



# Testimony to the 31<sup>st</sup> Legislature United States Virgin Islands Committee on Finance

**June 21, 2016**

Presented by Dr. Gillian M. Marcelle, Executive Director University  
of the Virgin Islands Research & Technology Park  
(UVI RTPark)



**Testimony to Senate of the United States Virgin Islands  
Finance Committee**

**Tuesday June 21st, 2016**

**Charlotte Amalie, St Thomas,  
United States Virgin Islands**

*Presented by Dr. Gillian M. Marcelle, Executive Director,  
University of the Virgin Islands Research and Technology Park (UVI RTPark)*

Dear Chairman Graham, Honorable Members of the Committee (Senators Violet, Sanes, Jackson, Blyden, Nelson and Roach), other distinguished Senators, members of the Executive branch of government, ladies and gentlemen, and the listening and viewing audience:

My name is Gillian Marcelle. I am the Executive Director of the University of the Virgin Islands Research and Technology Park (RTPark) and am supported by a team of professionals and report to the Board of Directors. This is my second appearance before this Committee, and my third before Committees of the 31<sup>st</sup> legislature in the 18 months that I have served in this capacity.

I wish to thank you for this opportunity to report on the progress and achievements attained by pursuing the new strategy of the UVI Research and Technology Park Program. In keeping with custom and tradition, my testimony follows that of the University of the Virgin Islands President, Dr. David Hall, where he gives an account for the University. The presentation comes at a time when the Territory seeks workable economic development strategies. During my tenure, I have enjoyed good communication with many Senators and have been pleased and encouraged with the level of interest shown in the work of the RTPark. This is a continuation of the strong support that included legislative amendments approved by the 30<sup>th</sup> Legislature, which were influential in securing the future of the program. On behalf of the Board of Directors, the team, and myself, I wish to publicly thank you again for these efforts.

The UVI RTPark is an economic development program that works to bring investment to the United States Virgin Islands by managing an incentive program and offering other advisory and technical services.

The Legislature is responsible for appropriations and these Hearings are primarily a vehicle for making proposals for budgetary support. I am therefore pleased to report, that the UVI RTPark is fully funding its activities by generating commercial revenues. Our core business of attracting businesses to the Virgin Islands is yielding financial viability. Since our

efforts in the past 18 months have been successful and we expect this to continue and improve, we have not made any request for public budgetary support for FY2017. We fully understand that several agencies face serious fiscal constraints and are working hard to generate revenues on a sustainable basis. Mindful of this positive development, we wish to use this opportunity of appearing before you to request your continued support for the new strategy as we take the RTPark program to another level of performance. The RTPark is also undertaking an analysis of its economic and social contribution and will make the results of that exercise available to Senators.

### **Business Development & Global Reach**

The number of active clients in the RTPark was twenty seven (27) in December 2014, prior to my taking on this role. This number increased to thirty (30) by September 30, 2015 and now in June 2016, stands at thirty five (35) clients. By the end of this calendar year, we are confident that the number of active clients in the RTPark program will meet and exceed the target of forty firms. The pipeline of enquiries that are either being screened or in process is over twenty (20) firms.

The successes produced in the last year resulted from the RTPark having a much clearer, streamlined vision that focuses on attracting businesses that operate in specific clusters with high growth prospects, as well as in our areas of strength. We have developed a business development strategy that is attractive to a class of investors that is attuned to the potential of making financial returns and positively impacting the quality of life in the US Virgin Islands. We have also moved towards a more cost effective and professional approach to sales, marketing and business development.

The RTPark managed a request for proposals for sales, marketing and business development services and has now selected four preferred service providers, namely: Morgan, Lewis and Bockhius, ITEM Ventures (working with Heart Beat Communications), Rainforest Strategies and Gabriel

Marketing Group. The combined set of services to be provided by these companies will allow the RTPark to take its marketing reach and business development efforts to another level, reaching out to targeted communities of investors in healthcare, energy, sustainable systems and solutions as well as marine science based systems and services. These firms will work together to develop a digital strategy for communication with audiences that are primed for doing business in the US Virgin Islands, as well as the US mainland, the Caribbean Diaspora and beyond.

None of this would be possible without a clear, stable, legislative and regulatory environment. Turmoil and uncertainty make investors very uncomfortable. The success of the RTPark program is critically dependent on the credibility and perceived strengths and advantages of the Territory as a whole. Therefore, all the members of the 31st legislature have my sincere thanks, for continuing to provide an enabling environment in which the RTPark can exist and thrive.

