



Legislature of the Virgin Islands

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POST AUDIT DIVISION

February 24, 2023

MEMORANDUM:

TO: Honorable Donna A. Frett-Gregory
Chairperson, Committee on Budget, Appropriations and Finance
35th Legislature of the Virgin Islands

FROM: Post Audit Division

SUBJECT: Lease Agreement

LESSOR: Department of Property & Procurement

LESSEE: A-9 Trucking Enterprises, Inc. and Sarnelli Bros., (VI) Inc., d/b/a
V.I. Recycling Company

PREMISES: An unimproved portion of Parcel No. 1-19 Estate Bovoni, Nos. 1
and 2 Frenchman's Bay Quarter, St. Thomas, Virgin Islands,
consisting of 247,061.17 US sq. ft. or 5.67 U.S. acres of land more-
or-less, which is zoned "R-1"

TERM: Ten (10) year period, with an option to renew for two (2) five (5)
year periods. Initial lease term commences on the first day of the
month following approval by the Legislature of the Virgin Islands.

PURPOSE: The property will be used for the purpose of operating a scrap metal,
collections, and sales business, and for other related services.

LEASE SUMMARY

BACKGROUND A-9 Trucking Enterprises, Inc. and Sarnelli Bros., (VI) Inc., d/b/a
V.I. Recycling Company are a locally owned and operated business
since 1996 and 2003 respectively. This proposed lease renewal
agreement will allow A-9 Trucking Enterprises, Inc. and Sarnelli
Bros., (VI) Inc., d/b/a V.I. Recycling Company the use of
Government properties to conduct business operations and perform
numerous tasks. Attached in *Appendix I* is a picture of the property
for lease renewal.

REQUIRED SUPPORTING DOCUMENTATION

DOCUMENT	EXPIRATION DATE
Business License	10/31/2022
Trade Name Registration	8/21/2023
Certificate of Liability Insurance	6/15/2022
Certificate of Good Standing	6/30/2022

PAYMENT TERMS

The Lease requires \$54,000.00 per annum payable in equal monthly installments of \$4,500.00 due on the first day of each month during the term thereof. After the first five (5) years of the initial term, and every year thereafter, the rent shall be adjusted in accordance with the Consumer Price Index but not more than 3% over any proceeding year period. In no event shall any rent determined in the above manner be reduced below the annual rent of \$54,000.00. A late charge takes effect after ten (10) days of the due date for an additional ten percent (10%) of the monthly payment. See *Appendix II* for a more detail analysis.

IMPROVEMENTS

Lessee shall not erect any improvements on the Premises or alter the Premises in any way without the prior written consent in each-and-every case from the Commissioner of Property and Procurement; in addition to whatever other licenses or permits are deemed necessary.

LIABILITY INSURANCE

Under the terms of the lease the Lessee agrees to:

- Keep in force a policy of public liability and property damage insurance with limits of not less than:
 - One Million Dollars (\$1,000,000.00) property damage,
 - One Million Dollars (\$1,000,000.00) for one person injured or killed, and
 - One Million Dollars (\$1,000,000.00) for any number of persons injured or killed in any one accident.
- All of said insurance shall be in a form satisfactory to Lessor and shall provide that it shall not be subject to cancellation, termination, or change, except after thirty (30) days prior written notice to Lessor.

ADDITIONAL INFORMATION

A thorough explanation of the following can be found in the lease document:

Items	Page
• Improvements	4-5
• Mechanic's Lien	5-6
• Insurance and Indemnity	6-7
• Entry by Lessor	7
• Condemnation	7-8
• Cancellation, Termination and Assignment and Transfers	8-10

