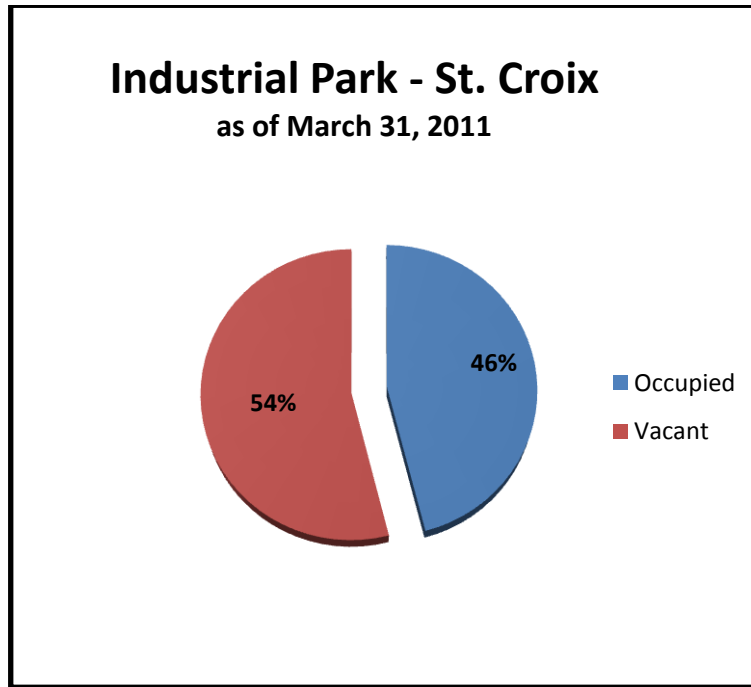
St. Thomas Vacancy Listing

Vacant – 5,000 square feet

**TOTAL SQUARE FOOTAGE VACANT = 5,000 SQ. FT.**

**TOTAL SQUARE FOOTAGE = 20,000 SQ. FT.**

**VI INDUSTRIAL PARK DEVELOPMENT CORPORATION**  
**St. Croix Occupancy Rate**



**OCCUPANCY / VACANCY LISTING**

St. Croix Occupancy Listing

1. Building 1: National Guard – 12,087 square feet
2. Building 2: Patriot Lift Company – 11,240 square feet
3. Building 2: Tropico – 5,776 square feet
4. Building 4: Gold Coast Yachts – 38,160 square feet

**TOTAL SQUARE FOOTAGE OCCUPIED = 67,263 SQ. FT.**

St. Croix Vacancy Listing

1. Building 1: Vacant – 17,913 square feet
2. Building 2: Vacant – 22,984 square feet
3. Building 3: Vacant – 40,000 square feet

**TOTAL SQUARE FOOTAGE VACANT = 80,897 SQ. FT.**

**TOTAL SQUARE FOOTAGE = 148,160 SQ. FT.**

## **2.5 VI GOVERNMENT DEVELOPMENT BANK/SMALL BUSINESS DEVELOPMENT AGENCY**

### **FUNCTIONAL STATEMENT**

The Government Development Bank (GDB) was created by legislation in 1978 “to aid the insular government in the performance of its duties to develop the economies of the United States Virgin Islands”. The Government Development Bank became functional in 1997 and since then has been providing access to capital for small and medium-sized businesses in the Territory. In 2000, the legislation that created the Virgin Islands Economic Development Authority placed the Government Development Bank within its purview. The Government Development Bank currently manages three (3) programs in its lending portfolio: The Intermediary Revolving Program (IRP), the Micro Loan Program, and the Economic Development Fund (PFA).

The Small Business Development Agency (SBDA) provides access to capital for small and medium-sized businesses in the Territory. It currently manages five (5) loan programs in its lending portfolio: Farmers and Fishermen Loan Program, Small Business Development Agency Direct Loan Program, Economic Development Administration Loan Program 3801 and the Economic Development Administration Loan Program 3804 (both components of the United States Economic Development) Administration, and the Frederiksted Loan Program.

The Small Business Development Agency and the Government Development Bank presently operate as independent entities. Management is considering consolidating their operations and functions to improve efficiency and effectiveness.

### **FISCAL YEAR 2011 GOALS**

- Continue to provide financial resources to small, minority, medium and large businesses in the Virgin Islands.
- Assist GDB and SBDA clients to grow into mainstream commercial banking customers.
- Provide technical and managerial assistance to ensure the continued viability of these businesses.
- Encourage large corporate investments, facilitate employment growth opportunities and promote the location of financial services within the Virgin Islands.
- Encourage delinquent clients to make new payment plans to decrease delinquency
- Review loan procedures and make recommendation to enhance loan products being offered and reduce delinquency on bad loans

### **FISCAL YEAR 2011 ACCOMPLISHMENTS TO DATE**

- Initiated the application process for State Small Business Credit Initiative loan to assist Small Businesses in the Territory
- Assigned Delinquent Loan Portfolio to Collection Agencies in St. Croix and St. Thomas
- Small Business Development Agency Loan Policy Board approved the Write-Off of seventeen (17) loans from two loan funds and for customers who have been confirmed as deceased.

- Assisted four (4) local contractors with securing jobs through our Payment and Performance and Bid Bonds Program
- Conducted two (2) Farmers and Fishermen workshops to increase awareness of loan program and increased lending amount
- Conducted training for Lending staff on Loan Application program
- Initiated line of credits as a Loan Product to customers

