

**GOVERNMENT OF THE UNITED STATES  
VIRGIN ISLANDS**

**FIVE-YEAR FINANCIAL PLAN  
FISCAL YEARS 2017-2021**



September 15, 2016

# Table of Contents

<b>Executive Summary .....</b>	<b>1</b>
<b>Status Quo Scenario – Projections Excluding Planned Initiatives .....</b>	<b>2</b>
Implemented Revenue Based Initiatives .....	2
Implemented Transfer/Fund Related Initiatives.....	3
Implemented Agreements/Other Related Initiatives .....	3
Economic Assumptions .....	3
<b>Analysis of Five-Year Projection.....</b>	<b>6</b>
Planned Revenue Initiatives.....	6
Planned Cost Initiatives.....	8
Other Planned Initiatives .....	9
Summary of Operating Surplus (Deficit) – Inclusive of Planned Initiatives .....	9
Comparative Analysis – Inclusive and Exclusive of Planned Initiatives.....	10
<b>Conclusion.....</b>	<b>11</b>
<b>Appendix A – Financials</b>	
<b>Appendix A-1 – Status Quo Five-Year Financial Report</b>	
<b>Appendix A-2 – Five-Year Financial Forecast Report</b>	
<b>Appendix B – Economic Environment</b>	
General Information .....	B-1
Population Statistics.....	B-5
Personal Income Statistics .....	B-6
Employment Statistics.....	B-8
(Real) Gross Domestic Product (“GDP”).....	B-13
Housing Statistics .....	B-14
Construction and Permit Statistics.....	B-14
Financial Institutions .....	B-17
Economic Forecast .....	B-18

## ***Executive Summary***

**Introduction.** Due to a high level of susceptibility to prevailing economic conditions, climate changes, and other constraining factors, the fiscal health of the Government of the US Virgin Islands (the “Government”) has subsided over the past 10 years. Over this period, the equilibrium between revenue and expenditures has become misaligned, resulting in an accumulated deficit of \$74.1 million in the General Fund at September 30, 2015. Without immediate action, the trend is projected to persist.

The Government understands the urgency of addressing the bleak financial forecasts to mitigate the impact on the health, safety, and wellbeing of the Islands’ residents, businesses and visitors. As such, in 2016, the Government commenced the development of this strategic, five-year financial plan (the “Plan”) to assist in developing a roadmap aimed at stabilizing finances and constructing a long-term blueprint for fiscal stability. Moreover, on June 30, 2016, Moody’s Investor Services (“Moody’s”) downgraded the credit rating of the Government from “Baa2” (negative outlook) to “B1” (negative outlook). This downgrade adds additional layers of concern to the Government’s already distressed fiscal health.

**Financial Forecast – Basis for the Plan.** The management team of the Government has the experience to address its inadequate revenue and escalating expenses. The various tax and fee revenue structures imposed by the Government do not adequately fund the costs associated with providing essential services to residents of the United States Virgin Islands (“USVI”). Without immediate action, the Government projects that expenditures will continue to outpace revenue, resulting in substantial operating deficits through fiscal 2021.

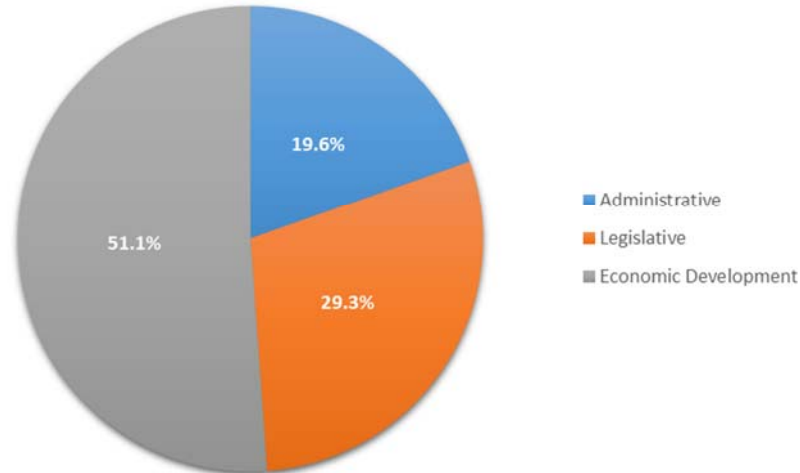
The Status Quo Scenario herein, reflects the Government’s projections if no future initiatives were to be taken. The data provides a baseline to demonstrate the overall impact of the various initiatives included in this Plan.

**Government Response.** In response to the Government’s financial position, Governor Mapp has made the financial recovery of the Government the top priority of his Administration. Under the Governor’s direction, his Administration has implemented a number of initiatives to enhance revenue collection and reduce Government operating costs. The Plan is intended to assist the Government in developing a set of fiscal goals, while also identifying various opportunities that will support its efforts.

**General Information.** The Plan begins with a five-year projection of revenue and expenditures which are based on current policies and future assumptions. It continues by outlining a series of initiatives that will be implemented by the Government to achieve its goal of fiscal stability. As such, the Plan draws on several sources, including audited financial statements, adopted budgets, forecasts and information provided by Government officials, and economic and demographic data obtained from relevant governmental sources.

The Government expects to generate revenue and reduce expenditures through the use of administrative, legislative and economic initiatives.

**Revenue Share by Initiative Type**



### ***Status Quo Scenario - Projections Excluding Planned Initiatives***

Below is a summary of recently implemented initiatives divided into four subdivisions: Revenue Based Initiatives, Debt Related Initiatives, Transfer/Fund Initiatives, and Other Initiatives, which include a brief narrative for each initiative.

#### ***Implemented Revenue Based Initiatives***

1. *Real Property Tax Bills.* Authorization allowed the Tax Assessor to issue real property tax bills based on current year assessments and to provide notices of new assessments in the same year that the assessment is made. Real property taxes represent one of the primary revenue sources collected by the Government.
  - Legislation adopted on August 25, 2015.
2. *Enhanced Tax Collections.* As a result of the hiring of eleven additional examiners by the Bureau of Internal Revenue (“BIR”), the Government will realize approximately \$51 million in delinquent tax collections over the next five years, or 14% of the estimated \$365 million of gross income tax receivables on its balance sheet. The Government will also generate additional revenue from the enhanced collections of excise taxes.
3. *Hotel Tax.* Taxes relating to hotel rooms were increased from 10.0% to 12.5%. Concurrently, the tax rate for timeshare properties was increased from 8.0% to 10.5%.
  - Legislation adopted on October 23, 2015.
  - An additional \$5.8 million annual revenue, beginning in fiscal 2017.

4. *Sin Tax Fund.* The VI Sin Tax Fund was established during the second quarter of Fiscal Year 2016. The tax on cigarettes was increased from 35% to 45%.
  - Legislation adopted during the second quarter of fiscal 2016.
  - The increase in the tax rate is expected to generate an additional \$1 million annually, beginning in fiscal 2017.
5. *Enhancement of Marine Tourism.* By improving access to marine and coastal areas and by promoting the marine industry, the initiative focuses on enhancing revenue relating to tourism. The Commissioner of Tourism has developed innovative marketing tools and coordinated marketing efforts to enhance the competitiveness of the Government's marine tourism.
  - Legislation adopted on May 21, 2015.
  - Annual revenue of \$1.8 million is expected.

#### ***Implemented Transfer/Fund Related Initiatives***

1. *Insurance Guaranty Fund.* A sunset provision was extended from September 30, 2015 to September 30, 2017 for maintaining a reduced mandatory statutory balance in the Insurance Guaranty Fund.
  - Legislation adopted on October 23, 2015.
  - \$12 million of additional annual revenue is expected.

#### ***Implemented Agreements/Other Related Initiatives***

1. *Limetree Bay Terminal Agreement.* On December 29, 2015, the Government sold the Hovensa property to Limetree Bay Terminals, LLC ("Limetree"). The Government received one-time revenue of \$100 million for the purchase of the facility and \$120 million in Payments In Lieu of Taxes (PILOTs) which were received in fiscal 2016.

The Government expects to receive minimum PILOT payments of \$4 million in fiscal 2017, \$5 million in fiscal 2018, \$6 million in fiscal 2019, and \$7 million in all subsequent fiscal years.

#### ***Economic Assumptions***

In the course of formulating the forecast, the Government strove to make reasonable assumptions relating to the growth and/or decline of revenue and expenditures. In an effort to determine future growth estimates with regard to the Government's revenue and expenditures, the Plan relies on audited financial statements and internal projection models to analyze past trends. These trends were used as the basis for the Status Quo Scenario and adjusted accordingly per discussions with Government officials. In all cases, the Government erred on the side of

conservatism, assuming modest revenue growth coupled with greater than historical growth in expenditures.

### *Revenue Assumptions*

1. *Income Tax.* Income taxes remain the largest source of operating revenue for the Government. The forecast assumes individual income taxes will grow at a pace of 2.4% per year and corporate income taxes will grow at a pace of 2% per year.
2. *Property Tax.* Property taxes have remained relatively stable between fiscal 2012 and 2015, inclusive. As a result, no growth has been applied to property taxes going forward.
3. *Excise Tax.* Excise taxes have not shown material growth over the past four years, therefore, no growth was assumed through the end of the projection period.
4. *Gross Receipts Tax.* Gross receipts taxes have experienced annual growth of approximately 1.7% since fiscal 2012. A 1% per annum growth rate was utilized through the end of the forecast period.
5. *Other Taxes.* Other taxes have increased 11% per annum over the past four years. A conservative 2% growth rate was used through fiscal 2021.
6. *Licenses, Fees, Permits and Fines.* This revenue stream increased by approximately 3% per annum between fiscal 2012 and fiscal 2015, inclusive. As a result, the Government used a conservative estimate of 2% increases per year through fiscal 2021.
7. *Interest and Other Revenue.* Interest and Other Revenue has been a volatile revenue stream since fiscal 2012, with dramatic increases and decreases in year-over-year revenue. Based on this volatility, the Government assumes 2% annual increases going forward.
8. *Transfers.* Transfers into the General Fund, including Caribbean Basin Transfers, Insurance Guaranty Transfers, Transportation Trust Fund Transfers and others are expected to remain stable over the next five years. Matching Fund Transfers are expected to increase.

### *Expenditures Assumptions*

1. *Personnel Costs.* Personnel costs have declined since fiscal 2012. The Government will keep personnel costs constant through fiscal 2021.
2. *Fringe Benefits.* Fringe costs have remained relatively stable since fiscal 2012. The forecast conservatively estimates 1% annual increases going forward.
3. *Utility Costs.* Utility costs have decreased, on average, between fiscal 2012 and fiscal 2015, inclusive. The Government will not increase utility costs, primarily due to the low prices of fuel.

