

THE U.S. VIRGIN ISLANDS

Economic Impact of the HOVENSA Closing

Presentation by
Governor John P. de Jongh, Jr.
to Federal Interagency Meeting
February 24, 2012

Hosted by the
Department of the Interior
Office of Insular Affairs
&
The White House Office of Intergovernmental Affairs



THE CURRENT SITUATION

“We deeply regret the closure of the HOVENSA refinery and the impact on our dedicated people. We explored all available options to avoid this outcome, but severe financial losses left us with no other choice.”

Brian K. Lever

**President and Chief
Operating Officer of
HOVENSA**

January 18, 2012

HOVENSA, LLC.



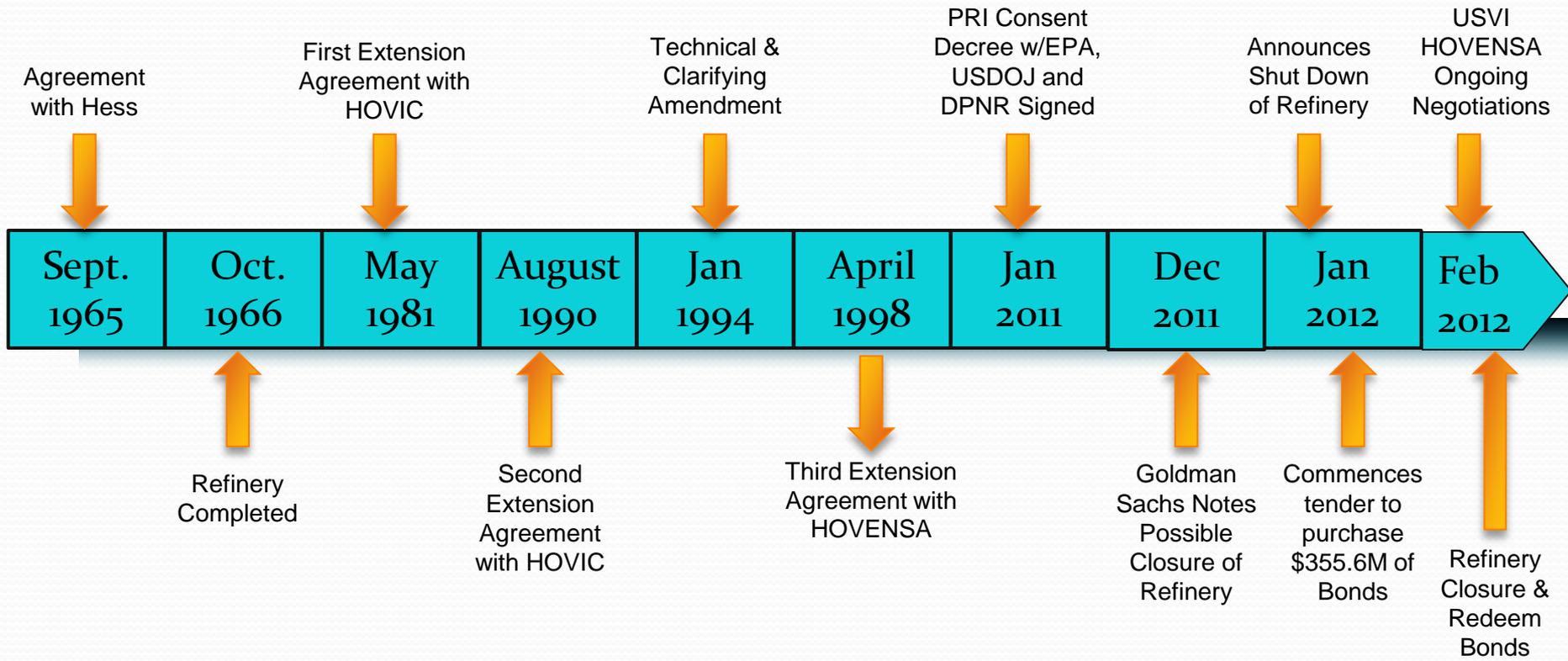
VI's Largest Private Sector Employer since
the 1960s Announces CLOSURE!

