

TESTIMONY  
BY EXECUTIVE DIRECTOR DAVID ZUMWALT

TO THE COMMITTEE ON FINANCE OF THE LEGISLATURE  
TO PROVIDE AN UPDATE ON THE OPERATIONS OF  
THE UNIVERSITY OF THE VIRGIN ISLANDS RESEARCH AND TECHNOLOGY PARK  
JULY 27, 2011

GREETINGS

Good day, Honorable Senator Carlton “Ital” Dowe, Chairman of the Committee on Finance, members of the Committee (Senators Louis Patrick Hill, Vice Chair, Shawn-Michael Malone, Janette Millin-Young, Nereida Rivera-O’Reilly, Sammuell Sanes, Celestino White, Sr., Senate President the Honorable Senator Ronald Russell, and other members and staff of the 29th 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 *Denise Kurg*, who serves as my deputy and Director of Facilities and Operations, [and *Dr. David Hall*, who serves on our Board of Directors and also as President of the University of the Virgin Islands].

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.

On behalf of our staff and Board of Directors, I appreciate the opportunity to appear before this Committee to report on the operations and continuing progress of RTPark. We are not today requesting an operating appropriation from the Government of the Virgin Islands for FY2012, inasmuch as we expect to sustain self-sufficient operations during the upcoming fiscal year based on projections of commercial revenues from our tenants and strategic partners.

SUMMARY OF RECENT PROGRESS

In previous annual appearances before this Committee, I have conveyed our expectation to reach operational self-sufficiency, the steps we were taking to achieve it, and a sense of what would be

required notwithstanding the budgetary challenges that continue to impact us all. Over the past three fiscal years, steady growth in commercial revenue has indeed allowed us to weather significant reductions in appropriations and allotments while moving ever closer to our goal. Our overriding objective continues to be securing additional knowledge-based businesses for the Territory, and doing those necessary things that support that goal.

In FY2007 and FY2008 we opened the Global Crossing fiber switching facilities for commercial services, and were instrumental in securing a key U.S. Treasury clarification relating to jurisdiction and applicability of our economic development incentives to knowledge-based businesses. In FY2009 we added strategic partners that committed to invest in improvements to network infrastructure and services to support such businesses. In FY2010 we added tenants, and revenues from those tenants made it possible, for the first time in our history, to derive less than half of our operating budget from government appropriations. This has also been true in the current fiscal year as we have continued to add tenants and expanded into AT&T's fiber access point of presence. RTPark's growing momentum attracted 13D, one of our newer tenants, to the Territory, and its principal subsequently presented \$5 million, the second-largest single donation in the history of the University of the Virgin Islands, to endow an entrepreneurship program that will forever change the educational landscape, and thus the career opportunities, for our Territory's young men and women.

Since 2007, we have engaged in meaningful interactions with over 120 prospective applicants, the vast majority of which learned about our knowledge-based economic development program through referrals from professional services firms, other tenants, or our own market outreach efforts. Our existing and prospective tenants are serving diverse, globally competitive markets including intellectual property development, cyber security, medical technologies, financial research, web applications for managing risk, internet services, media technologies, and of course e-commerce. In short, RTPark is identifying and attracting *unique* businesses to the Territory, and our program is clearly complementing, rather than competing with, the EDC program.

Last year, we requested \$400 thousand in appropriations for RTPark operations in FY2011, which would have been an almost 35% decrease from the year before. I was asked at the time if RTPark anticipated an appropriation request for FY2012, and I replied that we would work hard to avoid one. We ultimately received \$190 thousand in appropriations for FY2011, *almost 70% less than in FY2010*, and this quite frankly significantly impacted how high we could set our sights and thus what we have ultimately been able to achieve. Nevertheless, the compelling drivers that are attracting the interest and participation of the private sector are already established and continue to perform well; namely, our connectivity and data center capabilities which we market under the name “64 West,” and our corporate tax incentives distinctly established in Title 17, Chapter 43, Section 806 of the Virgin Islands Code which are harmonized to US Federal law. During this period of economic uncertainty we have been able to achieve more, while working with less, and I believe this performance is well-aligned to what our taxpayers expect and our government needs.

