



STATE *of the* TERRITORY ADDRESS

GOVERNOR KENNETH E. MAPP

JANUARY 25, 2016



EARLE B. OTTLEY LEGISLATIVE CHAMBERS
ST. THOMAS, UNITED STATES VIRGIN ISLANDS

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MONDAY, JANUARY 25, 2016

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ST. THOMAS, UNITED STATES VIRGIN ISLANDS

Senate President Neville James and Honorable Members of the 31st Legislature, Lt. Governor Osbert Potter, Honorable Justices of the Supreme Court of the Virgin Islands, Honorable Judges of the Superior Court of the Virgin Islands, Delegate to Congress, Congresswoman Stacey Plaskett, Honorable Judges of the District Court of the Virgin Islands, Members of the Cabinet, the Reverend Clergy, and my fellow Virgin Islanders; good evening.

Last Sunday I was honored to have had the opportunity to attend a yellow ribbon ceremony at the VI National Guard Armory on St. Thomas in honor of 24 VI National Guard soldiers of the 786 battalion who are being deployed to Afghanistan in support of Operation Enduring Freedom. As I met each soldier, I was conflicted emotionally - so proud of their sense of commitment, yet so touched by their very young ages. These brave Virgin Islanders have dedicated themselves to defend our great nation and if need be, make the ultimate sacrifice for the freedoms and ideals each of us as Americans hold so dear. As I stood with their families and friends, each of us took comfort in knowing that these young men are excellently trained and a part of the most sophisticated and powerful military on earth. I am asking each of you within the sound of my voice to join me in paying homage to our men and women in the armed forces who are serving – both near and far.

As Virgin Islanders, let us thank each of them and their families for their service and sacrifices. I ask all of our places of worship and each of you individually to keep them in your thoughts and prayers for their safe return.

Tonight, for a second time I stand before you fulfilling one of my duties as Governor of the Virgin Islands, my duty to report on the State of our Territory. When I stood here a year ago I reported to you that the Government of the Virgin Islands was “nearing the brink of financial collapse”. That the fiscal year budget shortfall I inherited

amounted to approximately \$91.2 million dollars. That in addition to this shortfall, the government owed \$10.3 million to the Juan F Luis Hospital, \$26 million to the Workers Compensation Fund, over \$41 million to the Government Employees Retirement System for employer contributions and over \$40 million owed to banks on our use of working capital loans. Let me also note that we also inherited a growing debt to the Water & Power Authority of over \$42 million owed by our hospitals and millions more owed to taxpayers in income tax refunds. Yes a year ago, this was the financial condition of the government we inherited.

Tonight, my fellow Virgin Islanders, I'm heartened to report to you that the Government of the United States Virgin Islands is receding from the brink of financial collapse; that our Territory is surely entering into a state of economic and financial recovery. That, albeit slowly, we are poised with many opportunities coming before us that I can stand here and say with confidence, if we are prepared and continue doing the hard work, all of our lives and the condition of the Territory will vastly improve.

From a year ago, my administration, this legislature, government workers and many of you who work and own businesses in the private sector have contributed to the greater sense of hope and better outlook permeating the territory.

We, the Mapp – Potter administration are working off of our budget. This budget as passed by this august body is providing over 876 vacant funded positions.

The government of the Virgin Islands is now hiring teachers, police officers, firefighters, EMTs, correction officers, DPNR enforcement officers, revenue agents, school lunch workers, environmental enforcement officers, doctors, nurses, administrative personnel and recreation leaders to name a few. These 876 funded vacant positions are in addition to the 590 new employees we have hired since January 5, 2015.

Our administration, on December 18, 2015, deposited, after a successful GARVEE bond sale, over \$91 million that will be spent on major road improvement projects throughout the territory; \$4-\$5 million on St. John; \$46 - \$48 million on St. Croix and \$40 million on St. Thomas. In addition, the Main Street Revitalization project funded at \$10 million has begun.

When I stood before you one year ago the Virgin Islands Government had only \$32 million dollars of cash on hand – enough to run this Government for just 17 days without any new collections. Well today, the Commissioner of Finance reports that the treasury of the government of the Virgin Islands holds more than \$207 million of cash on hand. Not \$207 million dollars to spend without fully realizing that we are not out of the woods yet.

Our economy is in a fragile condition, our cash on hand has bought us some much needed time. Time to grow our economy by investing in our infrastructure and by attracting new investments to our Territory.

Our sense of hopelessness and the dire times we have been experiencing is abated, but we must realize that full recovery will require continued hard work, cooperation and a new strategy on how we conduct the affairs of state. Tonight, we must commit to each other that we will not let perfection become the enemy of good. That we will give everyone who wishes to be heard an opportunity to speak, and that we will incorporate those suggestions that advance the common good of all. But at the end of the day, we must act and my administration will act, because faith without work is futile.

This fiscal year, FY 2016, is the first since FY 2007 that our government will end the year without an operating deficit. Yes, our structural deficit while reduced, remains and we must address this reality.

Notwithstanding, the Mapp – Potter administration has paid to Virgin Islands' taxpayers over \$78 million in income tax refunds in the last twelve months. We have entered tax year 2015 and have positioned ourselves to remain current and pay income tax refunds that will be processed from the 2015 tax returns.

I am also pleased to report that we have paid \$50 million on our working capital line of credit debt and earlier this month, Nellon Bowry, Director of the Office of Management and Budget restored the 5% allotment reduction assessed against all government departments and agencies.

We have also paid \$11 million to the Virgin Islands Water & Power Authority on monies owed by the Dept. of Public Works for street lights and I will be sending legislation to this body to authorize the Government to purchase the first interest bearing investment security instrument made payable to the Government Employees Retirement System upon maturity in the principal amount of \$15 million.

Under the direction of Commissioner Gustav James, the Department of Public Works has improved roads throughout the territory and tackled some long standing and neglected problem areas such as the Brookman Road and Coki Point roads on St. Thomas, the western section of Queen Mary Highway, Midland and Sion Valley roads on St. Croix and St. John's Centerline Road.