We will continue to work with you, to participate in activities that you organize and to encourage you to interface with existing and potential clients to make the case for an investment-ready US Virgin Islands. There are specific areas of legislation such as the STARS act that may be important in promoting inward investment for businesses that generate or use technology in cultural services. When interacting with potential clients and taking them through to close deals, we pull together all these elements to build a strong case.

In carrying out our business development and marketing activities, in the last 18 months, we have achieved close and regular cooperation with our colleagues in the Economic Development Agency and are exploring ways to derive synergistic benefits in all our activities. I wish to thank the USVIEDA Board and entire management team and assure them of our intention to continue working in this way.

A stable regulatory climate, proactive business development, greater accountability and co-operative relationships with our sister agencies are some of the elements that have been invaluable to our efforts and resulted in success.

What we have learnt from our existing clients and through our search activity is that in order for investment dynamism to thrive and flourish, the U.S. Virgin Islands must also provide the intangible assets that technology and knowledge based businesses require. These include a risk taking, well-trained, assertive workforce that is technology savvy and highly experimental. It also includes access to knowledge about trends in the world and a disposition towards problem solving and experimentation. These attributes can be developed. That journey starts from preschool education and continues throughout life. The RTPark through partnerships with elementary schools, high schools and its main partner UVI is working towards ensuring that these aspects of building and strengthening our knowledge framework are also taken into account. We are contributing to making the future of the Virgin Islands bright by building an innovation culture.

### **Financial Performance**

The RTPark was designed to be a revenue-generating instrument. We firmly believe that the ability of the program to generate financial revenues for the University is in sight. We have begun repaying legacy liabilities, (accumulated over many years), and in 2015 produced a surplus of revenues over expenditure, despite having received no public funds.

The financial performance of the RTPark in calendar year 2015 was outstanding. In FY2015, revenues were \$2.048MM and expenditure was \$1.610MM. This was a turnaround from the previous year, where in 2014, revenues stood at \$1.2MM with expenditures of \$2.078MM.

Confident in our ability to manage the organization on the basis of commercial revenue generation and sound management of expenditures,

the Board of Directors approved a proposed revised budget, removing any funds from appropriations, the details of which are shown here.

	FY2014 ACTUAL end of year	FY 2015 Revised Budget	FY 2015 ACTUAL unaudited	FY2016 Revised Approved	% of Total Budget
<b>REVENUES</b>					
Recurring Management Fees	947,342	1,000,000	1,305,259	1,500,000	63%
Initial (Certificate) Fees	335,000	950,000	646,667	750,000	32%
New Business Development	-	100,000.00	96,299	100,000	4%
Rental of Offices & Conference Center	-			25,000	1%
<b>Revenues before Inclusion of Public Funds</b>	<b>1,282,342</b>	<b>2,050,000</b>	<b>2,048,225</b>	<b>2,375,000</b>	<b>100%</b>
Appropriations	-	-	-	-	0%
<b>Total Revenues</b>	<b><u>1,282,342</u></b>	<b><u>2,050,000</u></b>	<b><u>2,048,225</u></b>	<b><u>2,375,000</u></b>	<b><u>100%</u></b>

RTPark expects to incur operating expenditures to support a comprehensive program of activities including governance and management, business development, stakeholder and community engagement, technology and infrastructure provision, and financial administration. The costs associated are projected as follows:

	FY2014 ACTUAL end of year	FY 2015 Revised Budget	FY 2015 ACTUAL unaudited	FY2016 Revised Approved	% of Total Budget
<b>EXPENDITURES</b>					
Salaries and Benefits	404,326	450,000	427,506	600,000	25%
Professional Services and Expenses	506,587	500,000	546,184	450,000	19%
Other Services and Supplies	206,658	300,000	255,289	300,000	13%
Debt Service	182,414	360,000	198,266	320,000	13%
Building Operating Costs	290,118	200,000	144,411	240,000	10%
Arbitration Expenses	488,243	50,000	37,273	-	0%
Capital Expenditures	-	50,000	1,543	100,000	4%
<b>Expenditures before Reserves for Debt Service, Building and UVI, and Depreciation</b>	<b>2,078,346</b>	<b>1,910,000</b>	<b>1,610,472</b>	<b>2,010,000</b>	<b>85%</b>
<b>Surplus/Deficit before Reserves for Debt Service, Building and UVI, and Depreciation</b>	<b>(796,004)</b>	<b>140,000</b>	<b>437,753</b>	<b>365,000</b>	
Reserves for Debt Service, Building and UVI	-	-	-	165,000	7%
Capital Depreciation Expense	-	-	-	-	0%
<b>Surplus/Deficit</b>	<b>(796,004)</b>	<b>140,000</b>	<b>437,753</b>	<b>200,000</b>	<b>8%</b>
<b>Total Expenditures for balanced budget</b>	<b><u>1,282,342</u></b>	<b><u>2,050,000</u></b>	<b><u>2,048,225</u></b>	<b><u>2,375,000</u></b>	<b><u>100%</u></b>
<b>Total Expenditures</b>	<b><u>2,078,346</u></b>	<b><u>1,910,000</u></b>	<b><u>1,610,472</u></b>	<b><u>2,175,000</u></b>	<b><u>92%</u></b>

Data presented above show that for the first time in its history, the RTPark produced a surplus before adjustments for depreciation and other non-cash costs.

The assets of the RTPark include physical capital assets and technological infrastructure, as well as its reputation for operating as an efficiently run and soundly governed economic development program. The new strategy that has been endorsed and approved by the Board of Directors provides an opportunity to generate a significant return on the cumulative investment and take the RTPark to another level. This new phase began in 2015 and over the last 18 months the RTPark is accelerating its focus on delivering measureable social and economic impact.

As I stated in 2015, when I made my first appearance before this Committee, in order to support the execution of this strategy, the RTPark has begun to undertake a far-reaching financial restructuring program, which aims to reduce long-term liabilities, strengthen the balance sheet of the RTPark program and improve operational effectiveness. We are investigating and pursuing various approaches to restructuring including: injections of capital in the form of grants, allocation of public funds and payment programs and write-downs of existing liabilities. As discussed in earlier Testimony, the long-standing debts sitting on the balance sheet have been amassed in a different phase in the life of the RTPark.

The RTPark has reorganized its financial strategy that is suited to this phase of our life; the focus has shifted away from high levels of capital investment in technical infrastructure or buildings to delivering value from the installed base. In marketing the Territory on a global stage, and in our efforts to secure Federal grant funding, we will continue to rely on tangible support from the USVI government including having the RTPark deliver technical services to the public agencies on a cost-effective basis. There are projects for public benefit in the areas of: disaster management, business continuity, health system logistics management and public health.

The funding profile of the RTPark has always been full-spectrum as it has included funds generated from commercial revenues, as well as, grants from the Federal government, funds from the VI Public Finance Authority and budgetary support from the Territory. Budgetary support has been

consistent, although irregular; and in the last four years no allocations have been made, although authorizations have been approved. In its inception, the RTPark also received some seed funding directly from the University. Over the period 2006-2014; commercial revenues accounted for 23% of total funding with allotments from public funds sitting at 24% and local grants including from the PFA at 33% and finally, federal grants, 20%. In FY2015, commercial revenues were 100% of all revenues.

We are focused on cost management, increasing value for money in procurement and all other operational areas. These streamlining efforts have shown positive effects in the FY2015 and we are optimistic this will continue.

### **RTPark Program Contribution**

As a public, private and academic partnership, the RTPark program contributes to the US Virgin Islands in many ways: economic impact; social investment; knowledge sharing and community engagement.

From an economic standpoint, the RTPark clients are active productive agents in the VI economy; their economic footprint produces positive multiplier effects, through purchasing goods and services (including real estate), jobs and work opportunities, procurement from local businesses and tax revenue for the VI government.

The technology and knowledge-intensive firms are important hubs in knowledge exchange that is required to advance the fortunes of the Territory. The equipment, software systems, operational processes and financial models used by RTPark clients are at the cutting-edge and can assist with the up-skilling of the entire business community.