#### **FISCAL YEAR 2012 OBJECTIVES**

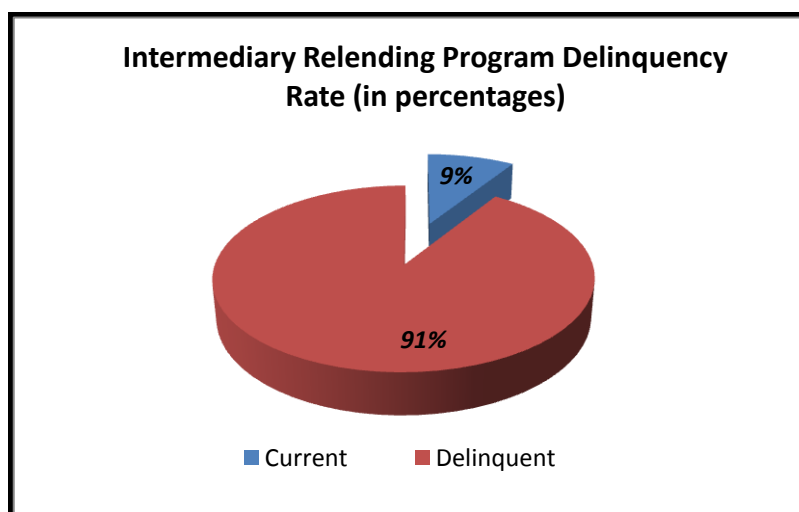
- Secure loan funding from Economic Development Administration for re-lending
- Reduce delinquency by 20% through implementation of an aggressive collection process
- Lenders to visit loan customers on a bi-weekly base and offer guidance in the operation of their business(s)
- Collectors to make field visits to delinquent clients on a weekly basis to hear their challenges and make suggestions to modify payment schedules to keep delinquency at bay and to be certain that businesses remain in operation
- Director of Lending and Lending staff to participate in media programs to provide awareness on Loan Programs
- Maintain satellite office (within the St John Administrator's Office) on St. John with weekly visits by Lending Personnel.



## GOVERNMENT DEVELOPMENT BANK

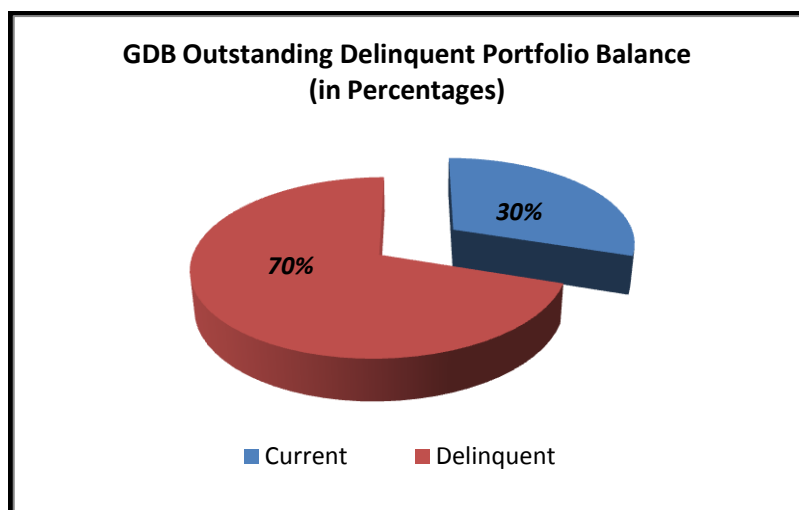
### Delinquency Rate of the Intermediary Relending Program (IRP)

No. of Outstanding Loans	Dollar Value of Approved Loans	Dollar Value Delinquent Loans	Delinquency Rate
12	\$573,953	\$523,209	91%



### Outstanding Delinquent Portfolio Principal Balance (GDB)

No. of Delinquent Loans	Delinquent Loan Portfolio
132	\$3,300,297



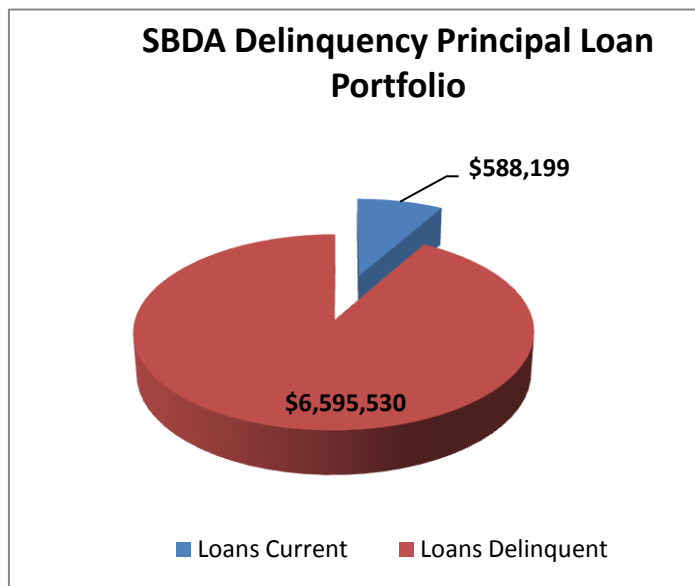
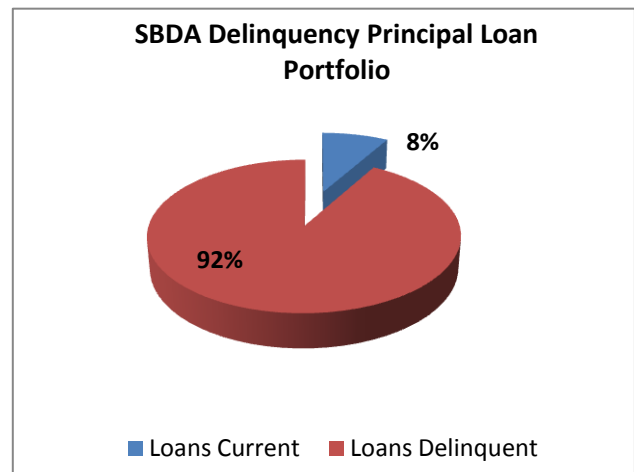
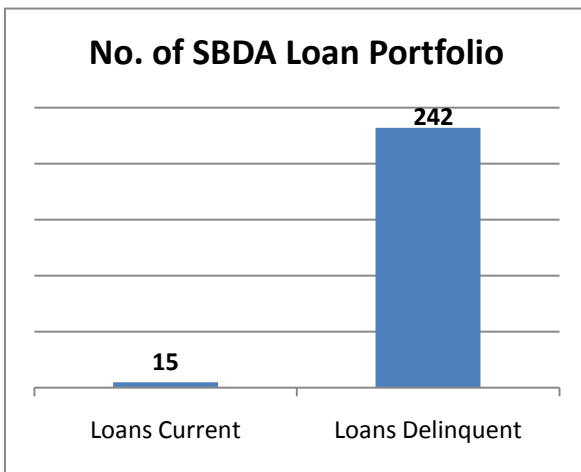
## SMALL BUSINESS DEVELOPMENT AGENCY