On January 12, 2016, I announced the implementation of salary increases to our hard working government employees. These are step increases owed to public employees under their respective collective bargaining agreements. The first seven agencies I authorized included the Virgin Islands Police Department, the Division of Personnel, the Virgin Islands Fire Service, the Bureau of Internal Revenue, the Department of Licensing and Consumer Affairs, the Department of Finance and the Department of Agriculture. These agencies cover approximately 1,008 employees.

Tonight, I am announcing that increases for employees of the Bureau of Corrections, the Department of Education, the Office of the Lt. Governor and the Department of Human Services have been reconciled and we are now authorizing the implementation of those increases.

About 3,431 employees in twelve agencies will receive approximately \$21 million in long overdue raises. We will continue to work to reconcile the remaining departments as well as quantify step increases for non-unionized classified employees.

The Director of Personnel has assembled a task force to implement these personnel changes and ensure that all increases be effective January 1, 2016.

For a moment of clarity, we are working to provide some level of salary increase to all of our active employees, however in this first round of increases, all employees will not receive all that is owed to them. Given the multiple of bargaining units, employees are owed varying levels of step increases. Some have been fully paid, some are owed one step and others are owed multiple steps. After completing this first round, there will be bargaining units that will have remaining steps unpaid. However we want to ensure that as many employees as possible see some upward movement in their take home pay.

As Governor, I thank our public employees for their dedication and commitment. I fully recognize that many of you are working under trying and difficult circumstances. The Lt. Governor and I have made a public commitment to pay what is owed as the public treasury permits. We will not hold your hard earned wages hostage, waiting for our re-election cycle. We are committed to working with you and your union representatives; however, we need to ask two things of you; one, exercise a bit more patience and two, commit yourself to work with us to achieve our vision for a better Virgin Islands.

We are depending on each of you to continue carrying your share of the load and to work even harder as we strive to improve the quality of life of our residents. If we can do this, we will have the resources to improve the conditions under which you work, to invest in each of your skill sets through training and development and to continue to pay salary and step increases.

Much credit for our strengthened financial condition must be given to our recently executed and ratified operating agreement with Limetree Bay Terminals LLC and to the hard work being accomplished at the Bureau of Internal Revenue led by Director, Marvin Pickering.

I thank the members of the my transaction and litigation teams headed by Commissioner Val Collens, Atty. Joel Holt, Atty. General Claude Walker and Atty. Linda Singer, as well as, others who worked with me to present to the Territory a successful package which resolves many of the complex issues, settlement, sale and environmental cleanup matters surrounding the former Hess refinery site.

The refinery sat shuttered and deteriorating since 2012 while both the former owners and the government filed costly legal actions against each other. During this process, the plants' retirement program fell into harm's way, being owed over \$30 million, with no identifiable source of money to cover this.

Any hope for reactivation or deconstruction of the idled refinery or any comprehensive environmental cleanup of the site was, at best, illusive.

Today, we are on a different path. The pension obligation of Hovensa retirees has been made whole. During the first half of this year, we anticipate as many as 200 persons being employed at the site. Our government has received a much needed respite from our continuous financial challenges giving us some breathing space to right the ship.

The environmental cleanup at the sight is now a certainty, including funds and insurance coverages to take care of the known and the unknown contaminants. Costly litigation between the government, Hess oil and PDVSA have all been resolved and withdrawn from the courts.

The people of the Virgin Islands have received over 541 acres of land, homes, a school, a community center, sports facilities, and a bitumen facility as part of the settlement transaction.

Tonight I can report that shortly, the government, after negotiations will sign a lease agreement leasing 80 of the 121 homes it now owns for a period of two years for approximately \$2.6 million for the rental period. The leasee will be responsible for all maintenance, security and insurance coverage over the premises to protect our property against perils in and out, equal to their appraised value.

I thank each member of this Legislative body for your hard work in vetting the proposed operating agreement and your subsequent vote to ratify the same. I extend a special thanks to the ten (10) Senators who voted to go forward with a partner who will make substantial investments in the St. Croix economy in particular and positively impact the entire Virgin Islands economy as a whole.

Your “yes” vote represents progress, it restored a sense of hope to the people of St. Croix and yes it has helped us proclaim loudly that the US Virgin Islands is open for business... and I thank you!

On taking office last year my team identified over \$125 million in delinquent tax obligations that we were advised had the potential to be collected in the short to mid-term. Bureau of Internal Revenue Director Pickering reported that, as of last week, we were able to collect more than \$39.5 million of these delinquent sums – exceeding the projections of the Bureau by \$7 million dollars.

The BIR will continue its collections efforts, but more importantly, the Bureau will invest in its employees with significant training and hire additional staff to help it accomplish its mission.

During this past year, both the Lt Governor and I have worked diligently to build a strong team with a cabinet of competent leaders with diverse backgrounds and skills. Some of these individuals have returned home to help us rebuild our Territory. Each of our Commissioners and Directors work vigorously; providing leadership and motivation within their respective departments and agencies, inspiring much needed change in our government.

Our people asked for changes; for a better quality of life and a better Virgin Islands and we are working each day to deliver.

I am proud of my team. I have every confidence in each of them; I respect their intellect, judgement and commitment to the Virgin Islands and I will defend and protect them. I hold each of them accountable to deliver to you, the people of this Territory the best vision and actions to move us forward.

This year one of my administration's top priority will be the challenges plaguing the Government Employees Retirement System. While Director Nellon Bowry of the Office of Management and Budget reports that shortfalls to GERS contributions are being rectified and current payments are being made in a timely fashion in accordance with the law, major reforms to our retirement program for public employees must now be addressed.

Floating \$600 million in pension obligation bonds and turning these funds over to GERS to purchase an additional 22 years of life of the system is not a fix.

My finance team and I will work with members of the GERS board, its consultants, its Administrator and our financial advisors to present a comprehensive plan to the community and retirees on how we believe we can fix this vexing problem once and for all.

I ask this body to begin by adding two additional members to the Government Employees Retirement System Board who must bring investment and hedge fund management expertise to the board.