4. *Supply Costs.* Supply costs have decreased by approximately 2% per year since 2012. The forecast remains constant through fiscal 2021.
5. *Other Service Charges.* Other Services and Charges increased significantly over the past four years but are expected to decrease in fiscal 2016, therefore, a 2% increase was used through fiscal 2021.
6. *Capital Projects.* Capital projects also increased significantly between fiscal 2012 and fiscal 2015, inclusive, and are expected to continue growing at a 5% per annum rate through fiscal 2021.
7. *Lump Sum Expenditures.* Lump Sum Expenditures have increased substantially between fiscal 2012 and 2014, inclusive. As a result, a 5% annual increase was used through fiscal 2021.
8. *Tax Refunds.* Per Government officials, tax refunds are expected to increase by approximately 2% annually through fiscal 2018.
9. *Debt Service.* Debt Service expenditures were provided by the Virgin Islands Public Finance Authority.
10. *Transfers Out.* Transfers out of the General Fund are expected to remain constant through the end of the projection period.

*The information above reflects the Government's financial condition if no further actions were to be taken.* This data is intended to serve as a baseline in demonstrating the overall impact of the various planned initiatives included in the Report.

As noted above, the following table reflects a Status Quo Scenario.

**Status Quo Operating Surplus (Deficit)**

Fiscal Year		Operating Surplus (Deficit)
2012	Actual	\$ 94,287,000
2013	Actual	(30,396,000)
2014	Actual	5,044,000
2015	Actual	28,419,000
2016	Estimated	(6,767,000)
2017	Projected	(130,865,083)
2018	Projected	(136,491,260)
2019	Projected	(139,550,072)
2020	Projected	(138,488,362)
2021	Projected	(138,557,015)

The disparity between revenue and expenditures is structural and cannot be overcome with only minor initiatives. As shown in the table above, expenditures are projected to outpace revenue through fiscal 2021. Annual operating deficits are estimated to be approximately \$6.8 million in fiscal 2016 and are projected to range from \$130.9 million to \$139.6 million from fiscal 2017 through 2021, inclusive. The large disparity from fiscal 2016 to fiscal 2017 is due to the use of one-time revenue sources totaling \$220 million in fiscal 2016 from the Limetree transaction. Without the implementation of the planned initiatives, as discussed below, the deficits will continue to increase.

### ***Analysis of the Five-Year Projection***

Using the Status Quo Scenario as a starting point, the Plan forecasts the Government's financial performance over the next five years, factoring in the following planned initiatives.

#### ***Planned Revenue Initiatives***

1. *Property Tax.* The Office of the Tax Assessor will be reviewing the \$25 million of credits which equates to 33% of property tax billing and make adjustments where practical to increase revenues by \$11 million per year commencing in fiscal 2018.

Currently, 12,426 property owners in the USVI pay less than \$300 in annual property taxes due to the receipt of tax credits. By raising the property tax floor to \$360, inclusive of tax credits, the Government will generate approximately \$3 million of additional property tax revenue.

- Legislation will be required.

2. *Excise Tax.* Currently, rum, wines and brandies are not subject to tax upon entry into the USVI. An excise tax of 10% tax in these categories will be imposed and will generate approximately \$3 million annually, beginning in fiscal 2017.

- Legislation will be required to impose the excise tax.

3. *Marine User's Tax.* An increase in the Marine Terminal User's Tax from \$1.00 to \$5.00 is expected to generate an additional \$7 million in annual revenue, beginning in fiscal 2019.

- Legislation will be required.

4. *Internet Gross Receipts Tax.* The Government expects to realize an average of \$5.1 million annually of additional revenue with the introduction of a 5% internet gross receipts tax, beginning in fiscal 2018.

- Legislation will be required to implement the internet gross receipts tax.

5. *Sin Tax.* The tax on cigarettes will be increased by \$20 per carton (\$2.00 per pack). The increase in the tax rate is expected to generate an additional \$6.9 million annually,



- beginning in fiscal 2017. Additionally, tax on cigars and other tobacco products will be increased from 25% to 50% and is expected to generate \$150,000 annually.
- Legislation will be required to implement the sin tax.
6. *U.S. and Foreign Beer Tax.* The application of an increased tax on imported U.S. and foreign beers (“USFB”) is projected to yield \$12.8 million in additional annual revenue, beginning in fiscal 2017. Approximately 1.2 million cases of USFB were imported in fiscal 2015 and this amount is expected to increase by 2% annually. The tax on domestic beer will be increased by \$10 per case (42 cents per bottle) and the tax on imported beer will be increased by \$12 per case (50 cents per bottle).
- Legislation will be required to implement this tax.
7. *Sugar Tax.* The USVI consumed approximately 271 million ounces of carbonated beverages in fiscal 2015. A one-and-a-half cent (\$0.015) per ounce tax would have generated \$4.1 million in revenue. The Government will realize \$3.4 million per year, beginning in fiscal 2017, with the implementation of this tax.
- Legislation will be required.
8. *Fuel Tax.* The Government expects to recapture the fuel tax to the General Fund, which will generate \$5 million per year, beginning in fiscal 2017.
- Legislation will be required.
9. *Economic Development Commission Benefits – Expirations.* The Government maintains an incentive program through the Economic Development Authority (the “EDA”) and its Economic Development Commission Program (the “EDC”). Under the EDC Program, qualified businesses may obtain certain tax credits and other benefits. Those entities where EDC benefits have sunset will begin to pay gross receipts and corporate taxes. The program is expected to generate \$2.2 million in annual revenue.
- Subject to EDA Board approval.
10. *Economic Development Commission Benefits – New Applications.* Under the EDC Program, a minimum of five new applications will be approved each year, each of which will \$5 million per year, beginning in fiscal 2018. Presently, there are 17 applications in the pipeline. 60% of the gross revenue will be transferred out of the General Fund for the USVI’s Government Employees’ Retirement System (“GERS”) Annual Required Contribution (“ARC”). However, this transfer will be subject to comprehensive reforms to the Government’s pension system and the consulting report from Mercer Consulting Group, comparing the USVI to other state and local governments.
- Subject to EDA Board approval.

11. *Limetree Bay Terminals – Refinery Restart.* The Government will receive a fee of 17.5% from the restart of the refinery based on the number of barrels produced at Limetree, which is expected to be at least 100,000 barrels per day. The Government expects to generate \$20 million per year, beginning in fiscal 2019.
12. *Limetree Bay Terminals – Buoy Investment.* Limetree is expected to a new docking buoy for cargo ships transporting to and from the terminal. The jobs this will create and the taxes the Government will collect are expected to amount to \$4 million between fiscal 2018 and 2019.

### ***Planned Cost Initiatives***

1. *Austerity Measures.* The Government will be implementing austerity measures over the next five years to limit and reduce its expenditures. A hiring plan will limit budgeted vacancies for personnel and fringe benefits. In certain service sectors across the Government (e.g., financial management and information technology), excess capacity will be reduced by at least fifty percent at an average salary of \$45K and fringe benefit costs at 40% of salary, commencing in fiscal 2017. The Government's hiring plan will limit its budgeted vacancies for fiscal 2017 to \$18 million as opposed to the current \$30 million that is budgeted. This austerity measure has been continued through the end of the projection.

The Government will also reduce all non-personnel costs, as well as lump sum expenditures for fiscal 2018 through 2021, inclusive. The government expects to decrease expenditures in order to "right size" its budget.

- The austerity measures will be implemented via Executive Order by the Governor and the Director, Office of Management and Budget.
2. *Professional Insurance Risk Manager.* The Government will retain the services of a professional insurance risk manager to reduce its annual \$7 million property insurance premium by at least 30% by October 1, 2017 and implement formal systems to evaluate and maintain the Government's insurance program.
    - Legislation will not be required to implement this initiative.
  3. *Credit/Debit Card Charges.* The Government will charge customers who pay for Government services using debit/credit cards with a chargeback fee, effective April 1, 2017. This measure is expected to save the Government approximately \$2.2 million annually.
    - Legislation will not be required to implement this initiative.
  4. *Health Insurance Cost Savings.* Presently, the Government shares costs relating to health insurance with active and retired employees at a ratio of 65%/35%. The

Government has several options to reduce its health insurance costs. The Government's health insurance costs initiatives will generate savings of \$8 million per year, beginning in fiscal 2018.

- GESC/Health Insurance Board approval will be required.

### ***Other Planned Initiatives***

1. *Other Financing Sources.* Other financing sources total \$110 million in fiscal 2017, and are comprised of \$55 million for a working capital loan and a \$55 million drawdown on the Government's line of credit. An additional \$55 million working capital loan will be borrowed in fiscal 2018.

The Government is required to repay its line of credit within two years. The \$55 million drawdown discussed above will be repaid in two payments of \$25 million in fiscal 2018 and \$30 million in fiscal 2019.

2. *Bonds and Indebtedness.* Authorization will be requested from the Legislature by the Virgin Islands Public Finance Authority to issue additional working capital and capital projects bonds of up to \$393,000,000 for various projects. The debt is expected to be issued in Fall 2016. The issuance is expected to increase the Government's debt service costs by approximately \$15 million per year.

- Legislation will be presented in September 2016.

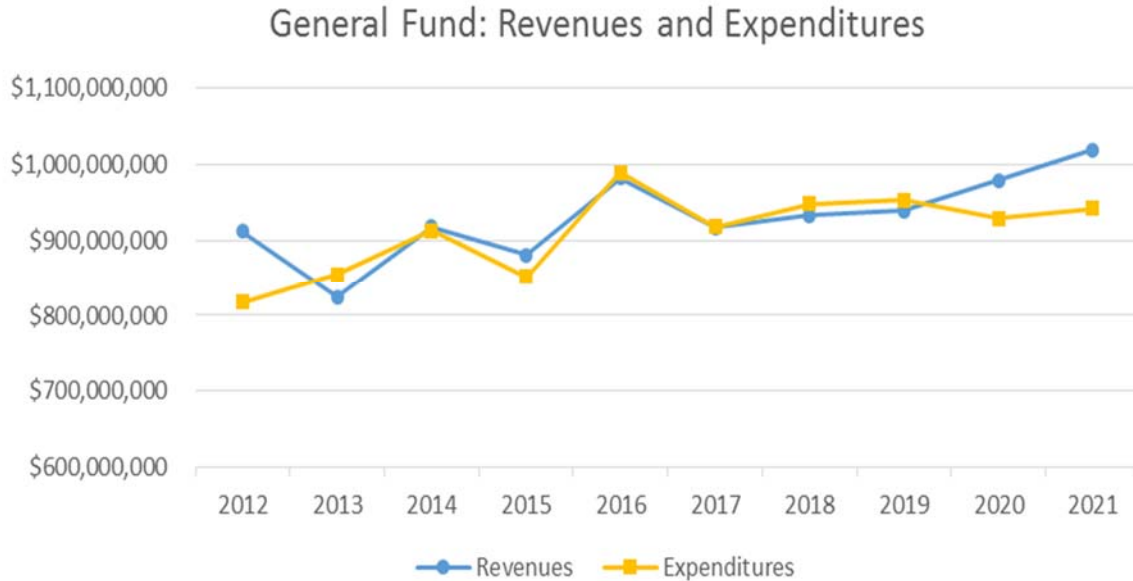
### ***Summary of Operating Surplus (Deficit) – Inclusive of Planned Initiatives***

Based on the above initiatives the following table and graph provide a summary of the actual, estimated, and projected composition of the Government's General Fund for the fiscal years 2012 through 2021, inclusive of planned initiatives.