- General Terms and Conditions

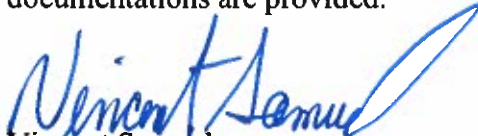
10-14

EXECUTIVE BRANCH APPROVALS

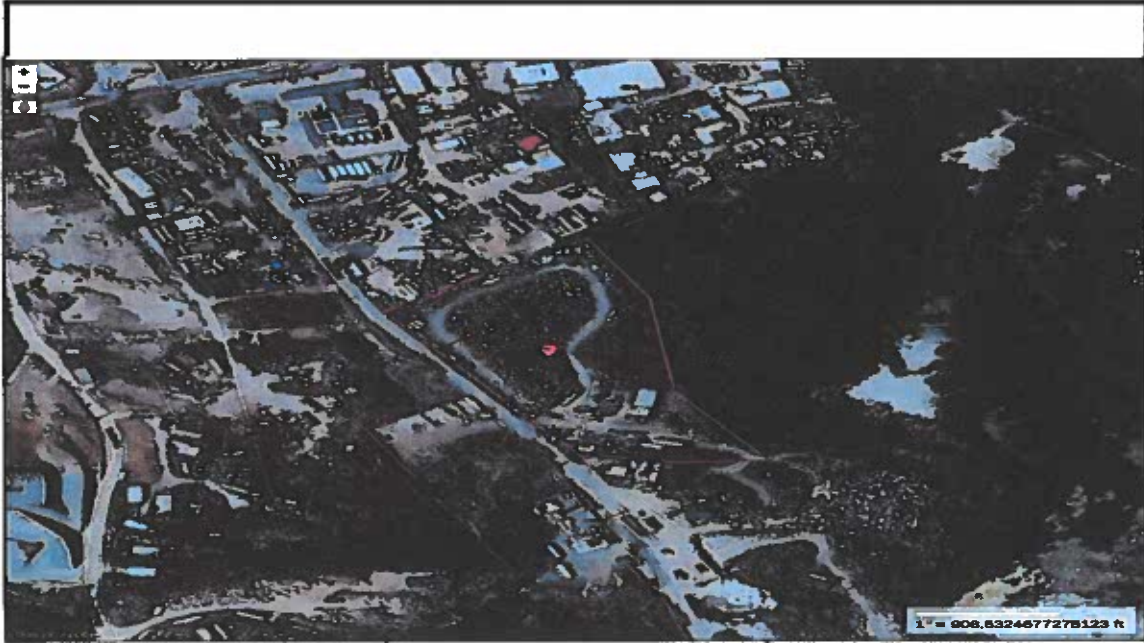
Signee	Title	Department	Date of Signature
Anthony D. Thomas	Commissioner	Department of Property & Procurement	6/2/2022
Kenneth Case, Esq.	Assistant Attorney General	Department of Justice	6/8/2022
Honorable Albert Bryan, Jr.	Governor	Office of the Governor	7/17/2022

CONCLUSION

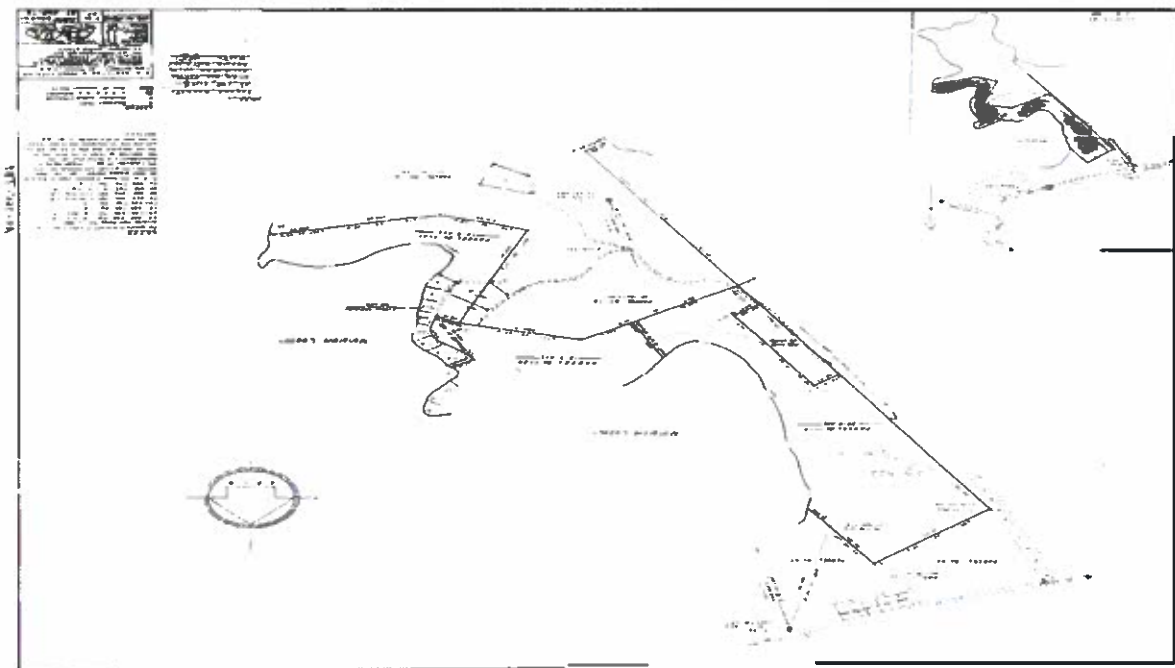
The Department of Property and Procurement has entered into a lease agreement with A-9 Trucking Enterprises, Inc. and Sarnelli Bros., (VI) Inc., d/b/a V.I. Recycling Company whose purpose is for operating a scrap metal, collections, and sales business, and for other related services. All supporting business documents were in compliance with the laws and regulations of the Government of the Virgin Islands as of the date of the Governor's signature but has since expired expect the Tradename Certificate. The terms and conditions of the lease are consistent with other leases issued by the Department of Property and Procurement. Therefore, the Post Audit Division recommends approval of this Lease between the Department of Property and Procurement and A-9 Trucking Enterprises, Inc. and Sarnelli Bros., (VI) Inc., d/b/a V.I. Recycling Company once updated supporting documentations are provided.