We are now looking at public pension programs across America that also held large unfunded liabilities and experienced liquidity and poor investment performance. What we wish to identify are best practices that can help shape our course forward. What specific steps did these programs pursue and adopt? What reforms were effective? What role did the employer; the employees and the retirees play to strengthen these programs. In short, I want a comprehensive and final fix of the system.

Yes, infusion of capital is required, but first the leakages must be addressed and halted. So this is the year that we all must face our reality and address the shortfalls at the Government Employees Retirement System.

I want to note that when I appeared before you a year ago, I reported to you that more than 210 retirees stood in limbo up to two years without any income while they waited to receive their annuities.

Tonight I can report to the members of the 31st Legislature and the People of the Territory, that in one year we have not only reduced this list to 13, but we continue to work with GERS to ensure that we do not repeat these grievous wrongs against our new retirees in the future.

My administration delivered the Fiscal Year 2016 Budget to the Legislature by its due date last May. I want to commend this body and specifically, the Chairman of the Committee on Finance, Senator Clifford Graham and the Members of his committee for timely vetting our proposed budget.

I can assure you that the FY 2017 budget will also be submitted on time.

My finance team has begun work on developing a 5-year plan to substantially reduce the General Fund structural deficit. When we inherited the government last year, we recognized that we would need to identify a minimum of \$600 million over five years, with expenditures and revenues remaining stagnant, to avoid more borrowing.

This is why I continue to repeat that while the Limetree Bay Terminals transaction has provided \$200 million, these dollars only provide us with a respite. We must grow the economy, to provide new jobs and new revenues. We believe if we can stay our course we may avoid borrowing for operating expenses for the next 2 fiscal years.

We will undertake a comprehensive look at all of our taxes and fee structures to determine the efficiency of how we generate revenues. We want to determine how our taxes and fees may inhibit business growth and new private sector investments.

We want to stop hurting and inhibiting the growth of small businesses through taxes, fees and regulations. Most of our economic growth will come through small to medium size business activity and we must help this sector grow. It is therefore imperative that we review, and adopt regulatory and taxing policies that spur their growth.

To property owners, I am pleased to report that the years of you receiving two property tax bills per year are over. We are current and hence forth we will issue one property tax bill annually.

We ask those with outstanding property tax obligations for prior years to make every effort to pay them or enter into a payment plan to resolve your obligations.

I want to commend our Commissioner of the Department of Planning and Natural Resources, Dawn Henry, for her work. In 2014, the US Inspector General issued a scathing audit report on federal programs and grants managed within DPNR. The report recommended that the Environmental Protection Agency remove DPNR management of its programs and halt all federal grant funding to the Agency. This recommendation if implemented would have included halting reimbursements to the general fund for local funds expended on federal programs.

In less than six months, Commissioner Henry, using her skills and professional relationships with the EPA, worked to turn this debacle into a plus for the Virgin Islands. Working with the Department of Finance and the Office of Management and Budget, the Commissioner had refunded to the general fund over \$5.2 million in reimbursements. I want to also acknowledge and thank the Regional Administrator of the EPA, Mrs. Judith Enck for her assistance and support to the Government of the Virgin Islands.

During my and Commissioner Henry's visit to New York with the Regional Administrator, Mrs. Enck provided me with a report showing that the Government of the Virgin Islands had available to it a total of \$37 million dollars, including monies dating back to FY 2011. To date, as much as \$27 million is available for water infrastructure projects, to include the replacement of existing but corroded potable water lines. I can assure the people of the Virgin Islands that we will make every effort to spend these monies appropriately and timely.

Our Coastal Zone Management Division amassed \$4.2 million dollars in collections in 2015, doubling their collections from 2014; and the Division of Enforcement saw an increase in collections from enforcement actions which totaled approximately \$1 million.

In addition, the U.S. Fish and Wildlife Service lifted its high risk designation on the Division of Fish and Wildlife on December 18th and increased funding to the tune of \$4.5 million. These are the types of accomplishments we can look forward to as we continue to forge relationships and partner with the federal government.

At the beginning of this year, I asked OMB Director, Nellon Bowry, to aggressively manage and monitor our grant compliance. We hired Dr. Anita Roberts as Deputy Budget Director for the Federal Grants Management Unit at the Office of Management and Budget, to ensure that this job gets done. All grants are now monitored by an in-house Virgin Islands third party fiduciary. We implemented a new computerized tracking system to monitor each grant program. I can assure you that under my watch I am trying to make sure that no federal money which is granted to the U.S. Virgin Islands is returned.

Key to our eligibility for federal grants and the growth of our economy is the important data provided by the Bureau of Economic Research. This agency is tasked with gathering and analyzing critical economic data to facilitate both private and public sector decision making. The Bureau of Economic Research has completed an Employer Needs Study and in 2015 was awarded \$286,000 from the U.S. Department of Commerce to develop a USVI Tourism Master Plan, as well an updated Comprehensive Economic Development Strategy Report, the latter of which has been completed. This robust data gathering is critical going forward as we work toward realizing our ambitious plans for economic growth.

Tonight I would also like to recognize two very special individuals – Suzette Gomez-Smith – the St. Thomas/St. John District Teacher of the Year and Monique Mari Motta – our St. Croix District Teacher of the Year as well as our Territorial Teacher of the Year. Thank you for your commitment to our students.

The Department of Education is the largest agency in the Government of the Virgin Islands. On a daily basis over fourteen thousand (14,000) students and over two thousand four hundred (2,400) employees show up for school and school related activities. The question can be asked: "How do you eat an elephant?" And the answer is, "One bite at a time."

This simple analogy is most appropriate when used in regards to the Department of Education. There are literally hundreds of moving parts. All equally important and each demanding attention. The Education Commissioner took the initial approach of observation, meeting with and assessing all entities within the Department of Education.

A careful analysis was made of the structure of the two Districts; St. Thomas-St. John and St. Croix requiring that uniformity of operations be implemented in both districts. In addition, a thorough examination was made in regards to facilities, leadership, personnel, academic programs, fiscal affairs and professional development of employees.