#### **Operating Surplus (Deficit)**

<b>Year</b>		<b>Operating Surplus (Deficit)</b>
2012	Actual	\$ 94,287,000
2013	Actual	(30,396,000)
2014	Actual	5,044,000
2015	Actual	28,419,000
2016	Estimated	(6,767,000)
2017	Projected	(865,083)
2018	Projected	(14,348,028)
2019	Projected	(13,828,070)
2020	Projected	50,073,764
2021	Projected	77,485,831

Between fiscal 2017 and 2018, the Government’s structural position is projected to decline by \$13.5 million. This structural imbalance fluctuates due to the inclusion of the Government’s repayment of its line of credit. Between fiscal 2019 and 2020, when the line of credit has been repaid, the structural position increases by \$63.9 million, primarily due to the continued increase in revenue from the EDC’s new application program and the expected decreases in expenditures.



**Comparative Analysis - Inclusive and Exclusive of Planned Initiatives**

**Operating Surplus (Deficit)**

Fiscal Year		Status Quo	W/ Initiatives	Variance
2012	Actual	\$ 94,287,000	\$ 94,287,000	\$ 0
2013	Actual	(30,396,000)	(30,396,000)	0
2014	Actual	5,044,000	5,044,000	0
2015	Actual	28,419,000	28,419,000	0
2016	Estimated	(6,767,000)	(6,767,000)	0
2017	Projected	(130,865,083)	(865,083)	130,000,000
2018	Projected	(136,491,260)	(14,348,028)	122,143,232
2019	Projected	(139,550,072)	(13,828,070)	125,722,002
2020	Projected	(138,488,362)	50,073,764	188,562,126
2021	Projected	(138,557,015)	77,485,831	216,042,846

## Conclusion

The Government has carried a cumulative General Fund deficit for more than five years. The Plan forecasts an operating surplus in the General Fund for fiscal years 2020 and 2021. With the implementation of the planned initiatives, the accumulated deficit will decrease significantly and the Government will realize a surplus at the end of the forecasted period.

### Accumulated Surplus (Deficit) - General Fund

Fiscal Year		W/ Initiatives
2012	Actual	\$ (8,649,000)
2013	Actual	(37,260,000)
2014	Actual	(99,794,000)
2015	Actual	(74,073,000)
2016	Estimated	(80,840,000)
2017	Projected	(81,705,083)
2018	Projected	(96,053,111)
2019	Projected	(109,881,181)
2020	Projected	(59,807,417)
2021	Projected	17,678,414

While the Plan projects an improvement in the accumulated deficit in the General Fund by the end of the projection period, it is likely that the Government will return to yearly operating deficits in its General Fund if it fails to implement long-term, recurring revenue streams, increase current revenue sources and impose cost-cutting measures.

Governor Mapp's Administration is doing everything in its power to eliminate as much of the Government's inherited deficit as possible. Further analysis, inclusive of departmental reviews, must be done in an effort to generate savings by enhancing efficiency levels and developing other cost-reducing measures.

This Five-Year Report is a live document requiring periodic updates to ensure its effectiveness and impact.

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**APPENDIX A**  
**FINANCIALS**

**APPENDIX A-1**  
**STATUS QUO FIVE-YEAR FINANCIAL REPORT**

United States Virgin Islands  
 Status Quo Five-Year Financial Report, Fiscal Years  
 Major Fund Summary

2017-2021

	Actuals*				Estimated	Budgeted	Projections			
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>General Fund</b>										
Revenues	\$ 668,812,000	\$ 682,106,000	\$ 706,478,000	\$ 686,956,000	\$ 709,613,000	\$ 715,600,000	\$ 715,648,800	\$ 720,957,607	\$ 731,532,299	\$ 741,378,888
Transfers In and Other Sources	243,158,000	142,428,000	211,805,000	193,302,000	272,672,000	68,100,000	76,855,364	82,015,727	87,410,620	92,965,512
Expenditures	802,656,000	850,922,000	903,801,000	847,396,000	909,756,000	904,865,083	919,295,423	932,823,406	947,731,281	963,201,416
Transfers Out and Other Sources	15,027,000	4,008,000	9,438,000	4,443,000	79,296,000	9,700,000	9,700,000	9,700,000	9,700,000	9,700,000
Surplus (Deficit)	94,287,000	(30,396,000)	5,044,000	28,419,000	(6,767,000)	(130,865,083)	(136,491,260)	(139,550,072)	(138,488,362)	(138,557,015)
Accumulated Deficit**	\$ (8,649,000)	\$ (37,260,000)	\$ (99,794,000)	\$ (74,073,000)	\$ (80,840,000)	\$ (211,705,083)	\$ (348,196,343)	\$ (487,746,415)	\$ (626,234,776)	\$ (764,791,791)

\* Results taken from the Government's audited financial statements.

\*\*Accumulated Deficit is equal to the Unassigned Fund Balance from the Government's audited financial statements for the fiscal years ended September 30, 2012 through September 30, 2015, inclusive.



United States Virgin Islands  
 Status Quo Five-Year Financial Report, Fiscal Years 2017-2021  
 General Fund Revenues

	Actuals*					Estimated	Budgeted		Projected			Avg Ann Increase	Assumptions 2017-2021					Description
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-present	2017	2018	2019	2020	2021		
<b>Revenues</b>																		
Taxes																		
Individual Income Tax	\$ 333,269,552	\$ 327,383,000	\$ 346,656,000	\$ 358,093,773	\$ 367,262,000	\$ 362,200,000	\$ 370,892,800	\$ 379,794,227	\$ 388,909,289	\$ 398,243,112	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	Historical trend	
Corporate Income Tax	45,777,921	62,530,000	79,143,000	76,589,122	57,143,000	59,200,000	60,384,000	61,591,680	62,823,514	64,079,984	18.7%	2.0%	2.0%	2.0%	2.0%	2.0%	Per GVI Officials	
Real Property Tax	89,048,945	89,436,633	31,251,980	89,927,951	69,367,000	56,000,000	56,000,000	56,000,000	56,000,000	56,000,000	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	Held constant	
Excise Tax	18,871,359	18,727,115	19,228,000	17,808,434	24,701,000	24,900,000	24,900,000	24,900,000	24,900,000	24,900,000	-1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	Held constant	
Gross Receipts/Entertainment Tax	150,172,215	156,075,954	156,076,000	158,091,634	158,748,000	157,400,000	158,974,000	160,563,740	162,169,377	163,791,071	1.7%	1.0%	1.0%	1.0%	1.0%	1.0%	Historical trend	
All Other Taxes	8,250,496	11,446,301	7,240,739	11,324,031	13,459,000	11,500,000	11,730,000	11,964,600	12,203,892	12,447,970	11.1%	2.0%	2.0%	2.0%	2.0%	2.0%	Per GVI Officials	
Enhanced Tax Collections						26,000,000	14,000,000	7,000,000	5,000,000	2,000,000							Per GVI Officials	
Licenses, Fees, Permits and Fines	16,338,885	17,446,499	17,180,364	17,869,786	11,588,000	11,000,000	11,220,000	11,444,400	11,673,288	11,906,754	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	Held constant	
Interest and Other Revenue	2,332,922	2,145,078	169,698	11,523,872	7,345,000	7,400,000	7,548,000	7,698,960	7,852,939	8,009,998	70.3%	2.0%	2.0%	2.0%	2.0%	2.0%	Per GVI Officials	
Transfers from Other Funds																		
Matching Fund	37,160,023	63,873,822	75,000,000	19,766,000	13,800,000	8,500,000	13,800,552	17,782,723	21,992,296	26,354,455	-19.0%	-38.4%	62.4%	28.9%	23.7%	19.8%	Per GVI Officials	
Caribbean Basin	9,000,000	8,900,000	8,900,000	7,600,000	7,000,000	8,900,000	8,900,000	8,900,000	8,900,000	8,900,000	-5.5%	27.1%	0.0%	0.0%	0.0%	0.0%	Held constant	
Insurance Guaranty	13,000,000	14,900,000	25,000,000	11,000,000	8,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	-5.4%	50.0%	0.0%	0.0%	0.0%	0.0%	Held constant	
Transportation Trust Fund	10,000,000	11,500,000	11,500,000	11,500,000	10,462,000	15,800,000	15,800,000	15,800,000	15,800,000	15,800,000	4.8%	51.0%	0.0%	0.0%	0.0%	0.0%	Held constant	
All Other Transfers	18,188,391	10,857,855	7,550,000	22,237,393	11,225,000	8,900,000	8,900,000	8,900,000	8,900,000	8,900,000	6.9%	-20.7%	0.0%	0.0%	0.0%	0.0%	Held constant	
Limetree Bay Terminals																		
PILOTS				150,000	120,000,000						NM	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Per GVI Officials
Concessions					101,000,000	14,000,000	13,000,000	14,000,000	15,000,000	16,000,000	NM	0.0%	0.0%	0.0%	0.0%	0.0%	Per GVI Officials	
Other	2,351,335	3,498,539	3,418,861	3,145,044	1,185,000		4,454,812	4,633,004	4,818,324	5,011,057	10.2%	4.0%	#DIV/0!	4.0%	4.0%	4.0%	Per GVI Officials	
Other Financing Sources																		
Working Capital	197,065,000		109,640,000														Per GVI Officials	
Line of Credit				80,000,000													Per GVI Officials	
<b>Total Revenues</b>	<b>\$ 950,827,043</b>	<b>\$ 798,720,796</b>	<b>\$ 897,954,642</b>	<b>\$ 896,627,040</b>	<b>\$ 982,285,000</b>	<b>\$ 783,700,000</b>	<b>\$ 792,504,164</b>	<b>\$ 802,973,334</b>	<b>\$ 818,942,919</b>	<b>\$ 834,344,401</b>	<b>-1.9%</b>	<b>-20.2%</b>	<b>1.1%</b>	<b>1.3%</b>	<b>2.0%</b>	<b>1.9%</b>		

\*Results taken from Government's internal records.