The RTPark program delivers value in other ways, beyond the economic. We work to ensure that RTPark clients make and execute commitments to UVI and this is a major focus. The RTPark program has funded a project that specifically aims to improve the rate at which RTPark clients execute their

commitments to UVI, therefore enhancing social investment. Private sector clients are demanding and want to undertake socially valuable investments such as funding scholarships, retaining interns and contributing to special projects. UVI units are keen to ensure that academic standards are maintained and opportunities for work and learning are transparent and widely available. The RTPark has been working as a bridge between these two sets of partners and providing direct service enabling RTPark clients to employ UVI graduates, hire interns and in so doing deliver value to the Territory. RTPark clients also provide in-kind benefits to the University, in the form of technical services and infrastructure. There have been recent examples of RTPark clients voluntarily making upgrades in telecom services functionality for the University Internet system.

The RTPark flagship building – 64 West Center - funded through a combination of grants and loans, is a landmark of which we can all be proud. This building located in St Croix, across the way from the planned site of the simulation center, provides excellent teaching and laboratory facilities for the University as well as office facilities for the RTPark headquarters. The clients and tenants of the RTPark are able to access shared workspaces and offices on a bookable basis as well as a large conference center and meeting rooms. The Center also houses a data center and has video and audio conferencing facilities and is an attractive environment that signals that the US Virgin Islands is open for business in the knowledge era.

Using our facilities at the 64 West Center, the RTPark program has hosted several private sector dialogues that provide a basis for discussing how the US Virgin Islands can effectively transition to a New Economy. The series has included talks on leadership by John Cleninden, on cluster development strategies by Jim Gollub, organized jointly with the St Croix Chamber of Commerce.

As part of our community engagement and technology awareness mission, we have also organized a Tech Friday series that allows high school students and UVI students to interact with technologists, tech entrepreneurs and

other innovation leaders. On April 15<sup>th</sup>, partnering with the VI National Guard, the RTPark hosted more than 50 high school students for an interactive science exhibit. In February, as part of that series, we hosted a Silicon Valley based young technologist, Danielle Lanyard, who as part of her project with the RTPark also provided technical services to the VI Literary Festival, enhancing their e-commerce functionality.

We are engaged on advancing and contributing to the academic and research objectives of UVI. Most recently, the RTPark participated in the Global Institute for Leadership and Management, organizing a panel with a private sector perspective, to examine the leadership requirements for being successful in the 21<sup>st</sup> century new economy.

Our new strategy envisages the RTPark contributing to the Territory as a trusted independent advisor. The RTPark program is committed to the diversification and dynamism of the Virgin Islands economy. The RTPark HQ undertakes research and other intellectual activities that think through the effects of technological change on employment and labor market dynamics. On June 6<sup>th</sup>, the Executive Director, Dr. Gillian Marcelle, made a presentation at the inaugural United Nations Forum on Science, Technology and Innovation (STI) for the Sustainable Development Goals, in which I made the case for ecosystem service providers as important intermediaries in building capacity for innovation.

We raise awareness and provide tangible demonstration of how technological solutions can be deployed to assist with development challenges and bottlenecks. Projects that are on the way or being planned include online platform to provide business support services to firms in the USVI, projects in the area of public health, disaster preparedness and management and health system interoperability where the RTPark can provide technical services for public benefit.

These activities are making a contribution to building and strengthening a technological and innovation culture in the US Virgin Islands.

## **RTPark Bright Future**

The history of the RTPark has been marked by three various distinct phases. Between 2002-2006, the RTPark was embedded in the University as a unit and was a startup; in its second phase, between 2006-2010, the RTPark management expended a great deal of effort on technical infrastructure and started to attract clients/tenants. In the third phase, 2010-2014, there was a major capital investment project, and a significant acceleration in the number of clients/tenants. During this period, the RTPark also survived a major legal and regulatory challenge to its existence, and thanks to the sterling support of the 30<sup>th</sup> Legislature emerged with a strong and clear mandate.

The past year, 2015 proved to be a major inflexion point in the life of this important economic development program. We are on a glide-path, and with continued dedication and hard work, in the foreseeable future the new streamlined strategy will realize the goal of global reach and sustained benefits for the Territory.

I trust that my presentation of the RTPark 2.0 strategy has provided enough information to convince you that this economic development program is well placed to make a very important contribution to building a desired future for the US Virgin Islands. Our goal is to create conditions that make the Territory an attractive investment destination while simultaneously ensuring that investment activity contributes to long-term goals of development, equity, and sustainability.

We look forward to continuing the journey with you and thank you for supporting our efforts in reaching the shared goal.

Gillian M Marcelle (PhD)

June 21, 2016