When school closed in June 2015, major adjustments began. A careful review of the placement of school based administrators was made and the appropriate changes were made. Two schools were closed as a result of assessing the condition of the facilities. The old school lunch warehouse on St. Croix was relocated.

The theme that carries the Department of Education under this administration is "Transformation through Teamwork". The transformation of the Virgin Islands public education system requires a new vision of teaching and leading. Today's global economy demands an education system where everyone works collaboratively towards enhancing student achievement. The transformation includes launching an appraisal system that requires teachers, administrators and parents to embark on a new system of evaluation,

support, and professional growth. Such support will translate into deeper, meaningful instruction in the classroom based on adopted rigorous standards.

Strategic moves have been made to provide for future leadership. Two cadres of young administrators, with less than five years of administrative experience, have trained at Harvard University's Principal Center. A third group will be going in March and we expect to send several more cadres per year in our quest to improve public education and grow the next generation of leadership for the department.

Transformation mandates scrutiny of student achievement. This includes standardized test scores, graduation rates and an examination of the intervention strategies and programs we offer our students. To say the least, I am not satisfied with the results. We have made a careful analysis of the amount of money this government has invested in our public education system.

Over one billion dollars was spent between 2007 and 2012 and our Territory has received small gains in reading scores, particularly at the third grade level. After spending one billion dollars, only 13% of 3rd grade USVI students are reading at the 3rd grade level on the Smarter Balanced reading assessment.

Lt. Governor Potter and I ran on a platform of improving literacy in the Territory. It is a sad fact that communities can analyze third grade reading scores and predict the level of future criminal activity.

We know that 60% of African American and Hispanic males that do not graduate from high school, experience some form of incarceration by age 30. Given the demographics of the territory, this reality is most profound for us.

As a contrast we also know that African American and Hispanic children who read at grade level by the third grade become high achievers and very successful at the college and university level.

I have authorized Commissioner McCollum to move forward with a formal partnership with the Center on Teaching and Learning based at the University of Oregon. This partnership will provide evidence based intervention programs and practices for students in grades K thru 3 to address the deficiencies in student's reading levels.

As part of the administration's reading improvement initiative, Commissioner McCollum invited the leadership of the Center on Teaching and Learning to meet with the elementary school principals from each of the islands to garner their support to increase the use of evidence based instruction in their schools.

The Commissioner received overwhelming support from 100% of the elementary building leaders across each of the islands. As a result of the buy-in from school based leaders, we have agreed to a three-year commitment to collaborate with the Center on Teaching and Learning to improve Kindergarten through 3rd grade reading achievement.

While we acknowledge that reading is most important, we are not sacrificing other important areas of our curriculum. The Department of Education is also moving forward with evidence based intervention programs in Mathematics to meet student deficiencies.

As we continue to rigorously stress academic preparation, we are moving back to an age old model of educating the whole child. This Administration is committed to providing a host of academic, as well as, extracurricular activities to keep our children engaged and stimulated in a variety of activities. Learning must be fun and in many

cases we must give our children a reason to love coming to school. The Department of Education has started the planning and implementation of:

- * The growth of Music in the Schools,
- * Agriculture in Our Schools,
- * STEAM , and
- * Sports in Schools .

The Department of Education is the conduit by which we will solidify the lessons in our culture, quelbe, scratch bands, basket weaving, drumming, storytelling and more. We will fund and increase our schools participation in carnival, festival and 4th of July celebration activities.

I will ask this body to fund our capital project budget, which will include much needed repairs to our school plants and Department of Education facilities across the Territory.

We will transform the Department of Education. We will secure the resources to bring innovative programs to our students. We will act on providing competitive wages for our teachers and a longer and more robust school year for our students. And we will repair and rebuild our facilities.

Ladies and Gentlemen, transition takes time. Change is never easy. Our public education system will not only undergo a metamorphosis, it will drive the systemic change this Territory must undergo to be a competitive member of the global community. Quality public education is the vehicle that will bring an enriched and improved quality of life in the Virgin Islands.

The University of the Virgin Islands has helped us move forward in preparing our workforce. Our university is pivotal in preparing a highly competitive workforce for the territory. Last year the UVI School of Education received national accreditation. Grants were awarded to train our people in cyber security and I recently approved legislation to fund the creation of a new nursing program on St. Croix. We will continue to work with the Board of Trustees and Dr. David Hall on new innovations for the University of the Virgin Islands.

I will be meeting with Commissioner McCollum and Dr. David Hall, UVI's president to help me determine the best path forward in utilizing the recently acquired vocational school at Estate Hope.

The Division of Personnel is now accepting new applications for employment with the government online. Almost immediately the community will see and hear ads from the Division of Personnel advertising vacant positions within the government. The ads will be seen on social media as well. We are seeking 876 qualified persons to fill 876 vacant positions. The qualifications and compensation of the various positions are on the Division's web site. Persons interested in working with the government can view the recruitment announcements and apply on line. Of course interested applicants can also visit the Division of Personnel on each island to apply.

Our economy is definitely improving and we are seeing the upswing as the tourism sector grows. The numbers for overnight guests both on St. Thomas/ St. John and St. Croix are increasing, at a rate of over 10% over last year visits. This upswing is also being experienced during the summer and out of the traditional winter season.

Our challenge in the U.S. Virgin Islands is how do we remain competitive and attract even more visitors to our shores. This is going to require a re-invigoration of the

visitor experience we offer to our guests. The public and private sectors in both districts must come together to make this happen soon.

On St. Thomas the Main Street Revitalization Project has begun. Soon thereafter, we will begin the next phase of the Veteran's Drive Project as well.

I am asking the West Indian Company and the Government Employees Retirement System to come together to develop a plan for a complete re-branding, rebuilding and re-invigoration of the GERS shopping areas at the West Indian Company dock.