United States Virgin Islands  
 Status Quo Five-Year Financial Report, Fiscal Years 2017-2021  
 General Fund Expenditures

	Actuals*					Estimated	Budgeted		Projected					Avg Ann Increase	Assumptions 2017-2021					Description
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-present	2017	2018	2019	2020	2021				
<b>Expenditures by Object</b>																				
Personnel	\$ 293,447,461	\$ 253,055,083	\$ 268,978,000	\$ 272,190,000	\$ 278,096,000	\$ 270,869,758	\$ 270,869,758	\$ 270,869,758	\$ 270,869,758	\$ 270,869,758	-2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Per GVI Officials
Fringe	104,261,026	91,538,089	100,545,000	103,641,000	120,128,000	156,439,273	158,003,666	159,583,702	161,179,539	162,791,335	-0.2%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	Per GVI Officials
Non-Personnel Costs																				
Utilities	47,824,984	30,358,835	35,369,000	32,795,000	32,358,000	26,014,614	26,014,614	26,014,614	26,014,614	26,014,614	-11.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Held constant
Supplies	11,900,412	8,233,122	10,747,000	11,229,000	10,684,000	13,350,719	13,350,719	13,350,719	13,350,719	13,350,719	-1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Held constant
Other Services and Charges	156,771,611	159,956,950	199,220,000	208,601,000	185,324,000	142,243,462	145,088,331	147,990,098	150,949,900	153,968,898	10.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	Historical trend
Capital Projects	1,806,887	803,282	4,184,000	3,070,000	3,733,000	1,981,378	2,080,447	2,184,469	2,293,693	2,408,377	19.3%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	Historical trend
Additional Appropriations	-	-	-	-	-	-	-	-	-	-	NM	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Historical trend
GERS (Act 7262)							7,000,000	7,000,000	7,000,000	7,000,000										
Lump Sum Expenditures	117,573,277	123,682,825	175,569,000	101,719,000	145,158,000	165,465,879	173,739,173	182,426,132	191,547,438	201,124,810	-4.7%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	Historical trend
Tax Refunds	55,160,713	72,771,380	82,025,000	64,721,000	69,036,000	60,000,000	61,200,000	62,424,000	63,672,480	64,945,930	5.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	Historical trend
Debt Service	50,532,517	47,756,884	57,706,075	60,581,958	65,239,000	68,500,000	61,948,716	60,979,914	60,853,139	60,726,975	6.2%	5.0%	-9.6%	-1.6%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	Per GVI Officials
Transfers Out	23,817,309	12,824,841	-	2,962,518	27,349,000	9,700,000	9,700,000	9,700,000	9,700,000	9,700,000	-50.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Held constant
Intrafund Contributions		2,509,407	3,414,950	1,402,111							-25.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Per GVI Officials
Other					51,947,000						NM	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Per GVI Officials
Other Financing Sources											NM	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Per GVI Officials
<b>Total Expenditures (by Object)</b>	<b>\$ 863,096,197</b>	<b>\$ 803,490,698</b>	<b>\$ 937,758,025</b>	<b>\$ 862,912,587</b>	<b>\$ 989,052,000</b>	<b>\$ 914,565,083</b>	<b>\$ 928,995,423</b>	<b>\$ 942,523,406</b>	<b>\$ 957,431,281</b>	<b>\$ 972,901,416</b>	<b>0.0%</b>	<b>-7.5%</b>	<b>1.6%</b>	<b>1.5%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>	

\*Results taken from Government's internal records.

**APPENDIX A-2**  
**FIVE-YEAR FINANCIAL FORECAST REPORT**

United States Virgin Islands  
 Five-Year Financial Forecast Report, Fiscal Years  
 Major Fund Summary

2017-2021

	Actuals*				Estimated	Budgeted	Projections			
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>General Fund</b>										
Revenues	\$ 668,812,000	\$ 682,106,000	\$ 706,478,000	\$ 686,956,000	\$ 709,613,000	\$ 725,600,000	\$ 766,274,800	\$ 778,507,387	\$ 789,003,587	\$ 798,769,360
Transfers In and Other Sources	243,158,000	142,428,000	211,805,000	193,302,000	272,672,000	191,100,000	167,055,364	160,215,727	189,610,620	220,165,512
Expenditures	802,656,000	850,922,000	903,801,000	847,396,000	909,756,000	907,865,083	912,978,191	912,851,184	918,840,443	931,749,041
Transfers Out and Other Sources	15,027,000	4,008,000	9,438,000	4,443,000	79,296,000	9,700,000	34,700,000	39,700,000	9,700,000	9,700,000
Surplus (Deficit)	94,287,000	(30,396,000)	5,044,000	28,419,000	(6,767,000)	(865,083)	(14,348,028)	(13,828,070)	50,073,764	77,485,831
Accumulated Deficit**	\$ (8,649,000)	\$ (37,260,000)	\$ (99,794,000)	\$ (74,073,000)	\$ (80,840,000)	\$ (81,705,083)	\$ (96,053,111)	\$ (109,881,181)	\$ (59,807,417)	\$ 17,678,414

\* Results taken from the Government's audited financial statements.

\*\*Accumulated Deficit is equal to the Unassigned Fund Balance from the Government's audited financial statements for the fiscal years ended September 30, 2012 through September 30, 2015, inclusive.

United States Virgin Islands  
 Five-Year Financial Forecast Report, Fiscal Years 2017-2021  
 General Fund Revenues

Revenues	Actuals*					Estimated	Budgeted	Projections					Avg Ann Increase	Assumptions 2017-2021					Description
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-present	2017	2018	2019	2020	2021			
Taxes																			
Individual Income Tax	\$ 333,269,552	\$ 327,383,000	\$ 346,656,000	\$ 358,093,773	\$ 367,262,000	\$ 362,200,000	\$ 370,892,800	\$ 379,794,227	\$ 388,909,289	\$ 398,243,112	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	Historical trend		
Corporate Income Tax	45,777,921	62,530,000	79,143,000	76,589,122	57,143,000	59,200,000	60,384,000	61,591,680	62,823,514	64,079,984	18.7%	2.0%	2.0%	2.0%	2.0%	2.0%	Per GVI Officials		
Real Property Tax	89,048,945	89,436,633	31,251,980	89,927,951	69,367,000	56,000,000	56,000,000	56,000,000	56,000,000	56,000,000	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	Held constant		
Rationalize Credits						4,000,000	11,000,000	11,000,000	11,000,000	11,000,000							Per GVI Officials		
Raise Tax Floor						3,000,000	3,000,000	3,000,000	3,000,000	3,000,000							Per GVI Officials		
Excise Tax	18,871,359	18,727,115	19,228,000	17,808,434	24,701,000	24,900,000	24,900,000	24,900,000	24,900,000	24,900,000	-1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	Held constant		
Rum Tax						1,000,000	3,400,000	3,400,000	3,400,000	3,400,000							Per GVI Officials		
Gross Receipts/Entertainment Tax	150,172,215	156,075,954	156,076,000	158,091,634	158,748,000	157,400,000	158,974,000	160,563,740	162,169,377	163,791,071	1.7%	1.0%	1.0%	1.0%	1.0%	1.0%	Historical trend		
All Other Taxes	8,250,496	11,446,301	7,240,739	11,324,031	13,459,000	11,500,000	11,730,000	11,964,600	12,203,892	12,447,970	11.1%	2.0%	2.0%	2.0%	2.0%	2.0%	Per GVI Officials		
Enhanced Tax Collections						26,000,000	14,000,000	7,000,000	5,000,000	2,000,000							Per GVI Officials		
Marine Terminal User's Tax								7,000,000	7,000,000	7,000,000							Per GVI Officials		
Internet Gross Receipts Tax							5,100,000	5,100,000	5,100,000	5,100,000				0.0%	0.0%	0.0%	Per GVI Officials		
Sin Tax						1,000,000	7,000,000	7,000,000	7,000,000	7,000,000				0.0%	0.0%	0.0%	Per GVI Officials		
Beer Tax						1,000,000	12,800,000	12,800,000	12,800,000	12,800,000				0.0%	0.0%	0.0%	Per GVI Officials		
Sugar Tax							3,400,000	3,400,000	3,400,000	3,400,000							Per GVI Officials		
Fuel Tax							5,000,000	5,000,000	5,000,000	5,000,000							Per GVI Officials		
Licenses, Fees, Permits and Fines	16,338,885	17,446,499	17,180,364	17,869,786	11,588,000	11,000,000	11,220,000	11,444,400	11,673,288	11,906,754	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	Held constant		
Interest and Other Revenue	2,332,922	2,145,078	169,698	11,523,872	7,345,000	7,400,000	7,474,000	7,548,740	7,624,227	7,700,470	70.3%	1.0%	1.0%	1.0%	1.0%	1.0%	Per GVI Officials		
Transfers from Other Funds																			
Matching Fund	37,160,023	63,873,822	75,000,000	19,766,000	13,800,000	8,500,000	13,800,552	17,782,723	21,992,296	26,354,455	-19.0%	-38.4%	62.4%	28.9%	23.7%	19.8%	Per GVI Officials		
Caribbean Basin	9,000,000	8,900,000	8,900,000	7,600,000	7,000,000	8,900,000	8,900,000	8,900,000	8,900,000	8,900,000	-5.5%	0.0%	0.0%	0.0%	0.0%	0.0%	Held constant		
Insurance Guaranty	13,000,000	14,900,000	25,000,000	11,000,000	8,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	-5.4%	0.0%	0.0%	0.0%	0.0%	0.0%	Held constant		
Transportation Trust Fund	10,000,000	11,500,000	11,500,000	11,500,000	10,462,000	15,800,000	15,800,000	15,800,000	15,800,000	15,800,000	4.8%	0.0%	0.0%	0.0%	0.0%	0.0%	Held constant		
All Other Transfers	18,188,391	10,857,855	7,550,000	22,237,393	11,225,000	8,900,000	8,900,000	8,900,000	8,900,000	8,900,000	6.9%	0.0%	0.0%	0.0%	0.0%	0.0%	Held constant		
EDC Benefit																			
Expirations							3,000,000	2,200,000	2,200,000	2,200,000							Per GVI Officials		
New Applications							5,000,000	25,000,000	50,000,000	75,000,000							Per GVI Officials		
Limetreet Bay Terminals																			
PILOTs				150,000	120,000,000						NM	0.0%	0.0%	0.0%	0.0%	0.0%	Per GVI Officials		
Concessions					101,000,000	14,000,000	13,000,000	14,000,000	15,000,000	16,000,000	NM	0.0%	0.0%	0.0%	0.0%	0.0%	Per GVI Officials		
Refinery Restart								20,000,000	20,000,000	20,000,000							Per GVI Officials		
Buoy Investment							3,000,000	1,000,000									Per GVI Officials		
Individual Income Tax						5,000,000	5,000,000	5,000,000	5,000,000	5,000,000							Per GVI Officials		
Other	2,351,335	3,498,539	3,418,861	3,145,044	1,185,000		4,454,812	4,633,004	4,818,324	5,011,057	10.2%	4.0%	#DIV/0!	4.0%	4.0%	4.0%	Per GVI Officials		
Other Financing Sources																			
Working Capital	197,065,000		109,640,000			55,000,000	55,000,000										Per GVI Officials		
Line of Credit				80,000,000		55,000,000											Per GVI Officials		
<b>Total Revenues</b>	<b>\$ 950,827,043</b>	<b>\$ 798,720,796</b>	<b>\$ 897,954,642</b>	<b>\$ 896,627,040</b>	<b>\$ 982,285,000</b>	<b>\$ 916,700,000</b>	<b>\$ 933,330,164</b>	<b>\$ 938,723,114</b>	<b>\$ 978,614,207</b>	<b>\$ 1,018,934,872</b>	<b>-1.9%</b>	<b>-6.7%</b>	<b>1.8%</b>	<b>0.6%</b>	<b>4.2%</b>	<b>4.1%</b>			

\*Results taken from Government's internal records.

