

TESTIMONY  
BY EXECUTIVE DIRECTOR DAVID ZUMWALT

TO THE APPROPRIATIONS AND BUDGET COMMITTEE OF THE LEGISLATURE  
TO PROVIDE AN OPERATING APPROPRIATION FOR FY2010 FOR  
THE UNIVERSITY OF THE VIRGIN ISLANDS RESEARCH AND TECHNOLOGY PARK  
JULY 16, 2009

GREETINGS & SUMMARY OF REQUEST

Good day, Honorable Senator Carlton “Ital” Dowe, Chairman of the Appropriations and Budget Committee, members of the Committee (Senator Wayne A. G. James, Senator Craig W. Barshinger, Senator Patrick Simeon Sprauve, Senator Sammuel 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 *Denise Kurg*, who serves as my deputy and Director of Facilities and Operations, [and *Dr. LaVerne Ragster*, 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. 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 of Directors, I appreciate the opportunity to appear before this Committee to provide a progress report on the operations and development of the RTPark, to request an operating appropriation for FY2010 in the amount of \$700,000, and to respond to any questions you might have.

CONTEXT FOR REQUEST AND SUMMARY OF RECENT PROGRESS

Our territory, nation and world now face very trying economic challenges that were not clearly foreseen or understood at this time last year. RTPark has certainly felt the pinch. As a result of the global economic downturn, during the course of this current FY2009, our operating

appropriation was trimmed by 42% from our original request, to \$810,000. To date, we have received \$630,000 of that amount. In turn, we revised our expenditure budget downward to \$1.4 million, a reduction of 26%, without losing focus on our two key objectives for the year: securing strategic partners, and demonstrating clear progress in our goal for self-sufficient operations.

I would like to take this moment to thank our staff, as well as our commercial partners, for their efforts and commitment in helping us to move forward to achieve our goals.

I am happy to report, that in spite of the challenges, we have made tremendous progress during the course of this year. We have secured the strategic partners we need to support e-commerce in the territory, along with their commitment to co-invest in the development of stronger capital infrastructure here; we are processing applications for companies – primarily from the US – seeking to join our economic development program for Knowledge-Based Businesses; we have received our first significant commercial revenues; and our FY2010 budget relies more heavily on commercial revenues for our operating needs. To be clear, our commercial partners are feeling the same economic pressures facing our residents and our government today, and we all have had to make adjustments, and are continuing to do so, but the increasing level of participation from the private sector bodes well for our mission and for the US Virgin Islands.

To summarize, since our last appearance before this Committee, RTPark has:

1. Completed due diligence background examinations and approved tax incentives for three strategic partners, which have committed over \$10 million in new capital investment over the coming few years. These strategic partners are *Adveniat*, the local subsidiary of Maryland-based Baltimore Technology Park; *Tropical Tower*, a local company founded by Cornelius Prior, Jr.; and *JetPay*, which is now putting in place the transaction processing backbone for the RTPark's e-commerce initiative. If you are not yet familiar with JetPay, our newest strategic partner, they were signed in December, 2008 and approved as a partner in March, 2009. JetPay is a significant credit card processor

ranking 8<sup>th</sup> overall with over \$17 billion processed last year, and ranking 2<sup>nd</sup> in the “card-not-present” transactions typical of e-commerce.