Folks, can we embrace some truth? The shopping areas now feel and appear to be an out of date, stale shopping experience. This area must be the catalyst to "WOW" the visitor when they disembark the cruise ships. We must have passive and active attractions, a greater variety of shopping, brighter colors which beckon and lure the visitor in. In addition, graphics of our history and culture that promote other areas in our Territory must be displayed.

I am asking both WICO and GERS to present a plan to me within the next 90 days on how they would reinvigorate and reenergize the visitor experience at this site. I want both entities to know that I have no interest in viewing only new plants, new pictures and new paint. I want to see a plan that will drive visitor spending up and an experience that will lure cruise ship visitors back to the Territory as overnight guests.

In furtherance of improving our tourism product, I invited all taxi and tour operators to government house to meet with me and the Commissioner of Tourism, the Executive Director of the Port Authority, the Police Commissioner and the Executive Director of the Taxi Commission.

First, let me thank all of the participants who attended these sessions on both islands. We discussed our quest for improving the transportation product and our position in the region. We talked about improving the level of services to our visitors. We discussed what role the government can take to aid the industry to improve services and we discussed the implementation of water transportation within Charlotte Amalie's harbor. Our conversations were candid and frank. I was pleased to hear many of the taxi operators speak to how they felt service could improve, what they hoped the government would do and how each member could view their business model in a different way.

The Department of Tourism is providing training on a quarterly basis to improve the visitor experience. We are focusing specific attention on our taxi operators, and the government is working with them on customer service as well as cultural heritage, and history awareness with a goal of improving our overall tourism product.

Out of my meetings with the taxi industry, I have asked this Legislative body to make continuous annual training for the industry mandatory and a condition for license renewal. I have asked this body to adequately fund the taxi cab commission. I have submitted, and you have approved, a good complement of members for the taxi commission. Listening to taxi and tour operators, I am confident that our transportation industry and its members are ready to offer a renewed product, better service and provide a more positive experience to our visitors. Senators, we need you to do your part.

The U.S. Virgin Islands is standing before a huge opportunity to be the premier destination in this region. We have the unique opportunity to host the most high-end, fickle and demanding traveler through to the bargain basement traveler.

Most importantly, we have the greatest competitive advantage of turning day visitors into overnight guests. We must find new and creative ways, by targeting and

focusing on and supporting hotel development. And let's be honest, hotel development and the protection of our ecosystems and pristine environment can co-exist.

The Department of Tourism reports that the average overnight visitor spending has increased to more than \$600 per day and that hotel occupancy increased by double digits from last year. Therefore, we need new branded hotel rooms in this Territory.

In 2003, the Public Finance Authority commissioned a destination study by HVS International pertaining to the future development of hotels and meeting facilities for the island of St. Croix.

I have asked the PFA to have the destination study updated. It is my administration's objective to send to this body before year's end a development project for the construction and operation of a branded hotel facility of at least 4-stars and not less than 250 rooms for the island of St. Croix. In the coming days, I will announce a project team of persons from the public and private sectors who will assist the administration on putting together a transaction deal with a major brand for this facility.

On January 22, 2015 I met with Mr. Karl Holtz, President of New Vacation Operations and Disney Cruise Line at Government House St. Thomas. During our meeting I learned that Karl had long and historic ties to St. Croix.

Out of my pleasant surprise of Karl's crucian ties; I asked him for help. Mr. Holtz graciously agreed to help St. Croix by lending a team of Disney professionals to look closely at what the visitor experience is on the island and what if anything we could do as a community to improve this experience. In addition, the Disney team would help us with an assessment of St. Croix as a cruise destination.

On November 15th, we hosted a team of four Disney professionals and executives. The team met with government, private merchants, along with taxi and tour operators. The team members immersed themselves as cruise passengers and were able to get a full experience as day visitors to the island. The team's presence and work with the community went very well. On November 17th, I hosted a closeout meeting at government house with the team and business community. The Disney team has promised a comprehensive written report to us by mid-February.

Tonight, I wish on behalf of the Territory to extend our sincere thank you to Mr. Karl Holtz and the members of his team from Walt Disney Parks and Resorts. Thank you Karl.

I am pleased to announce that the unhealthy competition that we have seen in the past between the West Indian Company and the VI Port Authority is over.

The U.S. Virgin Islands has instituted a single unified cruise tariff for the Port of Charlotte Amalie. It matters not where a ship berths – the tariff is the same. Long term berthing agreements by both the West Indian Company and the Port Authority have been reached – with Royal Cruise Line and Carnival Cruise Lines – positioning us for market stability and growth. In addition, WICO and VIPA have recognized that all cruise vessels coming to St. Thomas are coming to a single destination, the Port of Charlotte Amalie. This single tariff removes the competitive confusion when cruise ships schedule their calls into the Virgin Islands.

Marketing efforts are at an all-time high with an overall increase of 25% in advertising in FY2015. We will expand our advertising efforts for the Territory as this august body has allowed us to increase the hotel occupancy room tax by 2.5%. These funds are going directly into marketing and enticing overnight visitors to our shores.

I must point out however, that all overnight accommodations, hotels, villas, and condominium units must be properly licensed and pay their fair share of hotel room taxes in order to be a part of our tourism marketing programs. There will be a zero tolerance policy, on all four islands, for those entities not in compliance with the law.

I have directed the Director of the Bureau of Internal Revenue to work closely with the Commissioner of Tourism to ensure that all overnight accommodation entities are in full compliance.

I am grateful to the members of the Legislature for working with the Executive Branch to amend the STARS Act, which allows us for the first time to offer incentives to the Film and Music industries. We have already started to see an uptick in interest and inquiries from production companies.

With the changes to Federal Law on what is widely known as the “six pack rule,” there is a real opportunity for the redevelopment and recapturing of the marine charter market, which will have a positive economic impact. This bodes well for our overall commitment to the development of our marine industry. Last year the U.S. Virgin Islands saw a marked increase in visits from Yacht Transport ships carrying vessels in and out of the territory, some bringing in mega yachts up to 200 feet in length. This increase in luxury boats generates revenues and employment opportunities through the operation and maintenance of these large vessels.