“The decision by HOVENSA to close the refinery that for a half-century has been a mainstay of our economy has shaken our community. It has shaken the lives of those who work there, and all of those and their families for whom HOVENSA was the source of their livelihood. It has compounded the burden on our private sector which has already suffered greatly through this economic downturn. And it has shaken the foundations of the broader community for whom HOVENSA provided so much.”

Gov. John P. de Jongh, Jr.
January 30, 2012



USVI & HESS/HOVENSA LONG-TERM PARTNERSHIP



VIRGIN ISLANDS CRISIS

- Catastrophic Loss to Manufacturing Sector - 20% of GTP
- Energy Infrastructure & Affordability in Doubt
- Doubling of the Unemployment Rate
- Erosion of our Middle Class
 - Dramatic Loss of High Paying Positions
- An additional \$100 Million Annual Tax Revenue Loss
- Negative Impact on Healthcare & Educational System



GEOGRAPHIC CHALLENGES

- 1,596 miles from Washington, DC
- 60 miles from Puerto Rico



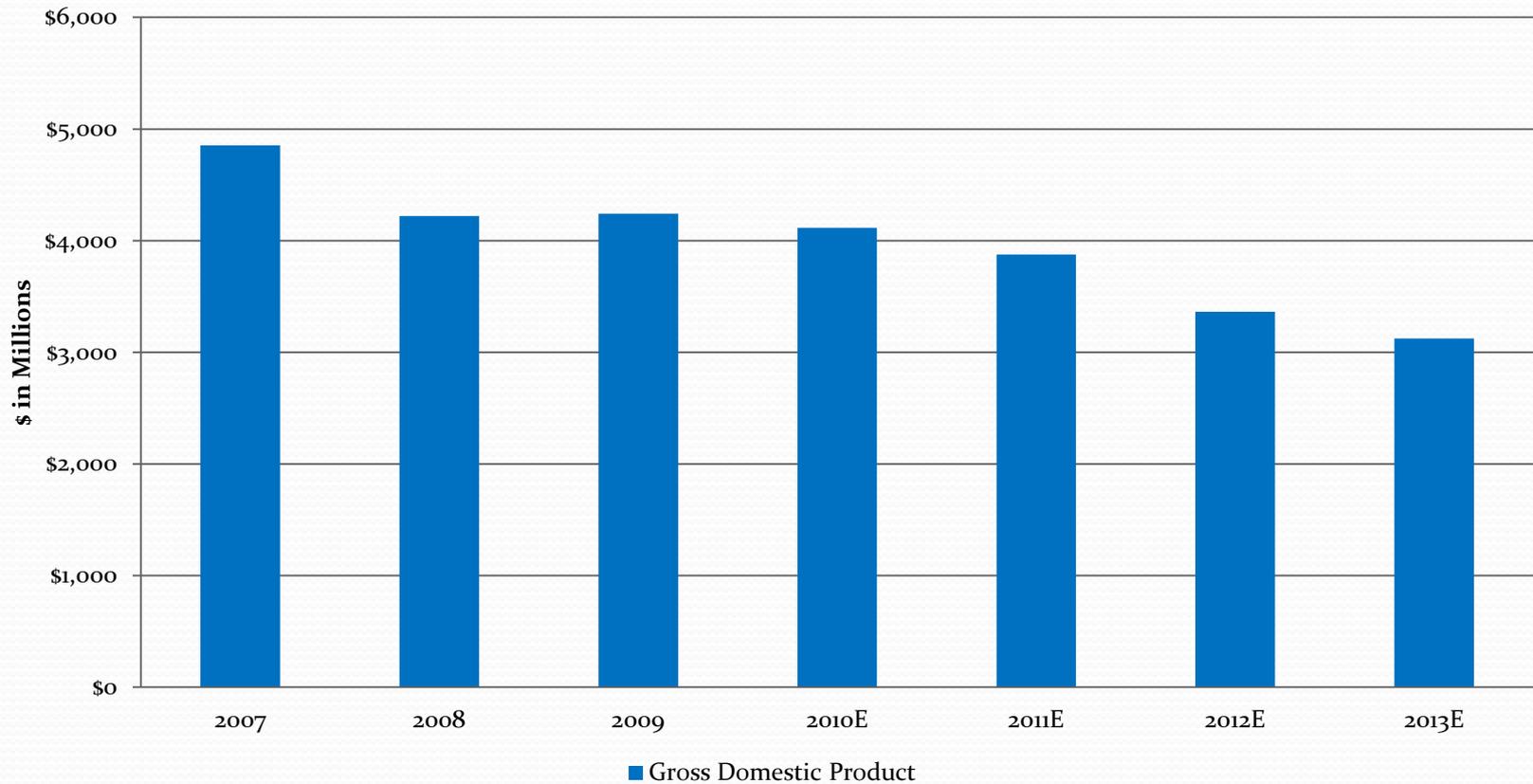
DEMOGRAPHICS

- FY2012 General Fund Budget of \$730 Million
- Energy Cost Rates
 - Residential \$0.43 p/kwh
 - Commercial \$0.45 p/kwh
- 25% of Population Below National Poverty Level
- Cost of Living 17% Higher than National Average
- 28.7% of Population Uninsured