### The Number and Dollar Value of the Current Loan Portfolio

No. In Current Loan Portfolio	Dollar Value In Current Loan Portfolio Principal Balance
15	\$588,199

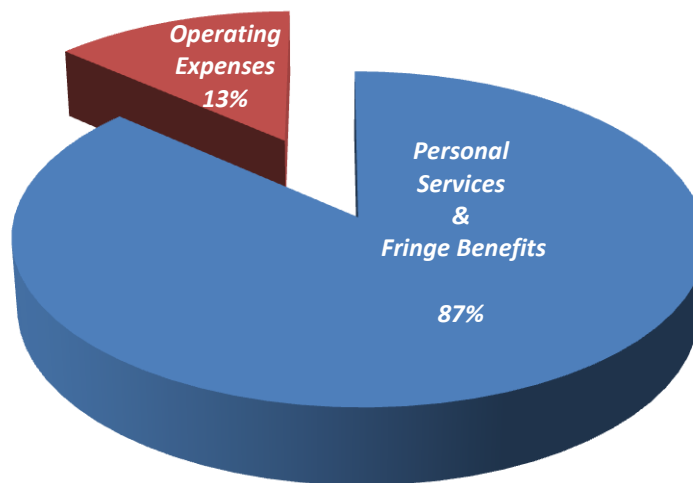
### The Number and Dollar Value of the Delinquent Loan Portfolio

No. In Delinquent Loan Portfolio	Dollar Value In Current Loan Portfolio Principal Balance
242	\$6,595,530



2012 LENDING BUDGET	
PERSONAL SERVICES	463,953
FRINGE BENEFITS	115,988
OPERATING EXPENSES	<u>89,962</u>
<b>*TOTAL BUDGET</b>	<b><u>\$669,903</u></b>
* Direct Costs Only	

## 2012 Lending Budget



## **2.6 ENTERPRISE ZONE COMMISSION**

### **FUNCTIONAL STATEMENT**

The Enterprise Zone Commission (EZC) was created by the Legislature of the United States Virgin Islands with the passage of Act No. 6294. The Act mandates the revitalization of designated blighted and severely distressed areas in the U.S. Virgin Islands that were once socially and economically vibrant communities. The legislation provides for tax incentives and economic development program benefits free and clear of regulations which inhibit economic growth. The Act encourages collaboration between public, private and non-profit entities and provides a program of tax incentives and other benefits to support economic growth.

### **FISCAL YEAR 2011 GOALS**

- Improve level of community awareness of the EZ program utilizing various media by the end of the fiscal year.
- Increase by 20 percent the number of participants in the EZ tax Credit Program
- Obtain legislative changes to accomplish goals of the strategic plan by end of 1<sup>st</sup> quarter
- Expand the type of benefits offered to EZ participants by January 2011
- Implement Enterprise Zone Loan Program - \$10,000 loans to individuals who own a building or a residence within the designated zones in the Territory
- Implement Frederiksted Town Plan and assist in the development of Christiansted and Savanne Town Plans
- Build the Community Outreach base. Ensure that the community is continually educated on matters that are pertinent to the zones
- Continue to build partnerships with other community organizations and government agencies
- Actively search for funding to increase police presence in Frederiksted, Christiansted and Savanne

### **FISCAL YEAR 2011 ACCOMPLISHMENTS TO DATE**

- Increased the level of awareness of Enterprise Zone programs through EZ newsletter, "In the Zone", the EZ Yearbook, talk show appearances and the extremely successful Estate Planning Conferences
- Increased the number of participants in the Tax Credit Program by 64%, which represents more than \$431,000 in investment by beneficiaries
- Contributed to legislative changes which improved the EZ program
- Conducted successful Estate Planning Conferences for more than 160 persons in attendance
- Completed first round of the St. Thomas paint, scrape rejuvenate program
- Near completion of the St. Croix paint, scrape rejuvenate program
- Completed grant applications of more than \$1.6 million
- Received notification of a grant from the Danish Government in the amount of approximately \$5,000

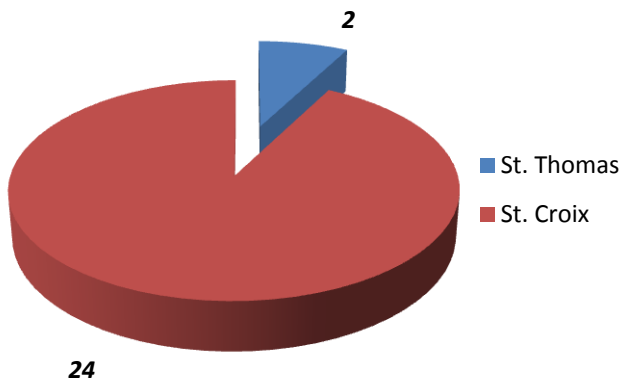
## GOALS AND OBJECTIVE FOR 2012

- Implement Enterprise Zone Loan Program
- Implement Frederiksted Town Plan and assist in the development of Christiansted and Savanne Town Plans
- Establish the Save a Building program
- Begin Walking tour rehabilitation program
- Implement the new EZ legislation
- Continue programs (Estate Planning conference, expansion of beneficiary credit program, beneficiary conference, grant close out)
- Raise the image of the unit by creating collateral material which includes the EZ application
- Provide staff enrichment and training opportunities

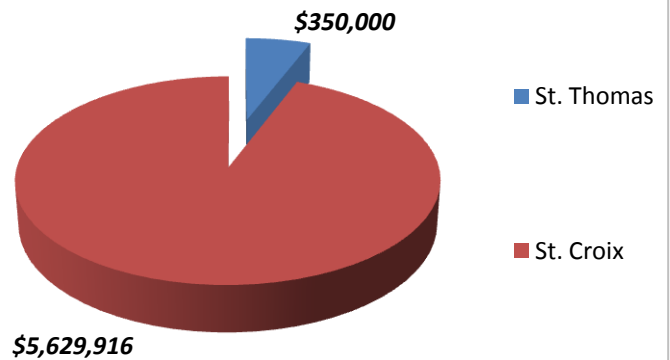
### The Number and Dollar Value of Beneficiaries for Tax Credits in St. Thomas/St. Croix