The Commissioner of Tourism, the Lt. Governor and I are looking for and creating opportunities to offer incentives for major sporting events for the Territory, especially during the off season.

I will be sending a package to this body soon to reposition horseracing in the Territory as a centerpiece of sports tourism in this region. This proposal will involve both horse racing facilities in the Territory. It will require substantial capital investment from a private sector partner. We will offer very few, if any, tax incentives. We will rewrite the role and authority of the horse racing commission. We will ban doping and drugs from our racing facilities and require veterinarian oversight of the horses participating in races.

We will expand our support for events like Paradise Jam and offer a monetary pool for the women's championship game. This event has a return on investment of more than \$24 dollars for every dollar invested.

The demand exists and sports tourism can be a major source of revenue, especially for St. Croix.

We must continue to work to bring in new business and investors, but we can't afford to ignore our local entrepreneurs. Last year I instructed the Economic Development Authority to aggressively work to solidify partnerships with our local banking institutions in order to back loans to small businesses that are creditworthy. The United States Department of Treasury awarded the Virgin Islands over \$13 million for this purpose nearly five years ago, but the program had not been utilized.....until now.

This past year nearly \$5 million dollars in loan guarantees resulted in 29 businesses, receiving over \$13.7 million dollars in loans from local banks. These new loans are projected to create 115 new jobs and preserve 422 more. This wave of lending activity is signaling confidence by Virgin Islands business owners as they look toward a more robust economy.

This year EDA achieved the highest rating any entity can receive from external auditors demonstrating that they have performed at an elevated level of integrity and accountability. This also means that federal grantor agencies and other financial institutions can have the utmost confidence in partnering with the V.I. Economic Development Authority.

When I stood before you last year I observed, “Equally important to growing our economy is providing safety and security in our communities. We cannot attract investment to our territory if our streets and neighborhoods are unsafe. Not many Virgin Islanders will invest in a business or expand their businesses if our streets and neighborhoods are unsafe. Crime is a far-reaching issue, it impacts the core of everyone’s quality of life.”

As you know, one of my first actions as Governor was to initiate an across-the-board assessment of all law enforcement operations in the Territory. Upon taking office and during the assessment phase, Police Commissioner Delroy Richards began addressing key areas of weakness in our security strategy.

The Virgin Islands Police Department, as of this coming Friday, will have graduated two full classes of police cadets to become fulltime police officers.

The final assessment of the Virgin Islands Police Department and all law enforcement agencies, completed by T&M consultants, has been issued. Thus, Commissioner Richards and his team have shared the complete report with Senator Novelle Francis, Jr.’s Homeland Security, Public Safety and Justice Committee.

We have hired a Director for the newly established Professional Standard Bureau, and hired a Consent Decree Coordinator and Compliance Officer. In addition, since the

implementation of the FY 2016 budget, we are stepping up our recruitment efforts with classes being held in both districts.

For the first time since 2008 when the VIPD was placed under a federal consent decree, the District Court Judge commended Commissioner Richards and his team for the advancements the Virgin Islands Police Department has made.

Technical resources and crime technology tools such as laptops, recorders, and webcams have been purchased for officers and we now have trained, certified ShotSpotter users and instructors.

Even with its many challenges, in the last year VIPD confiscated and recovered 161 weapons. Crime in my view, particularly violent crime remains unacceptably high.

We have forged a powerful alliance and partnership with the United States Attorney for the Virgin Islands. We have integrated our local police officers in a number of federal crime task forces, I want to personally thank U.S. Attorney Ronald Sharpe for his continued assistance and cooperation.

Our Attorney General and the U.S. Attorney have entered into a Memorandum of Understanding, detailing how both offices can work together to aid in the reduction of crime in the Territory.

Tonight, I am pleased to announce that the New York Police Department has approved our request to accept and train Virgin Islands Police Officers at the New York Police Academy. Our Atty. General and legal counsel for the NYPD are finalizing a Memorandum of Understanding and legal agreements so we may begin. In April of this year, the first 8 police officers from the Territory will be sent to New York City for training.

All officers selected for this training will be asked, as a condition of attending the Academy, to commit to a minimum period of service to the VIPD upon their return. Our objective is to dispatch sixteen (16) officers per year representing both districts for training at the New York Police Academy.

Law Enforcement training will not stop there. We will send more senior officers to specialized and leadership training courses in investigations, forensic science, traffic and community policing. Last summer we sent 23 police officers representing both districts of the School Security Bureau unit to the National Association of School Resource Officers for training.

It is clear that a new and more comprehensive strategy is required to combat and reduce crime in the Territory. I have approved the Commissioner's recommendation for the Department to join the National Network for Safe Communities and to implement these new programs.

Our challenges at the Virgin Islands Fire Services are no less. Under the leadership of Fire Director Clifford Joseph Sr., the Fire Services and its personnel will see significant improvements.

The Director has recently recruited 32 new fire recruits and we will authorize an additional 53. This will help to significantly reduce our overtime costs. In addition, it is our plan to complete the infrastructure improvements needed to finally merge Emergency Medical Services with the Fire Department.

By the end of this summer, Hotel Company located at Fort Christian will move to its new location. A similar facility in St. Croix will be constructed in Christiansted to house the company at Est. Richmond as well as the administrative offices of the Fire Services Bureau.

New facilities will also be constructed to replace the deplorable stations at Est. Grove Place and Coral Bay, St. John.

Director Joseph will re-establish the Jr. Firefighter program and work on developing and deploying a certified HazMat team on St. Thomas. In bringing our Firefighters and EMS personnel together pursuant to law, our ultimate objective is to contract with the Ryder Trauma Center at Jackson Healthcare Systems to provide EMS and paramedic training to our EMTs, Paramedics and firefighters.

When my Administration took office, we inherited a failed effort to modernize and bring the Virgin Islands drivers' license into compliance with the REAL ID Act of 2005. This failed effort has already cost the good people of this territory over \$2 million.

