

TESTIMONY  
BY EXECUTIVE DIRECTOR DAVID ZUMWALT

TO THE APPROPRIATIONS AND BUDGET COMMITTEE OF THE LEGISLATURE  
TO PROVIDE AN OPERATING APPROPRIATION FOR FY2011 FOR  
THE UNIVERSITY OF THE VIRGIN ISLANDS RESEARCH AND TECHNOLOGY PARK  
AUGUST 24, 2010

GREETINGS & SUMMARY OF REQUEST

Good day, Honorable Senator Wayne A. G. James, Acting Chairman of this meeting of the Appropriations and Budget Committee, members of the Committee (Chairman Carlton “Ital” Dowe, Senator Craig W. Barshinger, Senator Patrick Simeon Sprauve, Senator Sammuell Sanes, Senator Terrence “Positive” Nelson, Senate President the Honorable Senator Louis Patrick Hill), and other members and staff of the 28th Legislature.

Mr. Chairman, my name is David Zumwalt and I am the Executive Director of the University of the Virgin Islands Research and Technology Park, or RTPark for short. Accompanying me today are *Dr. David Hall*, who serves on our Board of Directors and also as President of the University of the Virgin Islands, and in the gallery *Denise Kurg*, who serves as my deputy and Director of Facilities and Operations, *Malcolm Kirwan*, who served as RTPark’s first Executive Director and continues in an advisory capacity, and *Alex Moorhead*, who serves as Chair of the RTPark Board of Directors.

RTPark is an autonomous instrumentality of the Virgin Islands government affiliated with, but separate from, UVI. Our mandate is to foster the development of a sustainable, globally competitive technology sector in the Territory’s economy. Our economic development program is specifically targeted to *Knowledge-Based Businesses*, as the term is defined in Title 17, Chapter 34, Section 482(h) of the Virgin Islands Code. We are governed, as established by law, by a seven-member Board of Directors, three of whom are appointed by the Governor, and four are selected from among the members of the UVI Board of Trustees.

On behalf of our staff and Board, I appreciate the opportunity to appear before this Committee to provide a progress report on the operations and development of the RTPark, to justify the proposed appropriation request of \$400,000 submitted by the Governor for the support of RTPark’s FY2011 operations, and to respond to any questions you might have.

### CONTEXT FOR REQUEST AND SUMMARY OF RECENT PROGRESS

The Territory continues to face budgetary challenges that affect the economic life of the government and people of the Virgin Islands. During fiscal years 2009 and 2010, RTPark has had to make budgetary adjustments to cope with reductions in its allotments while staying focused on developing commercial revenues. Our two overriding objectives, for the present time as well as the immediate future, remain: securing additional tenants and partners, and demonstrating clear progress toward self-sufficient operations. We are achieving these objectives, and thanks are in order for our dedicated staff and key partners for their efforts and commitment in helping us to make this so.

I am pleased to be able to report good progress in marketing and growing RTPark despite the challenges we continue to face. Last year we reported that we had secured the strategic partners we needed to support e-commerce in the Territory, along with their commitment to co-invest in the development of stronger capital infrastructure here. This year, in addition to those three strategic partners, we have secured six tenant companies, five of which are new to the Territory. We are now in negotiations with, and beginning to process applications for, a similar number of prospective tenants. These existing and prospective tenants are serving diverse, globally competitive markets including cyber security, emerging medical technologies, financial research, web applications for managing consumer risk, internet services, media technologies, and of course e-commerce.

During this FY2010, RTPark's second year of significant commercial revenues, *our private sector operating revenues exceeded support from government appropriations for the first time and we expect this trend to continue and accelerate for FY2011*. At the same time, our FY2010 allotments from the government for operations were *24% lower* than for FY2009, and the Governor's \$400,000 appropriation request on our behalf for FY2011 represents an *almost 35% drop* from current fiscal year allotments. *We have been able to achieve more, while asking for less*, because our connectivity and data center capabilities (which we refer to as "64 West"),

coupled with our corporate tax incentives distinctly established in Title 17, Chapter 43, Section 806 of the Virgin Islands Code and harmonized to US Federal law, are the compelling drivers that are attracting the interest and participation of the private sector.

Based on our improving performance we are optimistic about the future for RTPark. I would like to again extend our gratitude to the executive and legislative branches of government, and the people of the US Virgin Islands, for the steadfast support which has made our progress possible.

#### PUBLIC/PRIVATE PARTNERSHIPS, CAPITAL DEVELOPMENT AND OUTREACH

RTPark utilizes public/private partnerships to accelerate business performance, expand market opportunity while reducing barriers to entry, engage in workforce development, and provide a level playing field.

Our Phase 1 Capital Development program is structured specifically for public/private partnering and is included on the Territory's Comprehensive Economic Development Strategy, or "CEDS," list, managed by the Bureau of Economic Research. To date our Phase 1 Capital Development program has utilized approximately \$4.5 million of a \$7 million grant, provided by the Legislature in 2007 and administered by the Public Finance Authority, to open capacity and collocation in the Territory's submarine optical fiber facilities for our tenants and partners, and create a shovel-ready building project for RTPark on the St. Croix campus of UVI. This investment of funds led directly to a \$5.5 million grant commitment from the U.S. Department of Commerce in connection with the building project, and a \$10 million aggregate commitment from our private sector strategic partners for capital investment in new infrastructure in the Territory. In addition, our Phase 1 Capital Development program complements both the private and public sector plans and goals for the utilization of federal broadband stimulus funding recently awarded to the Territory.