ECONOMIC OVERVIEW

U.S. Virgin Islands Gross Domestic Product (GDP) 2007-2013

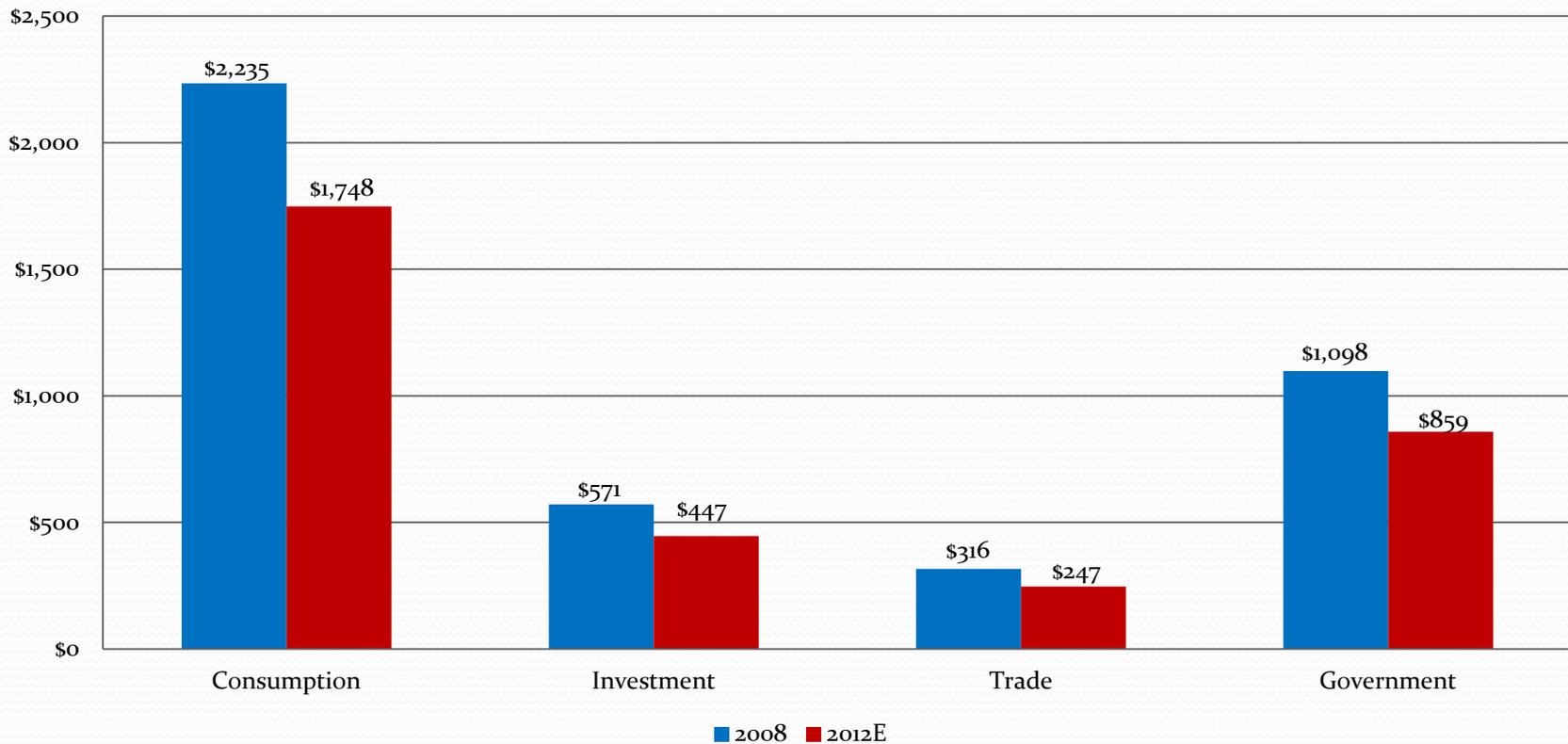


Source: VI Bureau of Economic Research &
U.S Bureau of Economic Analysis



ECONOMIC OVERVIEW

U.S. Virgin Islands Gross Domestic Product 2008 and 2012



Source: VI Bureau of Economic Research &
U.S Bureau of Economic Analysis



PATHWAYS FOR CONTINUED GROWTH

ECONOMIC DIVERSIFICATION

TOURISM

Hotel /Resort Development
Airlift
Sports Complex
Medical Facilities

MANUFACTURING

Beam, Inc.
Diageo plc,
St Croix Renaissance
Group

Comprehensive Economic
Development Strategy
U.S. Department of the Interior
Capital Improvement Projects

Economic Development
Commission Program

Workforce Investment

ENERGY

U.S. Department of Energy
National Renewable Energy Lab
VI Water & Power Authority

KNOWLEDGE –BASED INDUSTRIES

UVI RT Park
viNGN Broadband Network



LEVERAGING FEDERAL ASSISTANCE

Keys to Success

- Financing
- Grants
- Waivers
- Technical Assistance
- Legislative Support



ECONOMIC DEVELOPMENT JOB GROWTH & RE-EMPLOYMENT

U.S. Department of Labor National Emergency Grant

- Re-employment and Training Funds
- Amount of Funding Request: **\$7,842,250**

U.S. Department of Commerce Economic Development Administration

International Trade Administration

Comprehensive Economic
Development Strategy (CEDS) Plan
Submittal-September 2012

U.S. Small Business Administration



ECONOMIC DEVELOPMENT PRIORITIES

U.S. Department of Agriculture

- Eligibility for VI Agricultural Marketing Service-Farmers Market Promotion Program (2012 Farm Bill)
- Farm Service Agency-Non Insured Disaster Assistance Program
- Funding for Establishment/Installation of Alternative Energy Systems