As a result I met with U.S. Department of Homeland Security officials and made two (2) requests for an extension of time for the Territory to come into compliance. Without an extension, Virgin Islands' driver licenses would not be an acceptable form of identification when traveling outside the territory.

The Territory has been granted an extension until 2018 to fully comply with federal law. Director Lawrence Olive of the Bureau of Motor Vehicles has assured me that we will be in compliance.

I have asked the U.S. Department of Justice for help to determine where the \$2 million of federal funds granted to acquire the REAL ID system has been spent.

In 2015, the Attorney General, Claude Walker, launched "Operation Support Our Children", an initiative designed to recover nearly \$30 million in unpaid child support. The launch was accompanied by an aggressive public campaign to notify delinquent parents of their obligations. Flyers were posted, certified letters were sent, and public

service announcements were made resulting in significant collections and payment plans being established. I am proud to tell you tonight, in just its four months, the Operation Support Our Children Initiative, resulted in \$1.8 million being collected for the care of our children. This is unprecedented. The Department of Justice will continue to work to recover as much as is owed to the children and their struggling single parents.

The Attorney General successfully sought funding to aid in our investigation of complaints of price-gouging and other unfair consumer trade practices and the Justice Department was recently awarded a \$150,000 grant to do this essential work in partnership with the Department of Licensing & Consumer Affairs.

To address crime and violence in the Territory, the Department of Justice executed a Memorandum of Understanding - which I encouraged and supported - with the U.S. Department of Justice. That understanding calls for closer working relations between the Virgin Islands Department of Justice and the U.S. Department of Justice to stem the flow of illegal weapons into the Territory; reduce violent crime, to prosecute illegal possession and use of firearms, and to vigorously prosecute those that commit these senseless shootings and killings which destroy our quality of life and places each one of us in harm's way.

Under AG Walker's leadership, we will see the construction and operation of a state of the art forensic laboratory, an improved and modernized medical examiner's office. The AG and I are working on a number of high profile litigations concerning contracts of which the government is a party. Our local Dept. of Justice is also looking at crimes in the economy as well as taking a serious view of crimes in the public sector.

The DOJ is currently relocating its Paternity and Child Support offices to a new location and we will fund a justice complex center on St. Croix to house the many divisions and offices paying rent and scattered about the island.

We have also made progress at Licensing and Consumer Affairs. Commissioner Devin Carrington took an aggressive approach to protecting residents from fraud, price fixing, unfair labor practices and illegal gratuities. Department of Licensing and Consumer Affairs is working with our Justice department on a comprehensive study on gas and food prices to determine how we may address the high cost of living and the adverse impact this has on all Virgin Islanders.

Last summer the Department of Licensing and Consumer Affairs took steps to investigate the hiring practices of a subcontractor of one of our instrumentalities resulting in a \$26,000 fine. While the revenue may not be significant, the message is clear: the Mapp-Potter Administration will enforce our labor laws, especially when it comes to hiring Virgin Islands residents.

Our islands are simply too filthy. Again, let's embrace another truth. It is we who live here that are throwing trash alongside our roads. It is we who live here that throw fast-food wrappers, drink containers, beer bottles and cans from our vehicles. It is we, who dump appliances, mattresses, tires in our gutters, in the bushes and trash our neighbor's property.

In short, it is those of us who live here that trash the Virgin Islands. Tonight, I say it must end. It must end. Tonight, I ask the people of the Virgin Islands not to force your government to impose a tax on our community simply to clean up behind ourselves. We are a better people than that.

This year I am proposing reforms and policies to better guide the operations and work of the Virgin Islands Waste Management Authority so we can have a cleaner Virgin Islands.

This agency's primary purpose or task cannot be limited to emptying our dumpsters. This agency primary purpose must be to aid the community in properly managing its solid waste, its waste water systems and its landfills.

So here is what we are going to do. Later this week I will submit three pieces of legislation to this body. These proposals will offer new vision for Virgin Islands solid waste management. They will provide a new strategy on how we should move forward to protect public health and preserve our beautiful pristine and natural environment.

We will begin with a Comprehensive Waste Reduction Program, which will require as a matter of law, Recycling and Composting for all four islands. This law will include a Refund Value on every beverage container sold in our territory, containers which will be refundable through Reverse Vending Machines.

The new law will require every citizen who generates waste in this Territory to be responsible for separating solid waste in their homes and businesses. This is hardly a new concept but an idea whose time has come and is overdue in the Virgin Islands. The new legislation mandates that VIWMA develop a plan for the collection and delivery of these recyclables and begin a public education effort territory-wide.

The new law will also implement a ban on plastic checkout bags and non-recyclable paper bags; and in the end, Virgin Islanders will begin to perceive solid waste as a valuable commodity and not an undefeatable challenge.

My administration is dropping the long held concept of waste to energy systems for the Virgin Islands as an option for managing solid waste. We do not produce enough daily waste in the entire territory to support one 10 megawatt plant much less two, it is highly unlikely that we would receive an EPA permit for such a plant without spending untold millions of dollars.

Our task is to find buyers for the mineable refuse that exist in our landfills. In this process we will open areas at the same site to manage recyclable and composting materials. We will export those portions of our waste that can be reused and sold. I will ask the senate to host public hearings as we seek to change course and manage our solid waste in a manner consistent with other developed nations.

We have successfully renegotiated with GEC Corp on a fixed price concept for the Paul E. Joseph Stadium. We have selected a designer and construction manager and the project is progressing and demolition is complete.

The Paul E Joseph Stadium and surrounding reconstruction is the core piece of the revitalization of Frederiksted. This includes implementing the flood mitigation plan for Estate La Grange and the Frederiksted town. We will need to purchase land surrounding the project to implement flood mitigation systems as well as expand the opportunities for more sports activities.

We have approved a contract where residents will soon see major improvements and repairs taking place along Strand St. Waterfront Park, the Verne I. Richards Veteran's Memorial, the McBean Clock Tower, the Vincent Mason Sr. Coral Resort, Budhoe Park and the apron at the Abramson Marine Terminal.