 Vincent Samuel
 Post Auditor

APPENDIX I



UNIMPROVED PORTION OF PARCEL NO. 1-19 ESTATE BOVONI NOS.
1 & 2 FRENCHMAN'S BAY QUARTER ST. THOMAS VI



APPENDIX II

Post Audit conducted a brief sensitivity analysis on the terms of the A-9 Trucking Enterprises, Inc. and Sarnelli Bros., (VI) Inc. d/b/a V.I. Recycling Company lease rent payments. Table #1 presents historical inflation rates for the past ten years and Consumer Price Index (CPI) for the same period. The calendar year inflation rate is the rate that is usually quoted in the media according to the U.S. Department of Labor's Bureau of Labor Statistics. The Average Inflation Rate is the average of inflation rates during the calendar year. The CPI Multiplier (CPI-M) was calculated using the rent adjustment formula in the lease agreement.

The calculations in Table #2 represents the monthly lease payments, annual lease payments, and the Present Value of the annual payment at the beginning of the period using the average CPI-M. If you consider year ten in Table #2: the monthly payment would be \$5,307.16, and the annual payment would be \$63,685.87. However, the value of year ten's payment at the beginning of year ten is \$63,052.25. The difference between \$63,685.87 and \$54,538.57 is \$8,513.68, resulting from money losing its value over time. Even more interesting is that the value of the \$54,538.57 is \$43,785.78 at the beginning of the lease term.

Table #3 shows that same analysis except that instead of using the average CPI-M as the rate for adjusting rent payments, the average inflation rate for the ten-year period was used in the calculations. Also, note the difference in year ten calculations of annual payments, \$3,061.77 (\$57,600.34-\$54,538.57). This difference results from the average inflation rate of 2.47% being greater than the average CPI-M of 1.85.

TABLE #1

Year	Cal. Year Inflation %	AVG. Inflation %	CPI Multiplier
2013	1.50	1.50	1.0130
2014	0.80	1.60	1.0120
2015	0.70	0.10	1.0038
2016	2.10	1.30	1.0121
2017	2.10	2.10	1.0191
2018	1.90	2.40	1.0152
2019	2.30	1.80	1.0136
2020	1.40	1.20	1.0209
2021	7.00	4.70	1.0097
2022	6.50	8.00	1.0658
Average	2.63	2.47	1.0185

TABLE #2

Using CPI Multiplier				
Year(t)	Monthly Rent(t)	Annual Rent(t)	Present Value(t)	Present Value
1	\$4,500.00	\$54,000.00	\$46,243.90	\$46,243.90
2	\$4,583.25	\$54,999.00	\$47,099.41	\$45,964.10
3	\$4,668.04	\$56,016.48	\$47,970.75	\$45,685.99
4	\$4,754.40	\$57,052.79	\$48,858.21	\$45,409.56
5	\$4,842.36	\$58,108.26	\$49,762.09	\$45,134.81
6	\$4,931.94	\$59,183.27	\$50,682.69	\$44,861.72
7	\$5,023.18	\$60,278.16	\$51,620.31	\$44,590.28
8	\$5,116.11	\$61,393.30	\$52,575.29	\$44,320.49
9	\$5,210.76	\$62,529.08	\$53,547.93	\$44,052.32
10	\$5,307.16	\$63,685.87	\$54,538.57	\$43,785.78
	Potential Revenue	\$587,246.20	\$502,899.15	\$403,805.07

TABLE #3

Using Average Inflation Rate			
Year(t)	Monthly Rent(t)	Annual Rent(t)	Present Value(t)
1	\$4,500.00	\$54,000.00	\$46,243.90
2	\$4,611.15	\$55,333.80	\$47,386.12
3	\$4,725.05	\$56,700.54	\$48,556.56
4	\$4,841.75	\$58,101.05	\$49,755.91
5	\$4,961.35	\$59,536.14	\$50,984.88
6	\$5,083.89	\$61,006.69	\$52,244.21
7	\$5,209.46	\$62,513.55	\$53,534.64
8	\$5,338.14	\$64,057.64	\$54,856.94
9	\$5,469.99	\$65,639.86	\$56,211.91
10	\$5,605.10	\$67,261.17	\$57,600.34
	Potential Revenue	\$604,150.44	\$517,375.41