United States Virgin Islands  
 Five-Year Financial Forecast Report, Fiscal Years  
 General Fund Expenditures

2017-2021

	Actuals*				Estimated 2016	Budgeted 2017	Projections					Avg Ann Increase 2012- present	Assumptions 2017-2021					Description
	2012	2013	2014	2015			2018	2019	2020	2021	2017		2018	2019	2020	2021		
<b>Expenditures by Object</b>																		
Personnel	\$ 293,447,461	\$ 253,055,083	\$ 268,978,000	\$ 272,190,000	\$ 278,096,000	\$ 270,869,758	\$ 270,869,758	\$ 270,869,758	\$ 270,869,758	\$ 270,869,758	\$ 270,869,758	-2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	Per GVI Officials
Hiring Plan						(8,600,000)	(8,600,000)	(8,600,000)	(8,600,000)	(8,600,000)	(8,600,000)							Per GVI Officials
Organizational Restructuring								(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)							Per GVI Officials
Fringe	104,261,026	91,538,089	100,545,000	103,641,000	120,128,000	156,439,273	158,003,666	159,583,702	161,179,539	162,791,335		-0.2%	1.0%	1.0%	1.0%	1.0%	1.0%	Per GVI Officials
Hiring Plan						(3,400,000)	(3,400,000)	(3,400,000)	(3,400,000)	(3,400,000)	(3,400,000)							Per GVI Officials
<b>Non-Personnel Costs</b>																		
Utilities	47,824,984	30,358,835	35,369,000	32,795,000	32,358,000	26,014,614	26,014,614	24,974,029	24,099,938	23,738,439		-11.8%	0.0%	0.0%	-4.0%	-3.5%	-1.5%	Held constant and expected decrease
Supplies	11,900,412	8,233,122	10,747,000	11,229,000	10,684,000	13,350,719	13,350,719	12,816,690	12,368,106	12,182,584		-1.9%	0.0%	0.0%	-4.0%	-3.5%	-1.5%	Held constant and expected decrease
Other Services and Charges	156,771,611	159,956,950	199,220,000	208,601,000	185,324,000	142,243,462	142,243,462	136,553,724	131,774,343	129,797,728		10.0%	2.0%	0.0%	-4.0%	-3.5%	-1.5%	Historical trend and expected decrease
Capital Projects	1,806,887	803,282	4,184,000	3,070,000	3,733,000	1,981,378	1,981,378	1,902,123	1,835,549	1,808,015		19.3%	5.0%	0.0%	-4.0%	-3.5%	-1.5%	Historical trend and expected decrease
Additional Appropriations												NM	0.0%	0.0%	0.0%	0.0%	0.0%	
GERS ARC Contribution							15,000,000	30,000,000	45,000,000	60,000,000								Per GVI Officials
GERS (Act 7261)							7,000,000	7,000,000	7,000,000	7,000,000								Per GVI Officials
Lump Sum Expenditures	117,573,277	123,682,825	175,569,000	101,719,000	145,158,000	165,465,879	165,465,879	158,847,244	153,287,590	150,988,276		-4.7%	5.0%	0.0%	-4.0%	-3.5%	-1.5%	Historical trend and expected decrease
Tax Refunds	55,160,713	72,771,380	82,025,000	64,721,000	69,036,000	60,000,000	61,200,000	62,424,000	63,672,480	64,945,930		5.5%	-13.1%	2.0%	2.0%	2.0%	2.0%	Historical trend and expected decrease
Debt Service	50,532,517	47,756,884	57,706,075	60,581,958	65,239,000	68,500,000	61,948,716	60,979,914	60,853,139	60,726,975		6.2%	5.0%	-9.6%	-1.6%	-0.2%	-0.2%	Per GVI Officials
New Money Bonds						15,000,000	15,000,000	15,000,000	15,000,000	15,000,000								Per GVI Officials
Transfers Out	23,817,309	12,824,841	-	2,962,518	27,349,000	9,700,000	9,700,000	9,700,000	9,700,000	9,700,000		-50.1%	0.0%	0.0%	0.0%	0.0%	0.0%	Held constant
Intrafund Contributions		2,509,407	3,414,950	1,402,111								-25.3%	0.0%	0.0%	0.0%	0.0%	0.0%	Per GVI Officials
Other					51,947,000							NM	0.0%	0.0%	0.0%	0.0%	0.0%	Per GVI Officials
Insurance Premium Reductions							(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)								Per GVI Officials
Credit Card Chargeback							(2,200,000)	(2,200,000)	(2,200,000)	(2,200,000)								Per GVI Officials
Health Insurance Cost Savings							(7,900,000)	(7,900,000)	(7,900,000)	(7,900,000)								Per GVI Officials
Other Financing Sources																		
Line of Credit Repayment							25,000,000	30,000,000										Per GVI Officials
<b>Total Expenditures (by Object)</b>	<b>\$ 863,096,197</b>	<b>\$ 803,490,698</b>	<b>\$ 937,758,025</b>	<b>\$ 862,912,587</b>	<b>\$ 989,052,000</b>	<b>\$ 917,565,083</b>	<b>\$ 947,678,191</b>	<b>\$ 952,551,184</b>	<b>\$ 928,540,443</b>	<b>\$ 941,449,041</b>	<b>0.0%</b>	<b>-7.2%</b>	<b>3.3%</b>	<b>0.5%</b>	<b>-2.5%</b>	<b>1.4%</b>		

\*Results taken from Government's internal records.

**APPENDIX B**  
**ECONOMIC ENVIRONMENT**

The following section presents statistical information relating to the general economic environment of the Territory of the US Virgin Islands (the “Territory”). Key areas of focus include trends in population, income, employment, industrial sectors, the (Real) Gross Domestic Product, housing, construction and permits, and financial institutions.

### ***General Information***

The Territory encompasses a total land mass of 135 square miles, and, according to information obtained from the U.S. Census Bureau, has a population density of 416.2 homes for each square mile, although the actual density varies much more significantly depending on location (see “Economic Exhibit-XI,” herein). The Territory consists of three primary islands, St. Croix, St. Thomas, and St. John, and is bounded by the Caribbean Sea and the North Atlantic Ocean. In addition to the three primary islands, two smaller islands are also a part of Territory, Water Island and Hassel Island. Each of the islands are comprised of unique characteristics, which result in wide-ranging overall economic and demographic profile for the Territory as a whole.

Demographically, the Territory as a whole may be characterized as an urban, suburban and rural mix. According to the USVI Bureau of Economic Research, of the three primary islands, St. Thomas and St. Croix are the most densely populated; accounting for approximately 48.4% and 47.8% of the Territories 2014 estimated population, respectively. The land mass of St. Thomas and St. Croix is 31 and 84 square miles, respectively. St. John accounted for an estimated 3.8% of the Territories 2014 population and consists of 20 square miles. More specifically, communities situated in the Northside of St. Thomas and in St. Croix’s Sion Farm, represent the most developed areas, each with population densities ranging between 10,000 to 18,481 individuals.

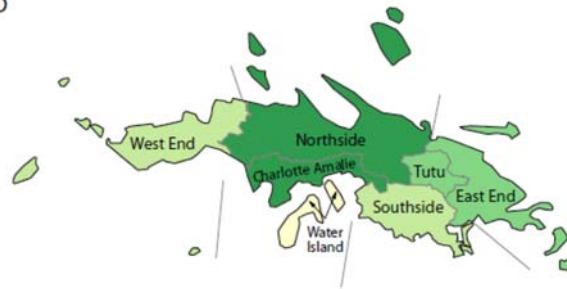
Based on information obtained from the US Census Bureau (for 2010), Economic Exhibit-I on the following page provides a comparative analysis of the population density for the Territory’s three primary islands.

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**Economic Exhibit-I**  
**2010 Population Trend – Primary Islands**

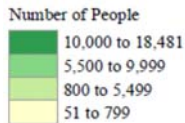
ST. THOMAS ISLAND



ST. CROIX ISLAND



ST. JOHN ISLAND



Source: Images and information extracted from the U.S. Census Bureau, 2010 Census for the USVI. Additional information can be found by visiting the official website of the U.S. Census Bureau ([www.census.gov](http://www.census.gov)).

According to the 2012 U.S. Economic Census, there were a total of 87 businesses located in the Territory which employed at least 50 individuals. These larger employers represented approximately 3.6% of all businesses located across the territory, and accounted for 54.8% of all sales. In February of 2012, the largest employer in the Territory, an oil refinery located on St. Croix, was permanently closed (see “Economic Position,” below). The impact of this closure greatly impacted the economic environment of the Territory.

According to the U.S. Energy Information Administration, tourism and related services account for the largest portion of the Territories economy. Manufacturing represents another substantial portion of the Territory’s GDP. Since 2012, after the closure of the HOVENSA oil refinery on St. Croix, the manufacturing sector has been focused predominantly on the production of rum,

pharmaceuticals, and electronics. See “Economic Position,” below. Other notable industries of the Territory include financial and professional services and export related services. According to the U.S. Census Bureau (Economic Census), for the period 2007 through 2012 the growth rate of professional services was estimated at approximately 53.9%.

**Economic Position.** A recent downturn in the global fiscal system has impacted the economy of the Territory. Although diverse, the economy of the Territory is deeply reliant on several factors which remain sensitive to fluctuations both locally and globally. In addition, a complex system of federal regulations and political matters further constrains the Territory’s ability to manage change in response to the fiscal environment. According to U.S. Central Intelligence Agency (World Factbook), the growth rate of the Territory’s (real) GDP ranked 215 of the 225 countries that were measured. Several key components of the Territory’s economy, including tourism, oil refining, and rum production, are further discussed below.

*Oil and Petroleum Products.* According to the U.S. Energy Information Administration (the “EIA”), the Territory, similar to islands in the Caribbean, contains no fossil energy resources. As such, petroleum products, such as oil, gasoline, and kerosene, must be imported. Nevertheless, until 2012 the petroleum industry was a leading component in the Territory’s economy. This is because the Island of St. Croix was home to one of the world’s largest crude oil refineries, HOVENSA. According to the EIA, during its operation the St. Croix refinery supplied approximately 350,000 barrels a day of refined products primarily to the U.S. Gulf Coast, the eastern seaboard, and to most of the Territory. The supply of crude oil was generally sourced from Venezuela. After several years of negative results, in December of 2011 HOVENSA reached an agreement to commence a shutdown of operations in St. Croix. On February 21, 2012, after 45 years of operations, the closure of the facility was complete.

As the Territory’s largest private sector employer, the closure of the Hovensa refinery sent shockwaves through the area’s economic system. Employment levels were significantly impacted which resulted in a decline in household spending. As a result, local demand for certain products diminished and several small businesses were also forced to close. In addition, the Territory lost important governmental tax revenue, further constraining the Territory’s fiscal system.

Since its closure in 2012, ownership of the HOVENSA refinery site has been transferred. On December 29, 2015, the legislature of the Government ratified an operating agreement between the Government and Limetree Bay Terminals, LLC (“Limetree”). Pursuant to the agreement, Limetree will own and operate the idled refinery. It is anticipated that operation will commence in various phases over the next several months to years.