As we work to improve our overall quality of life, we can't overlook the importance of all of our recreational facilities. The Virgin Islands Department of Sports, Parks and Recreation has taken some important initial steps over the last year. When we began making our official assessments following the 2014 elections, Lt. Governor Potter and I found the majority of our facilities in deplorable condition – a sad reflection of the lack of concern shown in recent years for our young people. As a sports enthusiast, Lt. Governor Osbert Potter expanded his role to assist in working to upgrade our Territory's ballfields,

parks and playgrounds and has spearheaded a new program that asks private businesses to sponsor and maintain local public parks throughout the Territory.

I applaud the Lt. Governor for his continued efforts and thank those entities in the private sector that have stepped forward and taken on a number of these parks.

We are also looking at five facilities with a plan to completely rebuild with modern and up to date amenities. These facilities are the Lionel Roberts Stadium, Cramers Park Beach and recreation ground, the park at Altona Lagoon in Christiansted and the Winston Wells ball park including the Department of Sports, Parks & Recreation facilities and offices on St. John. We will host a series of community charettes on each island to garner input from the public.

There are also plans underway to rebuild the Horace Clark Ballpark in Frederiksted, and to make major improvements in the office at Joseph Aubain Ballpark in Frenchtown. In the coming months a major goal is to expand the after school sports programs and work to keep our young people engaged in positive activities.

Lt. Governor Potter and I have kept our pledge. Three senior centers across the territory are now open five days per week, including a second center on St. John. The Department of Human Services is also serving our seniors a nutritious breakfast and lunch territory-wide daily. We have provided staff to increase the level of physical activity in the centers and we have restored funding to the Pharmaceutical Assistance Program for those that qualify.

The Herbert Grigg Home for the Aged has opened its Stimulation Room last year – the only one of its kind in the Caribbean. Additional improvements and expansion are planned there. Under our capital project budget, we will restore and reopen the historic Aldershill Senior Citizen Center in Frederiksted.

On St. Thomas, we plan major renovations at the Knud Hansen facility, to include modern restrooms at the STRIVE Senior Center.

The Sugar Estate Senior Housing Facility, a \$31 million Virgin Islands Housing Authority development on St. Thomas, will be ready for occupancy and we will have its ribbon cutting in Spring 2016.

Under the leadership of Human Services Commissioner Vivian Ebbesen Fludd, more than 600 new families received child care subsidies. We have launched a major initiative to help pre-qualify those who are eligible for medical, nutritional and other services. The department is also working with our hospitals to determine Medicaid eligibility for the uninsured to decrease the cost of uncompensated care.

The Commissioner's proposed plans to consolidate the various divisions and offices of the Department of Human Services into a single, centralized location on St. Croix is a good one. If accomplished, her plan would provide better access by the public, but more important realize a direct operational cost reduction of \$500,000 per year.

We require a great deal more work in the area of healthcare and this will be a major focus for our administration in the year ahead. I have assembled a team to re-organize the Hospitals and the Department of Health to offer a more comprehensive and modernized platform for healthcare delivery here in the Territory.

This coming year you will also hear a great deal more about the commemoration of our 100th anniversary as an American territory in 2017. The U.S. Virgin Islands Centennial was enacted in April of 2010, yet very little progress had been made prior to last year. I am pleased to say that the Centennial Commission has rapidly ramped up in the past four months, hosting six history presentations related to our Pre-Columbian Period. We

will see many more activities commemorating V.I. Heritage and History in 2016. The Commission has hired its Executive Director. His enthusiasm for this commemoration is matched by his passion for our culture and history. The Commission has begun hosting a monthly two-hour radio program and a schedule of events will soon be available on the Centennial Commission website now under construction.

Commissioner Robles is actively working to create a farmers' cooperative and through his efforts the Department has begun to develop programs to assist farmers in promoting and marketing their products. The Agricultural Revolving Fund has access to \$1 million annually to begin our Farm to Table Program for school lunches at the Department of Education. We will work with our local farmers to make this a reality.

The Virgin Islands Office of Veterans Affairs, under the leadership of Director Patrick Farrell, has made good progress particularly with outreach and registering our local veterans. In 2015, Director Farrell opened ADA compliant offices in both districts to house his agency. He hosted the first "Veterans Appreciation Luncheon" on each island, and celebrated the "Military Women's Recognition Month" for the first time. This year, the Veterans Affairs office partnered with WTJX and the VI National Guard to host an event commemorating the 50th anniversary of the Vietnam War on all three islands – creating the largest gathering ever of Vietnam vets here in the Territory. We are going to continue to work to expand services locally and support the men and women who have sacrificed so much for our territory and our nation.

As a government, we concede we are not in control of everything and we don't wish to be. My administration wishes to empower each of our residents to take control of their government, to have a say in how we manage their affairs.

The Mapp – Potter Administration is responsible for improving your roads. We will help to build and grow our economy to create job opportunities and revenues for our treasury, but we cannot do this without the help of our private sector partners.

The Virgin Islands is on the road to recovery, with many positive opportunities laying before us. But we will not make any progress if we are not willing to do the hard work, to be accountable for the tasks for which we were hired. We are prepared to embark on a capital project plan to invest in our infrastructure so we will spur new business growth and investments. This means we must invest in our greatest resource; our people.

My administration has demonstrated that we can resolve our business conflicts, yet seize upon new business opportunities.

I need the help and courage of this august body. Change requires courage. It requires optimism and it requires confidence in oneself to know when it is time to act. I have every confidence in the people of the Virgin Islands.

Last year we promised that we would demonstrate a creative approach to governance. We pledged innovation, efficiency and accountability. My Fellow Virgin Islanders, the Mapp-Potter Administration is working hard to deliver on these commitments.

I am human, not perfect. Each day I hope to learn more and become a better Governor. With your patience, guidance and prayers, I will continue to move this territory forward. Each of us in this administration will do so.

I thank my fellow Virgin Islanders for your support, good wishes, prayers and your continued generosity of good will that so characterizes the people of the Virgin Islands.

Thank you, may God bless the United States Virgin Islands and the United States of America.

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