No. of Beneficiaries for tax Credits	Dollar Value of Committed Investments
26	\$5,979,916

**Potential Beneficiaries for Tax Credit**

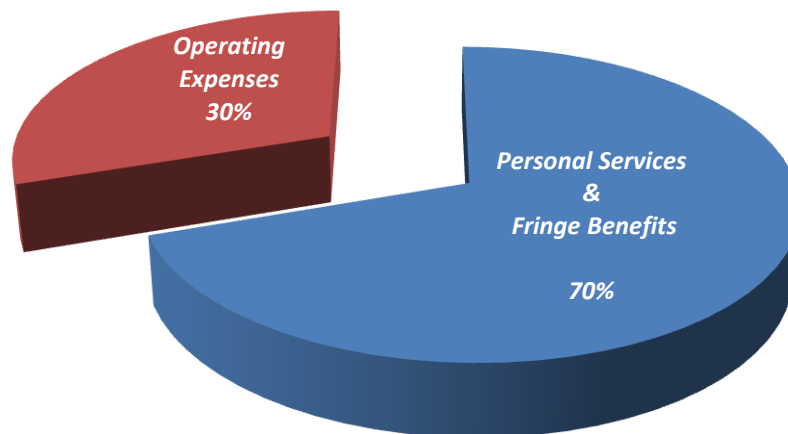


**Potential Committed Investments**



2012 ENTERPRISE ZONE BUDGET	
PERSONAL SERVICES	223,896
FRINGE BENEFITS	55,974
OPERATING EXPENSES	<u>128,000</u>
<b>*TOTAL BUDGET</b>	<b><u>\$407,870</u></b>
* Direct Costs Only	

## 2012 Enterprise Zone Budget



## **2.7 PROJECT FINANCE PROGRAMS**

### **AMERICAN RECOVERY INVESTMENT ACT (ARRA)**

The V.I. Economic Development Authority (“VIEDA”) has worked to expand its offerings to stimulate the economy of the Virgin Islands and facilitate informational meetings and discussions with other agencies and developers to bring partnerships for growth. In February 2009, the American Recovery Investment Act (ARRA) was signed by President Barack Obama. Through the efforts of Governor John P. deJongh, Jr., Delegate Donna M. Christensen and others, the U.S. Virgin Islands was earmarked to receive a potential sum of \$244 million in economic benefits over a two-year period. The VIEDA has worked with other Virgin Islands agencies, such as the Public Finance Authority (PFA), to assist in realizing the maximum use of this funding and to educate developers about the Build America Bonds, specifically the Recovery Zone Facility Bonds and the Recovery Zone Economic Development Bonds.

### **TAX INCREMENT FINANCING (TIF)**

Presently the first TIF project, the Island Crossing Shopping Center, is scheduled to open Home Depot, an anchor tenant, in the Fall of 2011. Island Crossing is financed through bond anticipation notes from First Bank valued at \$15.7 million. The approved bond anticipation note amount has been used to fund the development of the public infrastructure at Island Crossings.

Island Crossing is a popular development that has generated tremendous interest for additional tenants; from new market national retailers to new and established local businesses. As site work progresses, and the construction project for Home Depot nears commencement, ground leases for the remainder of the sites retail component will be executed, and additional vertical construction will begin. The VIEDA has worked closely with the developer to ensure the best use of the TIF funds to bring this project to fruition.

Staff of EDA has met with approximately four (4) other potential developers to assist them in utilizing TIF for territory projects. The VIEDA Board has developed a Tax Increment Finance Subcommittee Task Force that is charged with interfacing with other Virgin Islands Government agencies to prepare for the approval of TIF designated areas by the Governor and the Legislature. This will be a tremendous proactive approach to providing development incentives in specified areas in the Territory.

### **NEW MARKET TAX CREDITS**

New Market Tax Credit (“NMTC”) program attempts to stimulate private investment and economic growth by offering federal tax credits for investments in low-income communities. The demographics of the U.S. Virgin Islands make it an ideal location for investors to utilize NMTCs for appropriate projects.

VIEDA is presently developing parameters for engaging in, applying for and partnering with other entities for New Market Credit allocations in the coming year.

### **FISCAL YEAR 2011 ACCOMPLISHMENTS TO DATE**

- Creation of a Tax Increment Financing (“TIF”) Subcommittee Task Force
- Prepared a comprehensive plan on TIF areas for review
- Development of parameters for engagement in New Market Tax Credits

### **FISCAL YEAR 2012 GOALS**

- Continue work-in-progress on comprehensive plan for territorial designated TIF areas.
- Seek funding to continue the operation of programs and development of Project Finance tools.
- Allow maximum input in TIF decision making from organizations and members of the public.
- Ensure greater utilization of Project Finance mechanism to bring economic development to the Territory