*Tourism.* Tourism and related services represents the primary economic activity of the Territory. According to information obtained from the World Travel and Tourism Council

(the “WTTC”), in 2014 tourism directly accounted for an estimated 11.3% of the Territory’s GDP. However, since tourism influences several components of economy, the collective effect is much larger. In fact, for 2014, the WTTC estimates that the broad effect of tourism represented nearly 30.0% of Territory’s GDP. Furthermore, the WTTC expects tourism related revenue will grow annually by 2.6% through 2025. During 2014, the tourism industry was estimated to account for approximately 12,000 jobs in the Territory. The WTTC expects this amount will also increase, by 1.4% annually, through 2025. According to U.S. Central Intelligence Agency (World Factbook), approximately 3 million people annually travel to or visit the Territory. Cruise ships account for a large percentage of these visitors. However, due to elements which are beyond the direct control of the Territory, forecasting future levels of tourism is an exceptionally difficult task. The tourism industry is highly sensitive to fluctuations in the global economy and can also be influenced by climate and weather conditions.

*Rum Production.* Historically, rum distilling has been one of the largest components of the Territory’s fiscal system. However, over many years the manufacturing industry in the Territory expanded to include refined oil products, pharmaceuticals, and electronics. Nevertheless, with the closure of the Hovensa petroleum refinery in February of 2012, rum has again emerged as an increasingly important component of the Territory’s economy. According the USVI Bureau of Economic research, there are two primary rum distilleries located within the Territory, Suntory Beam, Inc. and Diageo Plc.

**General Information – St. Thomas.** Well positioned along the Anegada Passage, a deep-water straight in the Caribbean Sea which acts as a shipping lane for the Panama Canal, St. Thomas’s economy is fortified by a bolstering commercial base. Tourism and trade represent the foundation of this base. In addition, government plays a significant role in the economy of St. Thomas. Located on the Island is Charlotte Amalie, the capital and largest city of the Territory, with an estimated 2010 population of 18,481 (U.S. census Bureau).

**General Information – St. Croix.** Comprised of a total land mass of 84 square miles, St. Croix is physically the largest of the three primary islands of the Territory. Like St. Thomas, tourism plays an important role in the local economy of St. Croix’s. However, manufacturing represents the most important component of St. Croix’s economy. Prior to the 2012 closure of the Hovensa petroleum refinery, the composition of the manufacturing sector on St. Croix was heavily influenced by oil related products. Since 2012, the production of rum continues to foster a robust manufacturing base for St. Croix. In addition, St. Croix is the heart of all research and development related activities for the Territory. The University of the Virgin Islands Research and Technology Park is headquartered on St. Croix, and was designed to cultivate investment in the territory through various programs.

**General Information – St. John.** With the least dense population, approximately two thirds of St. John’s 20 square mile land mass constitutes national park land. The unblemished scenery, world-renowned beaches, and geographic proximity to St. Thomas make St. John a natural

destination for tourists. In addition, St. John is home to some of the Territory’s most lavish homes and hotels, making it a destination for wealthy travelers.

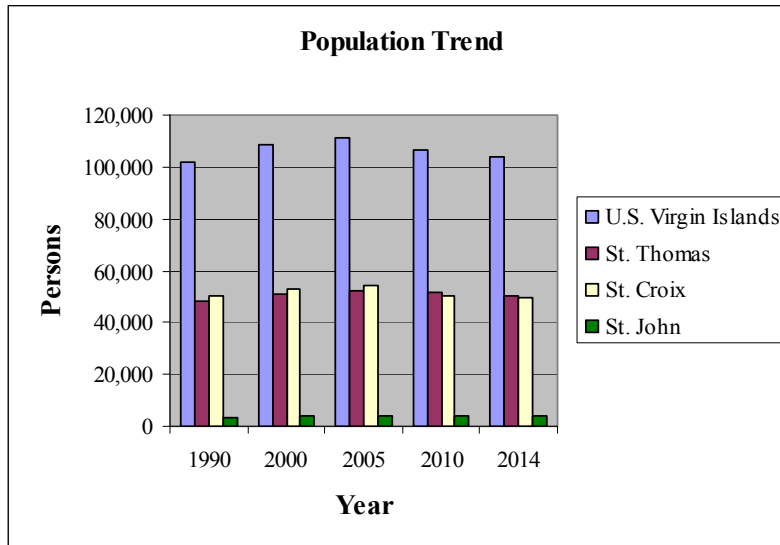
**Population Statistics**

Since 1990, the population of the Territory shows an overall increase of 2,152 individuals, or 2.1%. The population of the Territory peaked in 2008 when it reached and estimated 115,784 persons. Since 2008, the population has demonstrated annual declines to its current 2014 level of 103,961. Economic Exhibit-II provides a comparative analysis of the population for the Territory as a whole, each of the three primary islands, and the United States.

**Economic Exhibit-II  
Population Trend – 1990 Through 2014**

Year	U.S Virgin Islands	St. Thomas	St. Croix	St. John	United States
1990	101,809	48,166	50,139	3,504	248,709,873
2000	108,612	51,181	53,234	4,197	273,643,273
2005	111,470	52,528	54,635	4,307	295,753,151
2010	106,405	51,634	50,601	4,170	308,745,538
2014	103,961	50,316	49,656	3,989	317,107,084

Source: The USVI Bureau of Economic Research and the U.S. Department of Commerce, Bureau of the Census.



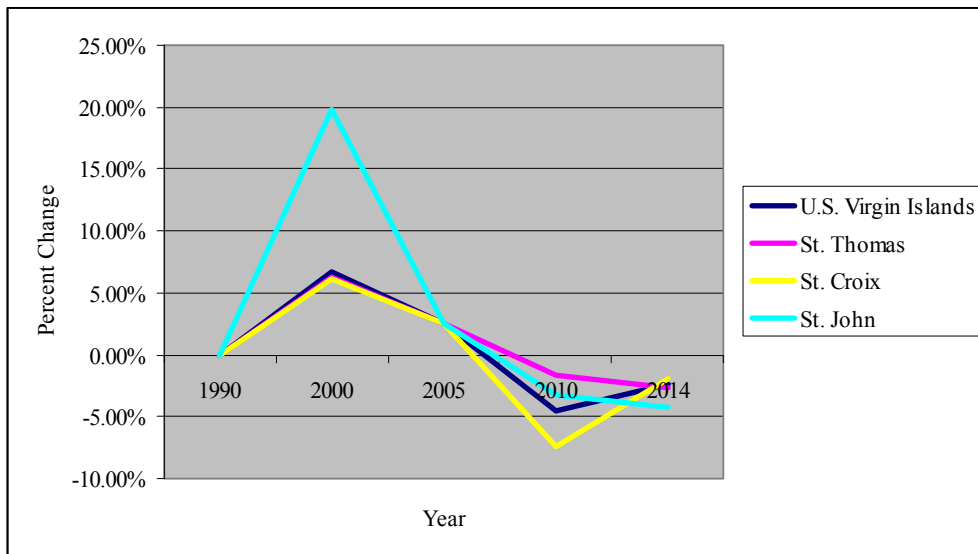
Source: The USVI Bureau of Economic Research and the U.S. Department of Commerce, Bureau of the Census.

Economic Exhibit-III provides an analysis of the percent change to the populations since 1990 for the Territory as a whole, each of the three primary islands, and for the United States.

**Economic Exhibit-III  
% Change of Population– 1990 Through 2014**

% Change	U.S Virgin Islands	St. Thomas	St. Croix	St. John	United States
1990	BASE	BASE	BASE	BASE	BASE
1990 to 2000	6.7%	6.3%	6.2%	19.8%	10.0%
2000 to 2005	2.6%	2.6%	2.6%	2.6%	8.1%
2005 to 2010	-4.5%	-1.7%	-7.4%	-3.2%	4.4%
2010 to 2014	-2.3%	-2.6%	-1.9%	-4.3%	2.7%

Source: The USVI Bureau of Economic Research and the U.S. Department of Commerce, Bureau of the Census.



Source: The USVI Bureau of Economic Research and the U.S. Department of Commerce, Bureau of the Census.

**Personal Income Statistics**

**Per Capita Personal Income.** According to information obtained from the USVI Bureau of Economic Research and the U.S. Census Bureau, the per capita money income for residents of the Territory was estimated to be \$21,353, which represents an increase of 66.8% since 1990. Economic Exhibit-IV and Economic Exhibit-V on the following page provide an analysis of the per capita personal income per capita for residents of the Territory and the United States for the periods 1990 through 2014.

As shown in Economic Exhibit-V the per capita personal income for the Territory well exceeded the rate of growth reported for the United States for the measured periods 2000 through 2005 and 2005 through 2010. However, for 2010 through 2014 per capita personal income for the Territory was below the rate of growth reported for the United States.

**Economic Exhibit-IV**  
**Per Capita Personal Income**

Year	U.S Virgin Islands	United States
1990	\$12,799	\$19,591
2000	16,657	30,602
2005	20,620	35,904
2010	25,603	40,277
2014	21,353	46,049

Source: The USVI Bureau of Economic Research and the U.S. Bureau of Economic Analysis.

Economic Exhibit-V below provides an analysis of the percent change in per capita personal income for residents of the Territory and the United States for the periods 1990 through 2014.

**Economic Exhibit-V**  
**% Change of Per Capita Personal Income – 1990 Through 2014**

% Change	U.S Virgin Islands	United States
1990	BASE	BASE
1990 to 2000	30.1%	56.2%
2000 to 2005	23.8%	17.3%
2005 to 2010	24.2%	12.2%
2010 to 2014	-16.6%	14.3%

Source: The USVI Bureau of Economic Research and the U.S. Bureau of Economic Analysis.

Economic Exhibit-VI below provides an analysis of household incomes for residents of the Territory as a whole and the primary islands for 2010.

**Economic Exhibit-VI**  
**Median Income of Households - 2010**

Median Household Income	Income Groups - % of Households					
	Under \$25,000	\$25,000 -49,999	\$50,000 -74,999	\$75,000 -99,999	\$100,000 Or More	
U.S Virgin Islands	\$37,254	34.8%	26.9%	16.9%	9.3%	12.1%
St. Thomas	38,232	32.9	28.2	17.4	9.4	12.2
St. Croix	36,042	37.5	25.0	16.1	9.2	12.2
St. John	40,649	29.8	28.9	18.6	10.2	12.5
United States	51,914	23.6	24.6	18.6	12.3	20.9

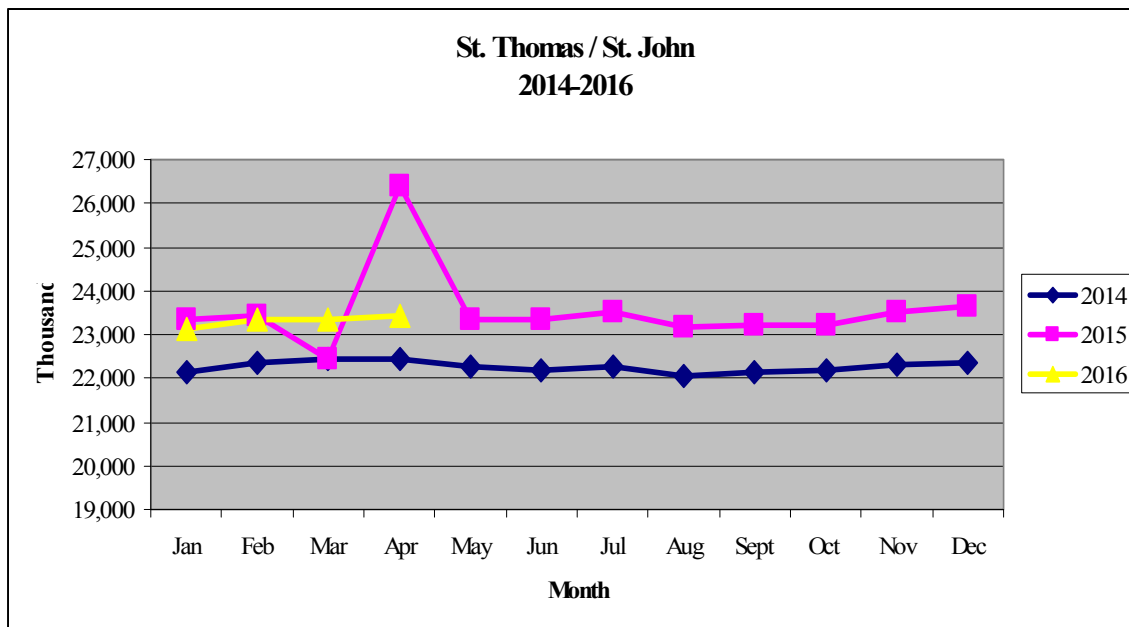
Source: The U.S. Department of Commerce, Bureau of the Census.