2. Established a marketing partnership in the US, operating as [ecommerceisland.com](http://ecommerceisland.com), targeting e-commerce companies and other Knowledge Based Businesses that may benefit from establishing operations in the US Virgin Islands.
3. Commissioned and secured a new Tax Opinion Letter affirming that RTPark’s legislation and corporate incentive structure are properly aligned to Federal tax law, updating and confirming an earlier Tax Opinion Letter that was commissioned prior to the April, 2008 issuance of permanent US Treasury regulations for income sourcing in the territory.
4. Completed three design phases for our sustainable-design green building project on the St. Croix campus: Schematic Design, Design Development, and Construction Documents. At this time, we are preparing to solicit bids in preparation for commencing construction of the project, subject to final approval from the RTPark Board of Directors.
5. Secured a \$3.5 million grant award for our building program from the US Department of Commerce Economic Development Administration, following site visits and due diligence by their leadership and staff personnel.
6. Secured Federal trademark approval for “64 West,” RTPark’s collocation data center inside the Global Crossing fiber hub on St. Croix; the only so-called Tier-1 facility available in the US Virgin Islands. We formally launched the 64 West brand at a conference on St. Croix in March, which included presentations to the public from each of our strategic partners.
7. Tripled our network capacity in our 64 West facility, from 155 Mbps at this time last year, to 465 Mbps today. Inquiries from prospective customers, and plans for expansion from our strategic partners, suggest our capacity could potentially double again in the coming 12 to 18 months.
8. Finally, as a footnote, I would add that our growing network capacity generates other opportunities and byproducts. For example, RTPark established a cross connection between our 64 West facility and the Frederiksted optical fiber system owned by Mr. Hugh Pemberton, which “lit up” that fiber system and made it possible for him to begin to offer services.

RTPark's mandate is to foster the development of the technology sector in the territory's economy. This has meant developing and organizing all of the infrastructure elements necessary to support this sector and to make e-commerce possible here. No such technology infrastructure and support network has been needed for service and manufacturing companies that have historically been brought to the territory under the EDC program. Our framework had to be developed from scratch. To the best of our knowledge, no single entity has been charged with undertaking a venture of this magnitude in the US Virgin Islands.

Patience, persistence and teamwork are difficult virtues to master. The pace of our world leads us to want fast action, and immediate results, from the smallest practical investment of effort. The reality, though, is that hard work pays off, and this is a message I especially want to convey to our young adults, the emerging "bright minds" we need to nurture, and keep, for the future of the US Virgin Islands.

- When Global Crossing and AT&T established fiber landings in the territory, they did so because of our global geographic location and the protection of US law, not because they saw significant opportunity in our local market. Patience, persistence and teamwork allowed us to break down the barriers and establish the connectivity and data center capabilities that can now attract and support e-commerce.
- When Congress dealt a blow to the territory's tax incentive programs in 2004, their intent was to clarify the ground rules since the nature of business has changed greatly in the last few years, but their action confused and discouraged companies from looking into the US Virgin Islands. Patience, persistence and teamwork made it possible for us to demonstrate how our local incentives are compatible with US Federal tax law for e-commerce companies, and resulted in permanent Federal regulations in 2008 which give greater comfort to prospective partners and tenants.
- When RTPark and the Economic Development Authority realized that to some extent our missions overlap, patience, persistence and teamwork made it possible for us to reach a definitive agreement that establishes clear boundaries as well as a collaborative

relationship, not a conflicting one. I would like to express our thanks to EDA their outstanding efforts and their partnership.

- When our earliest prospective partners and tenants expressed skepticism about e-commerce in the territory, patience, persistence and teamwork made it possible for us to secure three strategic partners with stellar backgrounds in every prerequisite area: hosted and managed services, telecom and data networking, and payment processing.
- History suggests that government, academia, and commercial interests cannot agree on anything for long. Yet it stands to reason that the long-term good of any community is served when these stakeholders join to accomplish a common goal. Patience, persistence and teamwork makes it possible for the US Virgin Islands to set an example for the world: through RTPark, government, academia, and commercial interests *can* agree, and *can* partner, to achieve change and positive results.

I would like to especially acknowledge the steadfast support we have received from the executive and legislative branches of government, and from the people of the US Virgin Islands, whose patience, persistence and teamwork have produced this: we now have all of the critical elements necessary for businesses to conduct e-commerce from St. Croix and elsewhere in the US Virgin Islands. In a nutshell, we support all aspects of an e-commerce transaction, from connecting to and browsing a web site, to an end-user's commitment to purchase a product, to the delivery of that product in the form of digital content, to the processing of the payment and banking, fully within the US Virgin Islands.

Our connectivity and data center capabilities, 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 attract the interest and participation of the private sector.