### **FISCAL YEAR 2012 OBJECTIVES**

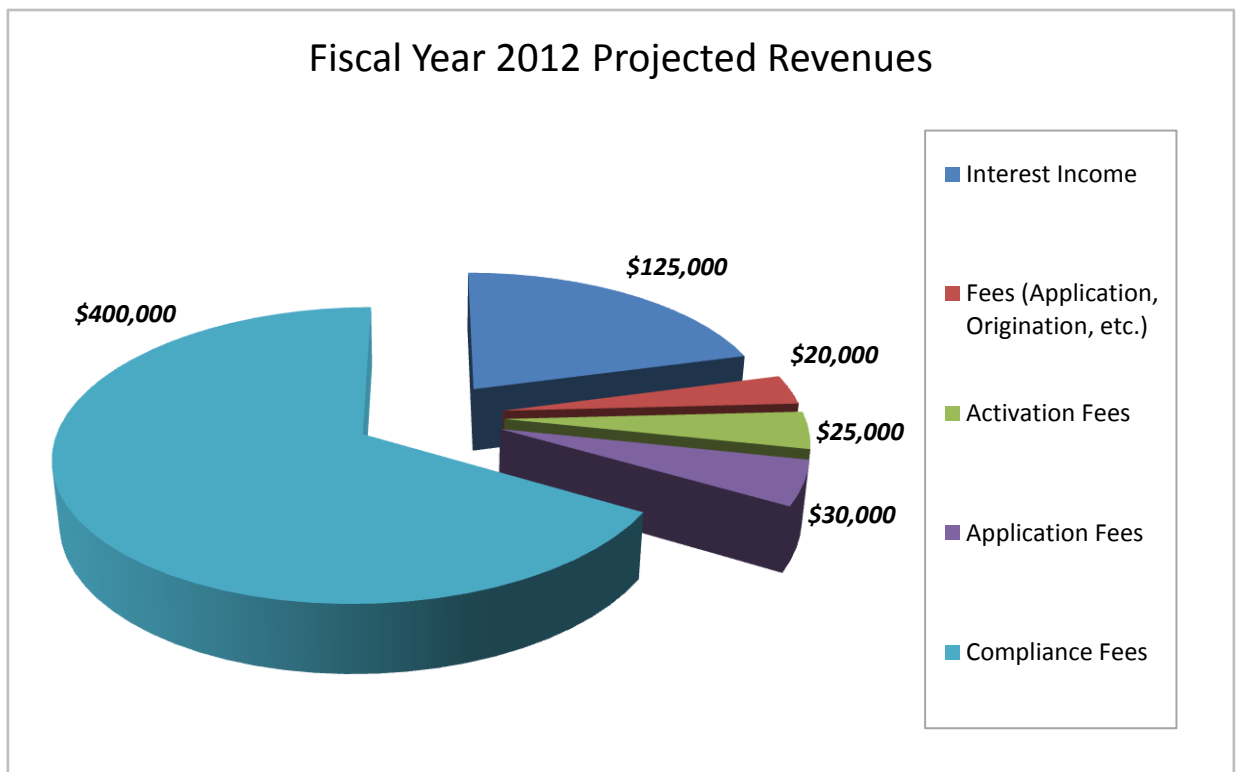
- Implement a public awareness campaign through different media such as newspaper and talk shows by January 2012
- Continue to seek funding for Project Finance program
- Continue to work on a comprehensive plan on TIF areas for review



### 3. FINANCIAL INFORMATION

#### A. Revenue Comparison for FY 2010, FY 2011 Projected and FY 2012 Budgeted

ORDINARY INCOME	Actual	Actual Revenue	Projected Revenue	Total Projected Revenue	PROJECTED
	10/1/09-09/30/10	10/1/10-03/31/11	04/01/11-10/30/11	FY 2011	Budget 2012
<b>Interest Income</b>					
Loan & Interest Bearing Accounts	214,870	62,330	62,330	124,660	125,000
<b>Fees</b>					
Application, Origination (GDB/SBDA)	37,760	10,075	5,000	15,075	20,000
Activation Fees (EDC)	5,000	21,000	3,500	24,500	25,000
Application Fees (EDC)	44,500	32,000	8,500	30,500	30,000
Compliance Fees (EDC)	298,750	393,375	35,000	428,375	400,000
<b>Total Ordinary Income</b>	<b>600,880</b>	<b>518,780</b>	<b>114,330</b>	<b>623,110</b>	<b>600,000</b>



## EXPENDITURES

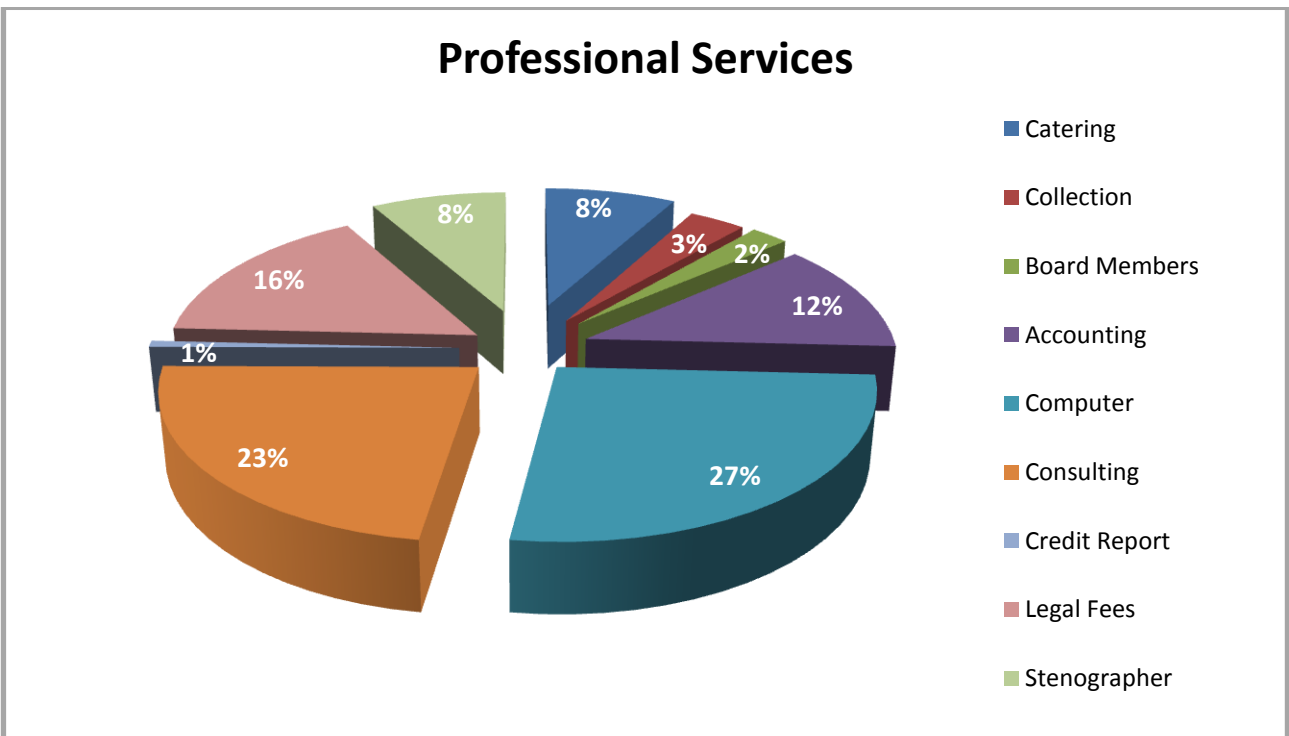
### B. Expenditure Comparison for Fiscal Years 2010, 2011 Projected and 2012 Budgeted