- Reduction of the SNAP Limit & Match Reduction (50-50 Match)



ECONOMIC DEVELOPMENT PRIORITIES (CONT.)

U.S. Internal Revenue Service

- Training and Personnel to Enhance Collections and Investigations at the Virgin Islands Bureau of Internal Revenue

U.S. Department of the Treasury

- Jobs Act of 2004
 - Final Determination on Residency Requirement
 - Consideration of Source & Effectively Connected Income
- Improved Leveraging of the SSBCI Collateral Ratios



ENERGY & ENVIRONMENTAL INITIATIVES

U.S. Department of Energy

- Continue Funding for the EDIN Initiative:
 - Extension of NREL Engagement
- Financing & Support for VI –PR Grid Interconnect
- Grant Funding for Automated Metering Infrastructure
- Funding for Integrated Resource Plan-VIWAPA



ENERGY & ENVIRONMENTAL INITIATIVES (CONT.)

U.S. Environmental Protection Agency

- Possible Waiver for Relaxation of Fuel Emission Standards
- Reconsideration of Permit Limits for VIWAPA's Richmond (STX) and Krum Bay (STT) Facilities
- Increase Allocation for Potable Water Improvements and Expansion



ENERGY & ENVIRONMENTAL INITIATIVES

U.S. Environmental Protection Agency, cont'd

- Collaboration on the following:
 - HOVENSA's Closure Plan
 - Issuance of EPA's HOVENSA Resource Conservation and Recovery Act (RCRA) Permit
 - Modifications to the PRI Consent Decree, with consideration given to their environmental and economic impact to the Territory



ENERGY & ENVIRONMENTAL INITIATIVES

U.S. Environmental Protection Agency, cont'd

- Federal Air Permits
- Inclusion in all discussions and decisions regarding any and all modifications to existing federal permits or issuance of pending permits.