Visionary leaders in government, UVI and the private sector came together roughly ten years ago to tackle the Territory’s closely-coupled economic and workforce development challenges. They foresaw the need for, and potential economic benefit arising from, a university-affiliated research and technology park that would foster a growing, vital, knowledge-based sector in our economy and be capable of operational self-sufficiency over time. Based on our improving performance and projections for sustaining self-sufficiency in FY2012, I believe those founding visionaries would agree that RTPark is succeeding in that mission. It is appropriate to underscore our gratitude to the executive and legislative branches of government, the people of the US Virgin Islands, and now the growing ranks of our private sector tenants, for the 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. Utilizing in equal measures a \$7 million grant provided by the Legislature in 2007, we opened capacity and collocation in the Territory's submarine optical fiber facilities for our tenants and partners, and created a shovel-ready 18,000 square foot LEED-certified "green" 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. Based on this funding and an agreement with UVI to use a portion of the building space, *we expect to commence construction of the building project in September of this year, with completion within eighteen months.* Pre-construction design improvements trimmed costs and resulted in total construction and project budgets of \$10 million and \$13 million, respectively. With \$11 million already dedicated and available, we are working to address the remaining \$2 million funding requirement by engaging the private sector to the greatest extent possible.

Our Phase 1 Capital Development program also complements private as well as public sector plans and goals, including for the utilization of federal broadband stimulus funding which the Territory has received. We stand ready to assist viNGN in its efforts to build out an on-island "middle mile" carrier-neutral fiber network, to whatever extent such assistance may be sought and mutually agreed. We are already working with local ISPs to improve the underlying costs they bear while leveraging our 64 West network efficiencies for the benefit of their customers.

Turning now to workforce development, contractual commitments by our tenants and partners include a mix of support for UVI CELL programs, UVI internships, and UVI scholarships that to a growing degree provide for tuition, room and board. RTPark is working closely with UVI President Hall to align the ongoing contractual obligations of our tenants to the University's specific capabilities, capacities, needs and priorities.

Our [uvirtpark.com](http://uvirtpark.com) web site is continually updated to promote increased awareness in the community and provide access to public information. Board-approved Regular Session Minutes from all meetings of our Board of Directors, dating to RTPark's inception, are downloadable

online. Our bid notices, meeting notices and an outline of our Phase 1 Capital Development program are available there, as well. Our audited financial statements, prepared by Ernst & Young and accompanied by unqualified audit opinions, are also available for public inspection. We now have in-hand audited financial statements through FY2009 and understand that the FY2010 audit is nearing completion.

#### FINANCIAL SUMMARY OF OPERATIONS AND DEVELOPMENT IN FY2012

For FY2012, we anticipate private sector revenue streams from operations totaling approximately \$1.1 million, supporting RTPark self-sufficiency. Our Board approved a \$1.1 million operating budget for FY2012 to be supported fully by commercial revenues. Three important points relative to the budget must be emphasized: first, it reflects our historically declining reliance on government appropriations; second, it reflects growing support from the private sector even as economic struggles continue; and third, it reflects our confidence that we will sustain self-sufficiency going forward.

We expect to add several new tenants in the coming fiscal year, and grow our investment in market outreach, in concert with strategic partners and marketing associates who serve as our channel partners, as conditions warrant. 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.

We are pleased to point to these positive results to underscore the fact that the operating and capital funding support this government has historically provided to RTPark is generating tangible returns. The aggregate investment made by this government has already led to significant private sector commitments to invest in our community and in the University. We anticipate that future investment by other parties who see the economic merits of this venture will soon surpass the investment of the USVI government.

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 this progress report today. We anticipate that RTPark's reliance on commercial, private sector revenues will continue to increase. We believe that we are conclusively demonstrating progress towards attracting new business to the territory, 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 questions you might have.

David M. Zumwalt

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