LEGISLATURE OF THE VIRGIN ISLANDS  
POST AUDIT DIVISION  
EXPENDITURES BY PRIME ACCOUNTS

DEPARTMENT/AGENCY/OFFICE NAME	Actual	Actual Expenditures	Projected Expenditures	Total Projected Expenditures	PROJECTED
Fiscal Period	FY 2010	Oct. 1, 2010 - March 31, 2011	April 1, 2011 - September 30, 2011	FY 2011	Budget 2012
<b>PERSONNEL SERVICES</b>					
CLASSIFIED EMPLOYEE SALARIES	1,435,769	587,972	785,093	1,373,064	1,340,665
UNCLASSIFIED EMPL. SALARIES	1,128,104	461,978	616,858	1,078,836	1,145,236
TEMP/PART TIME SALARIES				-	
OVERTIME SALARIES				-	
LUMP SUM PAYMENTS				-	
NIGHT DIFFERENTIAL COMP				-	
OTHER DIFFERENTIAL COMP				-	
FEES & COMPENSATION NOC				-	
HOLIDAY PAY				-	
ALL OTHER				-	
<b>SUB-TOTAL</b>	<b>2,563,873</b>	<b>1,049,950</b>	<b>1,401,951</b>	<b>2,451,901</b>	<b>2,485,901</b>
				-	
<b>CAPITAL OUTLAYS</b>					
MACHINERY & EQUIPMENT	76,624	3,208	96,792	100,000	100,000
VEHICLES				-	
ALL OTHER	2,173			-	
<b>SUB-TOTAL</b>	<b>78,797</b>	<b>3,208</b>	<b>96,792</b>	<b>100,000</b>	<b>100,000</b>
				-	
<b>FRINGE BENEFITS</b>					
EMPLOYER CONTR. RETIREMENT	391,072	153,308	245,341	398,649	435,033
F.I.C.A.	140,537	65,197	86,921	152,118	154,126
MEDICARE	32,965	15,293	20,328	35,621	36,046
HEALTH INSURANCE PREMIUM	217,037	99,783	126,176	225,958	248,590
WORKERS COMP. PREMIUMS	1,423	2,030		2,030	2,600
UNIFORM ALLOWANCE			10,000	10,000	
ALL OTHER	5,741			-	
<b>SUB-TOTAL</b>	<b>788,775</b>	<b>335,611</b>	<b>488,766</b>	<b>824,377</b>	<b>876,394</b>
				-	
<b>SUPPLIES</b>					
OFFICE SUPPLIES	69,442	33,450	37,895	71,345	72,000
OPERATING SUPPLIES				-	
SMALL TOOLS/MINOR EQUIPMENT				-	
ALL OTHER	2,572	4,185	5,250	9,435	
<b>SUB-TOTAL</b>	<b>72,013</b>	<b>37,635</b>	<b>43,145</b>	<b>80,780</b>	<b>72,000</b>
				-	
<b>OTHER SERVICES &amp; CHARGES</b>					
PROFESSIONAL SERVICES	322,385	167,764	247,736	415,500	438,000
COMMUNICATION	94,518	46,150	50,000	96,150	95,000
TRAVEL	196,714	45,612	55,000	100,612	112,000
TRANSPORTATION - NOT TRAVEL				-	
ADVERTISING AND PROMOTION	168,428	62,493	176,436	238,929	243,000
PRINTING AND BINDING	40,572	7,348	37,000	44,348	46,000
INSURANCE	138,877	36,328	86,590	122,918	
REPAIRS AND MAINTENANCE	91,294	47,798	53,590	101,388	105,772
RENTAL- LAND/BUILDING	260,131	130,682	130,682	261,364	260,132
RENTAL - MACHINES/EQUIPMENT	201		1,500	1,500	1,750
TRAINING	60,228	15,157	42,000	57,157	60,200
SECURITY	-			-	
ALL OTHER	288,225	136,228	249,650	385,878	504,889
<b>SUB-TOTAL</b>	<b>1,661,572</b>	<b>695,560</b>	<b>1,130,184</b>	<b>1,825,744</b>	<b>1,866,743</b>
				-	
<b>UTILITY SERVICES</b>					
ELECTRICITY	103,319	66,296	75,000	141,296	145,000
WATER	19,266	30,000	30,000	60,000	65,000
<b>SUB-TOTAL</b>	<b>122,586</b>	<b>96,296</b>	<b>105,000</b>	<b>201,296</b>	<b>210,000</b>
				-	
<b>TOTAL EXPENSES</b>	<b>5,287,616</b>	<b>2,218,260</b>	<b>3,265,838</b>	<b>5,484,098</b>	<b>5,611,038</b>
<b>Appropriation/Allotment</b>	<b>4,780,328</b>	<b>2,390,164</b>	<b>2,390,164</b>	<b>4,860,988</b>	<b>5,011,038</b>
<b>EDA Revenue</b>	<b>600,880</b>	<b>212,194</b>	<b>410,916</b>	<b>623,110</b>	<b>600,000</b>
<b>Total Projected (Actual) Revenues</b>	<b>5,381,208</b>	<b>2,602,358</b>	<b>2,801,080</b>	<b>5,484,098</b>	<b>5,611,038</b>

### C. PROFESSIONAL SERVICES - BREAKDOWN

PROFESSIONAL SERVICES	Actual	Projected	Budgeted
	FY 2010	FY 2011	FY 2012
CATERING SERVICES	45,165	35,000	35,000
COLLECTION FEES	250	15,000	15,000
BOARD MEMBERS STIPEND & PERDIEM	4,771	10,000	10,000
ACCOUNTING	45,000	50,000	53,000
COMPUTER	53,686	92,000	116,000
CONSULTING	46,365	107,000	100,000
CREDIT REPORT	1,887	2,500	3,000
LEGAL FEES	88,925	70,000	70,000
STENOGRAPHER	30,173	34,000	36,000
<b>TOTAL PROFESSIONAL SERVICES</b>	<b>316,222.96</b>	<b>415,500</b>	<b>438,000</b>