### Employment Statistics

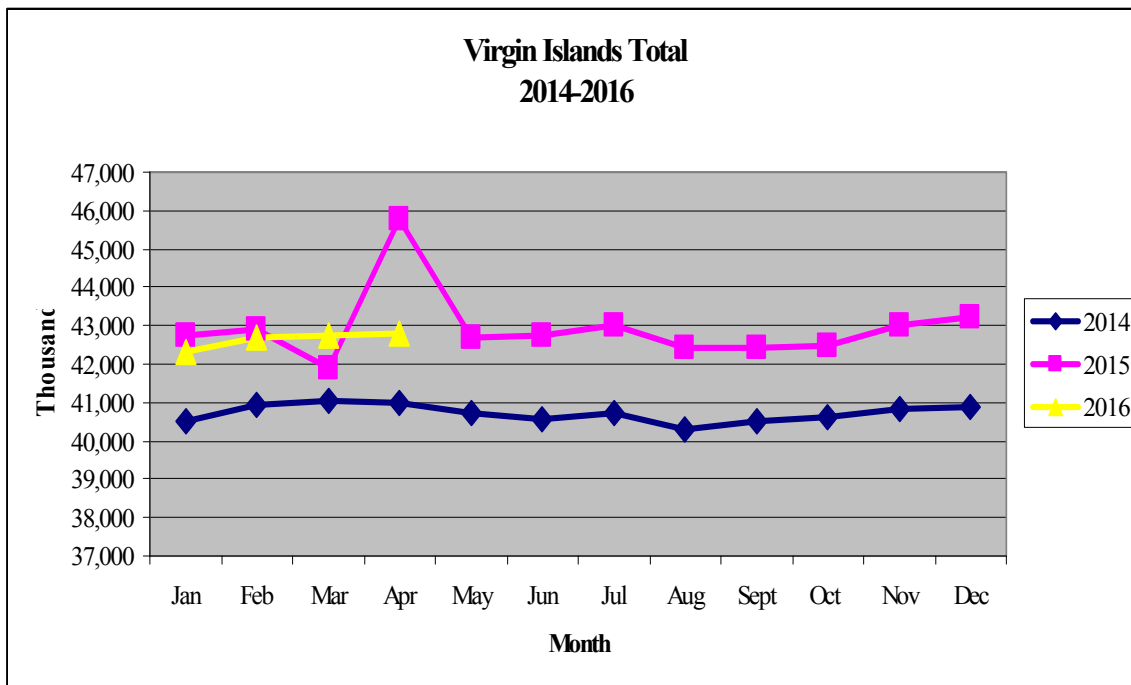
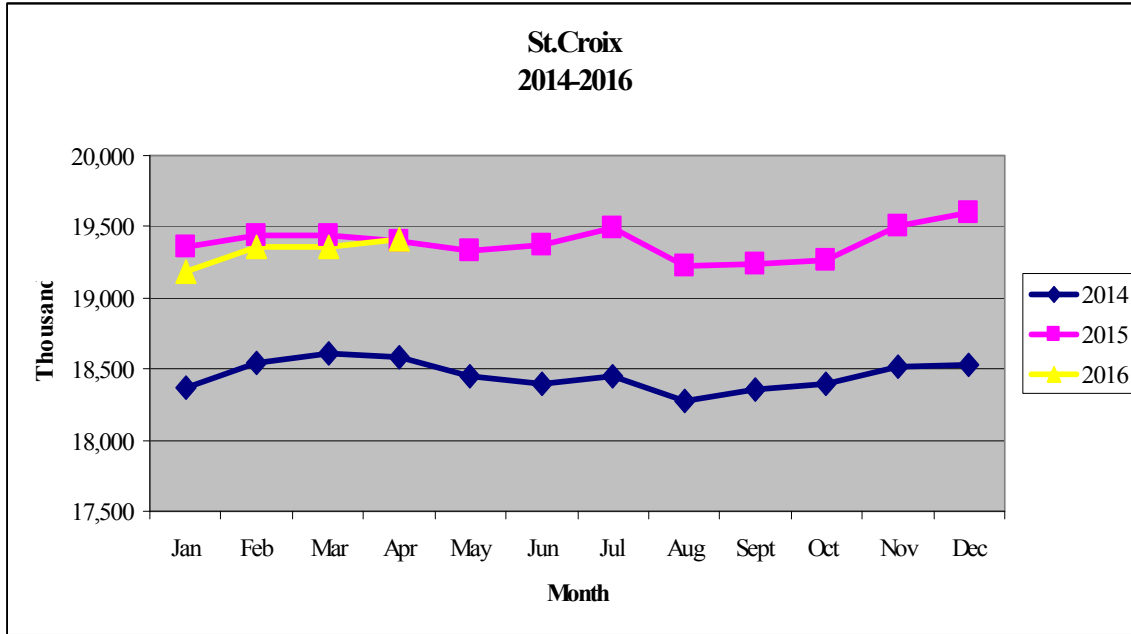
According to information obtained from the USVI Bureau of Economic Research, the Territory’s civilian labor force was estimated at 46,784 for 2014. During 2014, approximately 87.0% of the labor force was employed. A majority of the Territory’s labor force is employed in the service related sector or in a government job (representing 22.3% and 27.1% of the 2014 Territory jobs, respectively). Leisure & Hospitality also represents an important component of the Territory’s economy, accounting for 17.8% of Territory jobs in 2014, according to the USVI Bureau of Economic Research.

**Employed Civilian Labor Force – The Territory.** Economic Exhibit-VII below provides a three year history of the employed civilian labor force for the Territory as a whole and for the primary islands. The information for St. Thomas and St. John has been combined.

**Economic Exhibit-VII**  
**Civilian Labor Force – 2014 Through 2016 (Year to date)**



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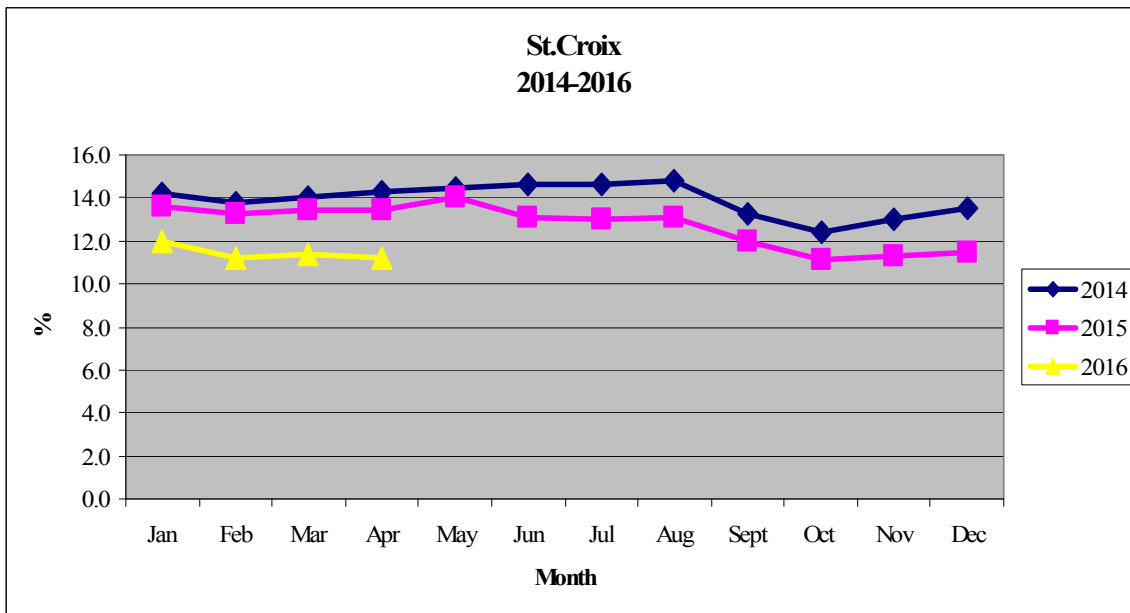
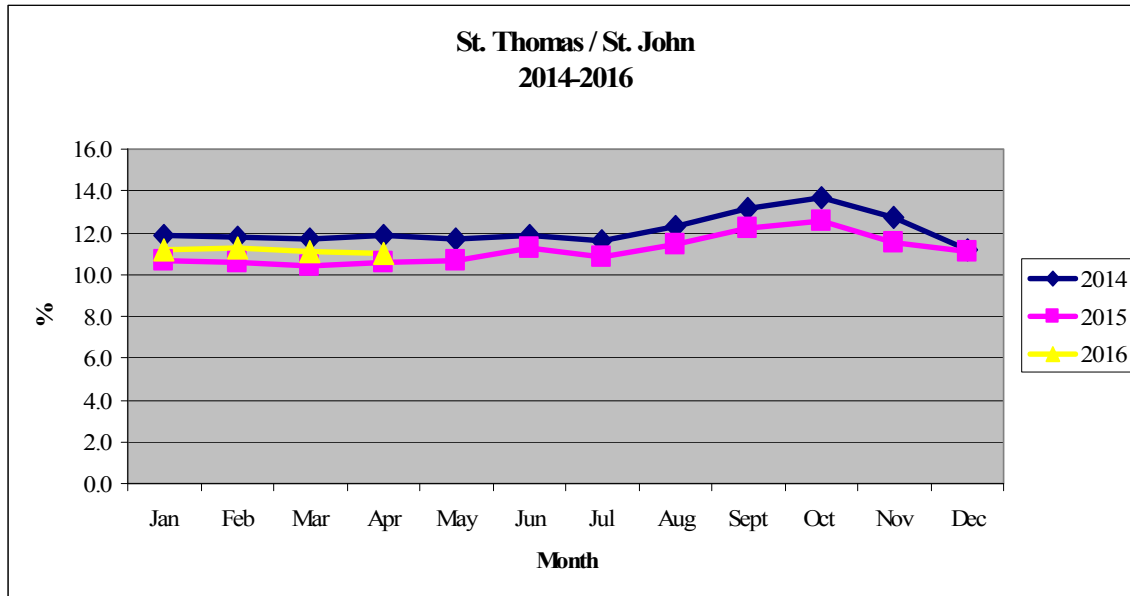