In terms of workforce development, contractual commitments by our tenants and partners now include nine UVI CELL programs, twelve UVI internships, and four UVI scholarship programs.

RTPark is working closely with UVI President Hall to align the ongoing contractual obligations of tenants to the University's specific capabilities, capacities, needs and priorities.

We continue to enhance our web site, at [www.uvirtpark.com](http://www.uvirtpark.com), to promote increased awareness in the community, access to public information, and ongoing community engagement with current happenings and progress at RTPark.

#### PLANS FOR OPERATIONS AND CONTINUING DEVELOPMENT OF RTPARK IN FY2011

The past has certainly presented challenges. The passage of the 2004 federal "Jobs Act" initially crippled all economic development initiatives in the Territory, and repercussions continue to be felt today. Our efforts to obtain positive clarification from the U.S. Treasury Department on the harmonization of our incentive programs with the U.S. tax code were ultimately successful – four years later – with the issuance of final federal regulations in 2008 and the increase in prospective deal flow that quickly followed. I opened today's remarks in the context of the very trying economic times we all are facing now, but we believe the outlook for RTPark remains very promising despite the current economy. Here are some of the tangible results we expect to deliver in the coming fiscal year:

- We anticipate private sector revenue streams from operations totaling approximately \$1 million in FY2011, supporting our efforts to make RTPark financially self-sufficient.
- Working with our partners and tenants, we will continue to update our business plan to establish mutually-agreed goals and metrics for future performance, including employment targets. We will monitor the implementation of the capital investment to which our strategic partners have committed.
- We will continue to grow our investment in marketing, in concert with our strategic partners and marketing associates who serve as our channel partners, backed by a coordinated business development plan specifically targeting prospective tenants and the professional services firms that support them.
- We expect to sign several new tenants in the coming fiscal year. Tenants requiring office space will remain constrained by the limitations of our current space on UVI's St. Croix campus. However, other office space is generally available elsewhere in our community.

- We will work to address an approximately \$3 million funding gap for our building project on the St. Croix campus, engaging the private sector to the greatest extent possible. As a result of our efforts to trim project costs, we anticipate a new solicitation for construction bids may be warranted. Our 64 West connectivity and collocation facilities will continue to serve as our principal revenue generating platform in the near-term to produce income for RTPark and tangible benefits for the Territory.

### FINANCIAL SUMMARY

RTPark's Finance and Audit Committee, and subsequently our Board of Directors, approved a \$1.65 million operating budget for FY2011 to be supported by commercial revenues in the amount of \$1.05 million and appropriations in the amount of \$600,000. Based on the fiscal challenges facing the government, we are working with the Governor and prepared to support his request of \$400,000 for the support of RTPark for FY2011, and are evaluating the impact this reduction may have on our anticipated private sector revenues and our timing for self sufficient operations.

Three important points relative to our FY2011 budget, however, need to be emphasized. First, our budget reflects a continuing, decreasing reliance by RTPark on government appropriations. Second, financial support of RTPark operations from private sector sources is expected to significantly exceed the support we are requesting from the government. Third, the growth in our budget supported by these two components is being driven by our plans to expand our marketing efforts to secure new tenants and partners, improve our ability to perform due diligence and process applications, and generate the results we all hope for and expect.

We are pleased to point to these positive results to underscore the fact that the operating and capital funding support this government has provided to RTPark to date is generating tangible returns. From the beginning, RTPark was designed as a public/private sector initiative, because even during our early concept development phase it was clear that private sector businesses engaged in e-commerce would not entrust their business operations to a public sector entity alone. The investment made by this government has already led to private sector commitments

of over \$10 million for capital infrastructure, and we anticipate that future investment by other parties who see the economic merits of this venture will eventually surpass the investment of the USVI government.

We know you expect us, and entrust us, to discharge our affairs professionally, ethically and competently. In this respect, RTPark has undergone annual audits by Ernst & Young, since inception, initially as a UVI “component unit,” and later as a standalone entity with separate audits and financial statements beginning with FY2005. This practice will continue going forward. We now have in hand audited financial statements through FY2008 and understand that the FY2009 audit is close to completion.

In closing, we hope that you would agree that we have been true to our mission, and conclude that this initiative merits your continued financial support.

#### CONCLUDING STATEMENT

Mr. Chairman, on behalf of the Board, management and staff of RTPark, we thank you and the members of this Committee for the opportunity to present today, and for your past and ongoing support. We look forward to your favorable approval of our FY2011 request for an appropriation of \$400,000. We anticipate that RTPark’s reliance on commercial, private sector revenues will continue to increase and dependence on the government for operating appropriations will continue to decrease. We believe that we are conclusively demonstrating progress towards self sufficient operations, especially in light of current economic challenges being faced by our government, the people of the Virgin Islands, and the private sector. We stand ready to respond to any additional questions you might have. Thank you.

David M. Zumwalt  
Executive Director, UVI Research and Technology Park