**D. OTHER SERVICES & CHARGES - BREAKDOWN**

<b>Other Services &amp; Charges</b>	<b>Actual</b>	<b>Projected</b>	<b>Budgeted</b>
	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
Auto Expense	16,356	15,750	18,375
Bank Service Charge	2,749	4,250	4,500
Casual Labor	40,455	35,000	36,000
Computer Repair	113	2,000	2,000
Contractual Labor	18,262	33,000	35,000
Contributions / Donations	14,225	30,200	30,000
Copier Maintenance	-	5,000	5,000
Courier Service	6,495	8,400	9,000
Custodial Services	14,242	25,000	30,000
Diesel for Generator		2,500	3,500
Drinking Water	1,611	2,000	2,500
Dues /Membership Fees	1,495	7,500	10,000
Employee Relations	34,890	40,000	40,500
Freight	8,269	12,500	14,000
Garbage Disposal	2,185	3,500	3,500
Grant Match / Loan Funding	-	-	100,000
Guarantee Fee SBA	636	750	950
Interest Expense	6,084	4,725	4,225
IRP Loan Payment		23,739	24,239
Licenses & Permits	-	1,000	1,250
Miscellaneous	46,903	2,500	2,025
Parking	6,628	10,200	10,000
Per Diem	32,875	27,000	27,500
Post Office Box Rental	96	125	125
Postage & Delivery	6,947	9,500	10,500
Postage Meter Rental	1,272	1,500	1,750
Registration Fees	2,796	5,750	6,000
Software Agreement	-	42,000	46,000
Storage	-	2,150	2,500
Taxi Fare	219	650	950
Trucking Services	39	2,689	3,000
Tuition Reimbursement		25,000	20,000
<b>Total Other Services &amp; Charges</b>	<b>265,841</b>	<b>385,878</b>	<b>504,889</b>

#### E. PERSONNEL BUDGETED EXPENDITURE BY DEPARTMENT

##### Personnel Service Cost Breakdown by Department and Classification

Personnel Listing - All Positions			Position Classification				
Department	Pos #	FY 2012 Total Budget	Pos #	Unclass.	Pos #	Class.	Total
EDA	17	1,258,555	8	833,236	9	425,319	1,258,555
EDC	12	539,497	4	142,000	8	397,497	539,497
EZ	4	223,896	1	90,000	3	133,896	223,896
LENDING	9	463,953	1	80,000	8	383,953	463,953
TOTAL	42	2,485,901	14	1,145,236	28	1,340,665	2,485,901

#### 4. OTHER INFORMATION

##### A. Vehicle Listing for VI Economic Development Authority

Presently, EDA has ten (10) vehicles. Seven (7) were purchased with local funds and three (3) with Industrial Park Development Corporation funds.

YEAR	MAKE	MODEL	ACTIVITY	PURCHASE	ISLAND
2007	TOYOTA	RAV4	ADMIN – EDA	LOCAL FUNDS	ST. CROIX
2007	TOYOTA	RAV4	EXECUTIVE – EDA	LOCAL FUNDS	ST. THOMAS
2007	TOYOTA	RAV4	EXECUTIVE – EDA	LOCAL FUNDS	ST. CROIX
2007	TOYOTA	RAV4	EXECUTIVE – EDA	LOCAL FUNDS	ST. THOMAS
2007	FORD	ESCAPE	EXECUTIVE – EDA	LOCAL FUNDS	ST. THOMAS
2005	CHEVROLET	TRAIL BLAZER	EXECUTIVE – EDA	PARK FUNDS	ST. CROIX
2005	CHEVROLET	PICK UP	ADMIN – EDA	PARK FUNDS	ST. CROIX
2005	HONDA	CRV-LX	EXECUTIVE – EDA	PARK FUNDS	ST. THOMAS
2002	HONDA	CRV-LX	ADMIN – EDA	LOCAL FUNDS	ST. CROIX
2002	JEEP	LIBERTY SPORT	COLLECTIONS - SBDA	LOCAL FUNDS	ST. CROIX

##### B. Listing of Real Property being rented or leased by Economic Development Authority

Physical Address	Landlord	Square Footage	Annual Rent	Lease Terms	Use of Lease Premises
5055 Norre Gade St. Thomas	Rebob Development, Corp.	11,158.45	\$210,819	Month to Month	Office Space
116 King Street F'sted, St. Croix	VI Industrial Park Development Corp.	4,088.	\$49,464.80	Month to Month	Office Space

## 5. BUDGET SUMMARY

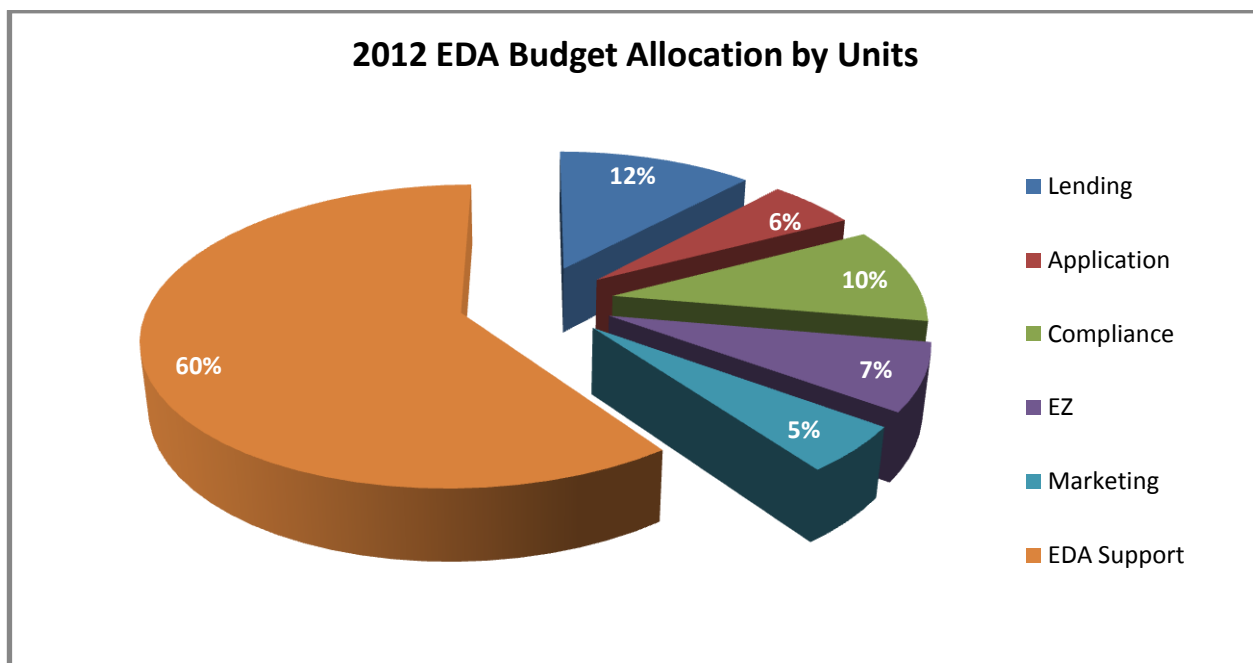
- The Economic Development Authority's Fiscal Year 2012 budget is \$5,611,038.
- Our projected revenues are \$600,000, which is \$23,110 or 3% less than Fiscal Year 2011.
- The requested level of appropriation for Fiscal Year 2012 is \$5,011,038.