EDUCATION & SOCIAL SERVICE IMPROVEMENTS

U.S. Department of Education

- Waiver to utilize a greater percentage of Consolidated Block Grant Funding to pay teacher salaries
- Increase the percentage of Administrative Funds that can be utilized to pay Third Party Fiduciary



EDUCATION & SOCIAL SERVICE IMPROVEMENTS

U.S. Department of Health & Human Services

- Request for the Secretary of HHS to Use Discretion to Designate More LIHEAP Funding for Territories-FY2013
- Obtain Designation as an Underserved Area to receive PHS Physician Services
- Increase funding for Mental Health Community Block Grant



EDUCATION & SOCIAL SERVICE IMPROVEMENTS

U.S. Department of Health & Human Services, cont'd

- Support extension of Supplemental Security Income benefits to the Territory or drop 25% Match Requirement for Aged, Blind and Disabled (AABD)
- Raise the Temporary Assistance to Needy Families (TANF) and Aid to the Aged, Blind and Disabled (AABD) cap



EDUCATION & SOCIAL SERVICE IMPROVEMENTS

U.S. Department of Health & Human Services, cont'd

- Increase Social Service and Community Block Grant Funding for Social Workers and Family Preservation – FY2013
- Increase funding for Childcare Block Grant-- Ensure QRIS Initiative Moves Forward & Additional Child Care Subsidies



SAFETY & SECURITY INITIATIVES

U.S. Department of Homeland Security

- Add USVI to TSA Trusted Traveler Program List
- Inclusion of the USVI in Speedy Visa Process
- Adoption of Visa Waiver Program to promote inter-regional travel opportunities to the USVI
- Inclusion in Caribbean Basin Security Initiative



SAFETY & SECURITY INITIATIVES

U.S. Department of Homeland Security, cont'd

- Approval for a VIWAPA floating storage facility
- Favorable Review of Port Security Grant Application
- Waiver of the FY 2013 fifty percent (50%) matching requirement for the National Earthquake Hazard Reduction Program



CREDIT INTERDEPENDENCIES OF THE GOVERNMENT OF THE VIRGIN ISLANDS AND DEPENDENT AUTHORITIES & AGENCIES

Multi-billion dollar impact on bond ratings and market access



Virgin Islands Water and Power Authority

- \$25 million GVI revenues
- 55,000 customers
- Sole provider to 110,000 population
- \$213.5 million outstanding bonds and other obligations
- Critical pending financing at risk of immediate downgrade and loss of market access

Virgin Islands Public Finance Authority

- \$140 million revenues from the GVI
- Source of public capital investment
- \$806 million outstanding bonds subject to downgrades and loss of market access

Virgin Islands Waste Management Authority

- \$28 million revenues from the GVI
- Solid waste collection and treatment
- Wastewater treatment

Virgin Islands Hospital Facilities Corporation

- \$58 million revenues from the GVI
- Sole provider of healthcare facilities
- \$43 million outstanding debt with no public market access

University of the Virgin Islands

- Only higher educational institution
- \$32 million annual funding from GVI
- \$61.2 million outstanding bonds subject loss of investment grade ratings and market access