#### PUBLIC/PRIVATE PARTNERSHIPS, AND VALUE ADDED BY STRATEGIC PARTNERS

RTPark utilizes public/private partnerships where both parties co-invest to improve and accelerate infrastructure and engage in workforce development, but co-investment is not the only

objective. Acceleration of business goals, stronger performance metrics, expansion of market opportunity, and providing a level playing field are crucial objectives, as well. Given the breadth of our mission, standalone commercial entities are not able or inclined to do this on their own.

In terms of workforce development, our strategic partners will begin to offer internship opportunities to UVI students beginning with this coming fall semester. We are negotiating with other applicants to provide or underwrite continuing education programs in concert with UVI-CELL. Through our web site, at [www.uvirtpark.com](http://www.uvirtpark.com), and our opt-in mailing list server at [www.uvirtpark.com/mailman](http://www.uvirtpark.com/mailman), we continue to increase awareness in the community and seek to improve community engagement with current happenings and progress at RTPark.

#### CEDS PLAN AND FEDERAL BROADBAND STIMULUS PROGRAMS

RTPark's capital development program is included on the territory's Comprehensive Economic Development Strategy, or "CEDS," list, managed by the Bureau of Economic Research. Our building program is shovel-ready, and has already qualified for \$3.5 million in Federal economic development funds. We are participating in the planning for Federal broadband stimulus projects, as well, continuing our ongoing efforts to secure funding from the US Department of Agriculture Rural Utilities Service, and working with the Governor on the infrastructure improvement initiative he is leading.

#### PLANS FOR THE CONTINUING DEVELOPMENT OF RTPARK IN FY2010

I opened my remarks in the context of these very trying economic times. Yet as I speak to you today, the outlook for RTPark is promising. Here are some of the tangible results we expect to deliver in the coming fiscal year.

- We anticipate commercial revenue streams from operations totaling \$500,000 in FY2010, supporting our efforts to make RTPark financially self-sufficient after FY2011.
- Working with our strategic partners, we will update our business plan to establish mutually-agreed goals and metrics for future performance, including employment targets. We will monitor the implementation of the initial portions of the capital investment to which our strategic partners have committed.

- We will accelerate our investment in marketing, in concert with our strategic partners and marketing associates who serve as our channel partners, backed by a coordinated public relations plan specifically targeting prospective tenants and the professional services firms that support them. We now have a clear and compelling story to tell, especially compared to years past.
- Based on steadily increasing interest in RTPark, we expect to sign several new tenants. Physical 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.
- Work on our building project on the St. Croix campus will continue, with our 64 West facility serving as our principal revenue generating platform in the near-term to produce income for RTPark and tangible benefits for the territory. Through our upcoming bid solicitation, we will quantify more specifically the anticipated costs for construction, and identify capital sources, including federal funds, to help bridge the gap.

#### FINANCIAL SUMMARY

RTPark's Finance Committee, and subsequently our Board of Directors, approved a \$1.65 million operating budget for FY2010. Based on anticipated commercial revenues and financing totaling \$950,000, we are seeking an operating appropriation from the Legislature of \$700,000 for FY2010. The growth in our budget 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. The Governor's budget proposal provides for a \$700,000 appropriation, which reflects the request approved by the RTPark Board.

The operating and capital funding support this government has provided to RTPark to date is now beginning to generate 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. This is key, because successful private sector businesses, known for making prudent business decisions, do not commit to such a level of investment for ventures without a strong expectation for positive returns.

RTPark has undergone annual audits, since inception, as a UVI “component unit” and has been reflected as such on UVI’s financial statements. In addition, we retroactively requested the auditor to produce separate audits and financial statements for RTPark beginning with FY2005, and this practice will continue going forward. Ernst and Young provides these auditing services.

In preparing for our budget hearing today, we developed and submitted a very comprehensive response to the questions we were asked by the Post Auditor. In our report, we provided information on the key milestone activities of RTPark during FY2009, details on supplier relationships, and our outlook and plans for the coming years. We know you expect us, and entrust us, to discharge our affairs professionally, ethically and competently. We also 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 FY2010 request for an appropriation of \$700,000. We anticipate that RTPark will be financially self-sufficient by FY2012 and that future financial support requested of the Legislature will demonstrate our progress toward that goal. We stand ready to respond to any additional questions you might have. Thank you.

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