### 2012 EDA BUDGET ALLOCATION BY UNITS

	LENDING	APPLICATION	COMPLIANCE	EZ	MARKETING	EDA SUPPORT	TOTAL
PERSONNEL SERVICES	\$ 463,953	\$ 173,557	\$ 365,940	\$ 223,896	\$ 126,350	\$ 1,132,205	\$ 2,485,901
FRINGE BENEFITS	\$ 115,988	\$ 43,389	\$ 91,485	\$ 55,974	\$ 31,588	\$ 537,970	\$ 876,394
TOTAL PERSONNEL /FRINGE	\$ 579,941	\$ 216,946	\$ 457,425	\$ 279,870	\$ 157,938	\$ 1,670,175	\$ 3,362,295
OPERATING EXPENSES	89,962	\$ 86,747	125,624	\$ 128,000	\$ 121,305	\$ 1,697,105	\$ 2,248,743
TOTAL BUDGET	\$ 669,903	\$ 303,693	\$ 583,049	\$ 407,870	\$ 279,243	\$ 3,367,280	\$ 5,611,038

#### REVENUES:

2012 APPROPRIATION REQUEST	\$ 5,011,038
2012 EDA GENERATED REVENUES	\$ 600,000
TOTAL PROJECTED REVENUES	\$ 5,611,038



## **APPENDIX:**

### **Justification for Selected Budgetary Items in Fiscal Year 2012 Budget**

**Personnel Services** The amount covers the current salaries of all EDA employees, in addition to three vacant positions that are expected to be filled within this fiscal year.

**Fringe Benefits** are budgeted at approximately 25% of gross salary.

**Capital Outlays** represent the amount for office equipment and computer upgrades. Additionally, funding is required by the Compliance Unit for the Case Management System & Cost Benefit model.

**Supplies** consist of office paper, fax paper, pens, pencils, letterhead and all other stationery items needed for booklets and pamphlets to serve EDA clients and Board members.

**Utilities** are for electricity and water for all EDA offices. The budget hedges against the volatile oil market and the anticipated increase in WAPA bills. However, with energy conservation procedures in place we are anticipating a reduction in this line item.

**Telephone** covers all EDA telephone costs on both islands. Additionally, it covers two DSL lines – one on St. Thomas and the other on St. Croix for Internet connections.

**Travel** covers both inter-island and off-island travel costs. A large portion of the off-island travel costs is associated with the marketing initiatives undertaken by the Authority.

**Rent** is for leasehold expenses for EDA offices on both St. Thomas and St. Croix.

**Training** The Authority strives to provide adequate training for its staff so as to maintain a very highly educated and productive workforce. Our investment in training supports an improved quality of service. This year's training budget is consistent with our projected spending level for 2012.

**Repairs & Maintenance (Building & Equipment)** The EDA offices in St. Thomas are housed in a building that very old, with inefficient systems. Due to rising maintenance and other costs associated with this location, the Authority has identified land to construct a new facility within the next two years.

**Insurance** The amount budgeted represents coverage for the premises, personal injury, directors and officers' liability, vehicles, and Errors and Omissions liability insurance. The total requested in this budget is in line with the amount projected to be expended in Fiscal Year 2012.

**Per Diem** This covers food, lodging, and other incidentals associated with overnight stays for EDA staff. Board member stipends are also budgeted within this account.

**Equipment Rental** The estimated cost covers payments for the rental of office Xerox machine in St. Thomas.

**Post Office Box Rental** represents the cost for box rental for EDC in St. Thomas.

**Postage and Delivery** represent the cost of mailing packages between and off-islands.

**Postage Meter Rental** represents the cost to rent the postage meter from Tisher and Company.

**Estimated Interest and Expense & Principal Payment** provides for interest and principal to be paid on funds borrowed under the Intermediary Relending Program (IRP) for lending purposes. The estimated interest rate is 1% of outstanding loans.

**Registration fees** for staff and board members recertification to include educational reimbursements for unionized and non-unionized employees and for attendance at marketing seminars and conferences.

**Custodial Services** covers the cost of cleaning of offices in both Districts.

**Guarantee fee** SBA represents the cost associated with making loans to borrower.

**Auto Expense** is budgeted to provide for the proper maintenance of the agency's vehicles. For proper maintenance, vehicles are serviced in a manner consistent with manufacturer recommendations.

**Professional Development** is budgeted for employees to maintain their certified compliance professional certification, Performance Bonding training, customer service, annual compliance conference, eligible supplier training, and IEDC training for Board Members and staff. The successful implementation of the strategic plan will depend heavily on the level of knowledge, information and interaction of all staff members with the world around them.

**Casual Labor** is budgeted for summer interns to assist in updating records, scanning, filing and input of data such as in the Application and Compliance Reporting System (ACRS) which tracks and reports data from EDC beneficiaries from inception to the conclusion of program. Also, summer interns will assist in critical areas when full-time employees are on leave.

**Miscellaneous** represents the incidentals that are necessary to assist with the day-to-day operation of the agencies. Though these costs are difficult to predict, we are anticipating unbudgeted costs in the fiscal year to cover incidental expenses.



**Employee Relations** represent the cost for social activities and team building functions to maintain and improve harmonious relationships between staff members. The slight increase reflects additional staff members and new programs.