Government Employees Retirement System

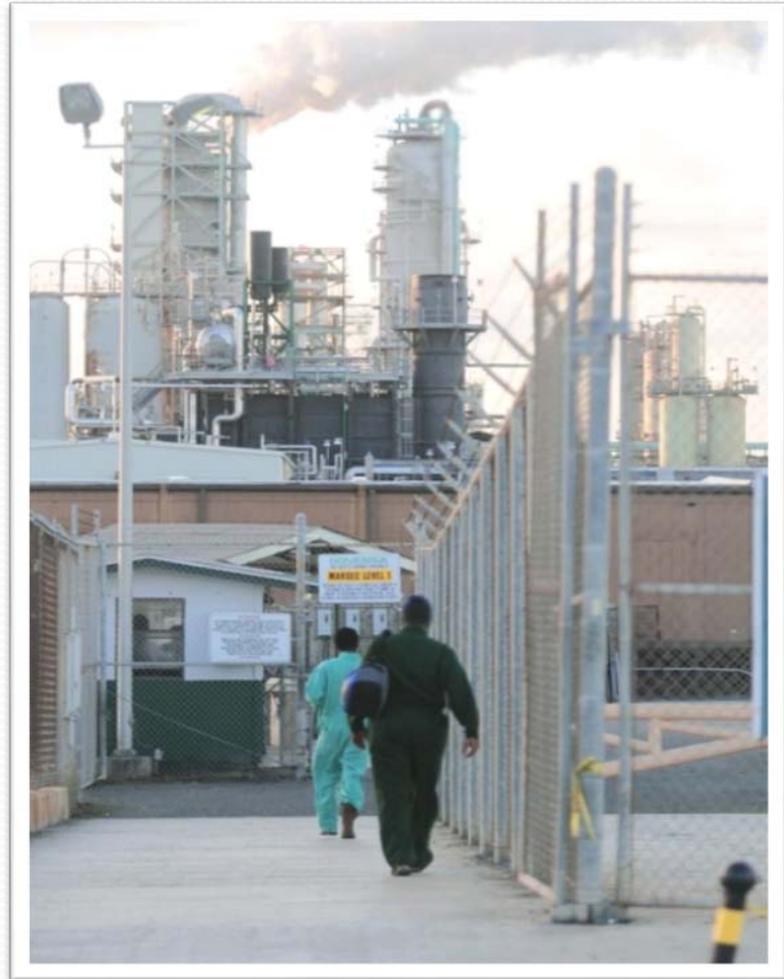
- \$120 million annual funding from the GVI
- \$80 million annual unfunded obligation
- \$1.6 billion unfunded liability
- 8,000 retirees dependent on GERS

Virgin Islands Port Authority

- Point of access for 2.5 million visitors
- \$32.9 million outstanding bonds subject loss of investment grade ratings and market access

“Without reliable electricity and water there will be no new businesses. Without reliable electricity and water we will have no economic development, fewer jobs, and lower revenues, all contributing to a downward spiral.”

*Gov. John de Jongh, Jr.
January 30, 2012*



CONTACTS

Honorable John P. de Jongh, Jr.
Governor of the Virgin Islands
21-22 Kongens Gade
St. Thomas, USVI 00802
Tel: (340)774-0001; (340) 773-1404; (340)772-1000
Fax: (340) 774-1361; (340)778-7978
Email: pamela.berkowsky@go.vi.gov

Honorable Albert Bryan, Jr.
Commissioner
Department of Labor
2203 Church Street
St. Croix, USVI 00820-4612
Tel: (340)773-1994; (340)776-3700
Fax: (340)773-0094; (340)777-8933
Email: abryan@vidol.gov

Mr. Hugo Hodge, Jr.
Executive Director
Virgin Islands Water and Power Authority
P.O. Box 1400
St. Thomas, VI 00802
Tel: (340) 774-3552; (340)773-2250
Fax: (340) 690-9851
Email: hugo.hodge@viwapa.vi

Honorable Alicia Barnes
Commissioner
Department of Planning and Natural Resources
Cyril E. King Airport
St. Thomas, USVI 00802
Tel: (340)774-3320 ext. 6101; (340) 713-2403
Fax: (340) 775-5706; (340)773-1716
Email: alicia.barnes@dpr.gov.vi

Honorable Christopher Finch
Commissioner
Department of Human Services
Knud Hansen Complex, Building A
1303 Hospital Ground
St. Thomas, USVI 00802
Tel: (340)773-2323 Ext. 2006; (340) 774-0930
Fax: (340)773-6121; (340) 774-3466
Email: chris_finch@yahoo.com

Wharton H. Berger
Director
Bureau of Economic Research
1050 Norre Gade #5, Suite 301
Charlotte Amalie, VI 00802
Tel: (340) 714-1700
Fax: (340) 776-7953
Email: wh.berger@ber.vi.gov





Impact of HOVENSA Closure on the U.S. Virgin Islands,
February 24, 2012