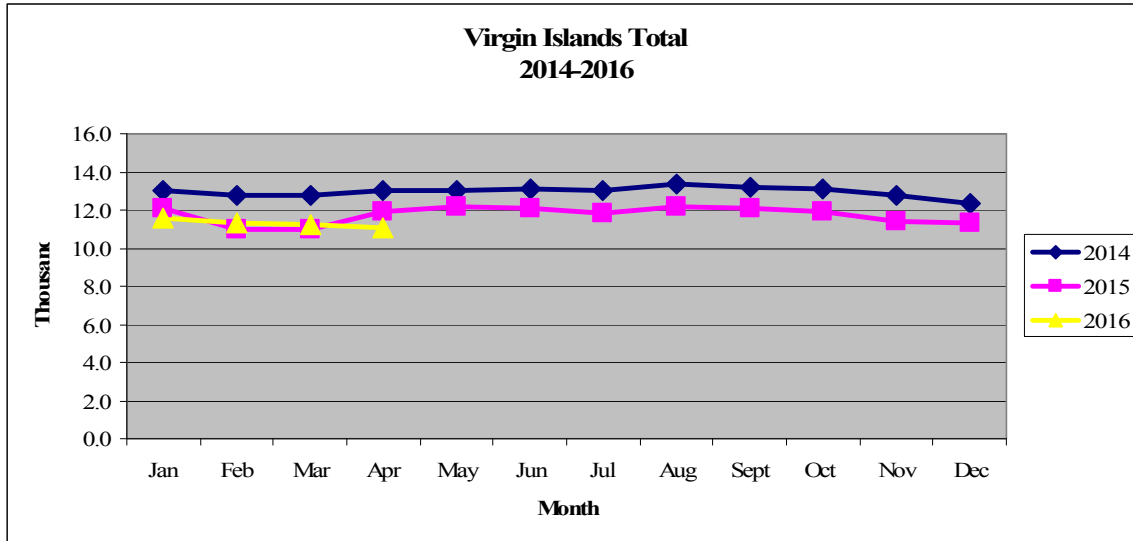
Source: Images and information extracted from the USVI Bureau of Economic Research. Additional information can be found by visiting the official website of the USVI Bureau of Economic Research (<http://www.usviber.org>).



**Unemployment Rate – 3 Year Analysis (The Territory).** Economic Exhibit-VIII below provides a three year history of the unemployment rate for the Territory as a whole and for the primary islands. The information for St. Thomas and St. John has been combined.

**Economic Exhibit-VIII**  
**Unemployment Rate – 2014 Through 2016 (Year to Date)**





Source: Images and information extracted from the USVI Bureau of Economic Research. Additional information can be found by visiting the official website of the USVI Bureau of Economic Research (<http://www.usviber.org>).

**Unemployment Rate – Comparative Analysis.** As a whole, unemployment rates in the Territory have traditionally exceeded those of the United States, but have consistently improved since 2013 on an annual basis (see “Economic Exhibit-IX,” below). Since 2011 unemployment rates in St. Thomas and St. John (combined) have been lower than those in St. Croix.

Economic Exhibit-IX below provides a comparative analysis of unemployment rates for the Territory as a whole, the primary islands, and the United States, for the period 2011 through 2016.

**Economic Exhibit-IX  
Average Unemployment Rates – Comparative Analysis**

Year	The Territory	St. Thomas / St. John	St. Croix	United States
2011	8.9%	8.5%	9.8%	8.9%
2012 <sup>(2)</sup>	11.7	9.6	14.1	8.1
2013	13.4	11.8	15.1	7.4
2014	13.0	12.1	13.9	6.2
2015	11.9	10.6	13.4	5.3
2016: <sup>(1)</sup>				
Jan	11.6	11.2	12.0	5.3
Feb	11.3	11.3	11.2	5.2
Mar	11.2	11.1	11.4	5.1
Apr	11.1	11.0	11.2	4.7

(1) Monthly Rates.

(2) During 2012 the Territory’s largest employer, HOVENSA, ceased operations. See “General Information,” herein.

Source: The USVI Bureau of Economic Research and the U.S. Bureau of Labor Statistics.

**Territory Jobs by Sector.** Economic Exhibit-X provides a five year history of measured job sectors for the Territory as a whole.

**Economic Exhibit-X**  
**Territory Jobs by Sector –2010 Through 2014 (Persons Employed) <sup>(1)</sup>**

JOBS BY SECTOR (PERCENTAGE):	The Territory				
	2014	2013	2012 <sup>(2)</sup>	2011	2010
Construction & Mining	4.1%	4.0%	4.2%	6.1%	6.2%
Manufacturing <sup>(2)</sup>	1.6%	1.6%	2.7%	6.2%	6.3%
Transportation, Warehouse & Utilities	3.6%	3.7%	3.3%	4.7%	4.5%
Wholesale & Retail Trade	16.3%	16.5%	16.5%	20.3%	19.9%
Financial Activities	5.4%	5.5%	5.4%	7.0%	7.0%
Leisure & Hospitality	17.8%	17.7%	17.2%	21.8%	21.6%
Information	1.8%	1.9%	1.9%	2.4%	2.3%
Services (Prof. & Business, Educational, Health & Other)	22.2%	22.2%	21.7%	28.7%	27.1%
Federal Government	2.3%	2.3%	2.2%	2.8%	2.9%
Territorial Government	24.8%	24.6%	24.8%	34.2%	35.9%
Construction & Mining	4.1%	4.0%	4.2%	6.1%	6.2%

(1) Numbers may ad exactly due to rounding.

(2) During 2012 the Territory’s largest employer, a crude oil refinery, ceased operations. See “General Information,” herein.  
Source: The USVI Bureau of Economic Research.

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***(Real) Gross Domestic Product (“GDP”)***

Since 2005, the real GDP of the Territory has oscillated to some extent, peaking in 2008 when it measured \$4,502 million. Economic Exhibit-XI provides a ten year history of the Territory’s real GDP. The first table in Economic Exhibit-XI includes comparative information on the real GDP of the United States.

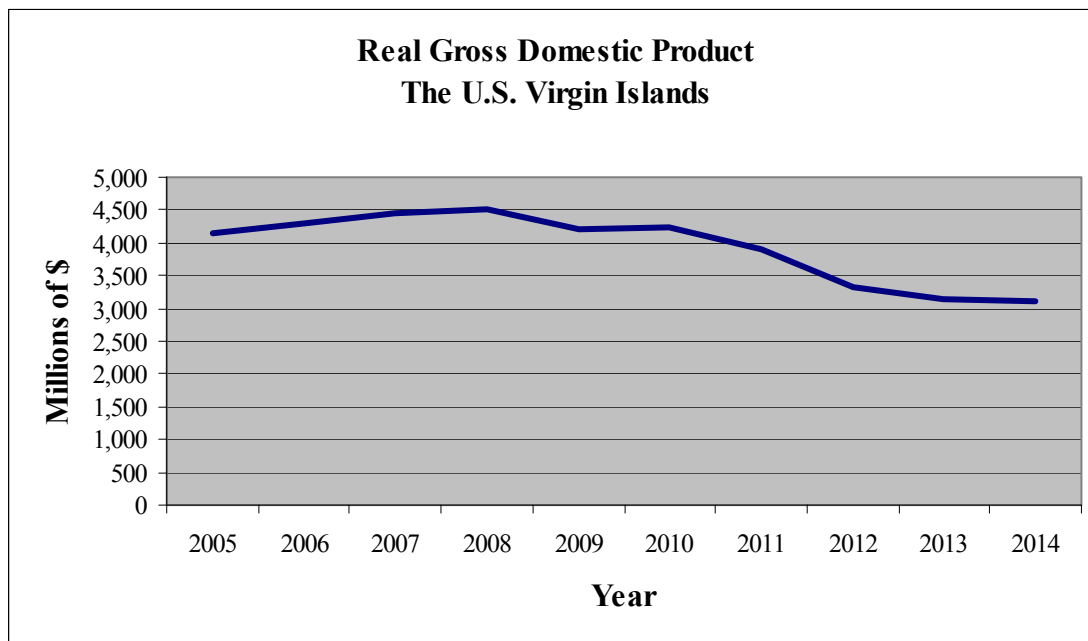
**Economic Exhibit-XI  
(Real) Gross Domestic Product – 2005 Through 2014 (In Millions of \$)**

Year	U.S Virgin Islands		United States	
	MILLIONS <sup>(1)</sup>	Annual % Change	BILLIONS <sup>(1)</sup>	Annual % Change
2005	\$4,137	BASE	\$13,094	BASE
2006	4,287	3.6%	13,856	5.8%
2007	4,460	4.0	14,478	4.5
2008	4,502	0.9	14,719	1.7
2009	4,203	(6.6)	14,419	(2.0)
2010	4,241	0.9	14,964	3.8
2011	3,895	(8.2)	15,518	3.7
2012 <sup>(2)</sup>	3,310	(15.0)	16,155	4.1
2013	3,135	(5.3)	16,663	3.1
2014	3,116	(0.6)	17,348	4.1

(1) Chained in 2009 dollars.

(2) During 2012 the Territory’s largest employer, a crude oil refinery, ceased operations. See “General Information,” herein.

Source: The U.S. Bureau of Economic Analysis.



Source: The U.S. Bureau of Economic Analysis.

### ***Housing Statistics***

Residents of the Territory live in various types of housing units, resulting in a diverse housing stock. According to information obtained from the U.S. Census Bureau, the Territory consisted of 55,901 total housing units, of which 48.6% were located on St. Thomas, 45.2% were located on St. Croix, with the remaining 6.2% located on St. John. Of the primary islands, St. Thomas was the most densely populated in terms of housing units, averaging 867.8 homes per square mile. At \$661,017 and \$1,012, respectively, the median (owner-occupied) home values and rents of homes on St. John far exceeded the other islands by comparison. Housing units on St. Croix are predominantly owner occupied, which was unique when compared to the other primary islands.

Based on information obtained from the US Census Bureau (for 2010), Economic Exhibit-XII and Economic Exhibit-XIII provide additional details relating to the Territory's housing stock.

**Economic Exhibit-XII  
Housing Stock – 2010**

	Total Number of Units	Number of Homes Per Sq. Mile	Occupancy Status (%)		
			Owner Occupied	Renter Occupied	Vacant
US Virgin Islands	55,901	416.2	37.0%	40.3%	22.7%
St. Thomas	27,173	867.8	32.2	47.1	20.7
St. Croix	25,275	303.3	43.8	34.4	21.8
St. John	3,453	175.4	25.5	29.3	45.2

Source: U.S. Department of Commerce, Bureau of the Census.

**Economic Exhibit-XIII  
Median Housing Values and Rents – 2010**

	Median Value Owner Occupied Units	Median Rent
US Virgin Islands	\$254,296	\$767
St. Thomas	293,563	813
St. Croix	208,132	657
St. John	661,017	1,012

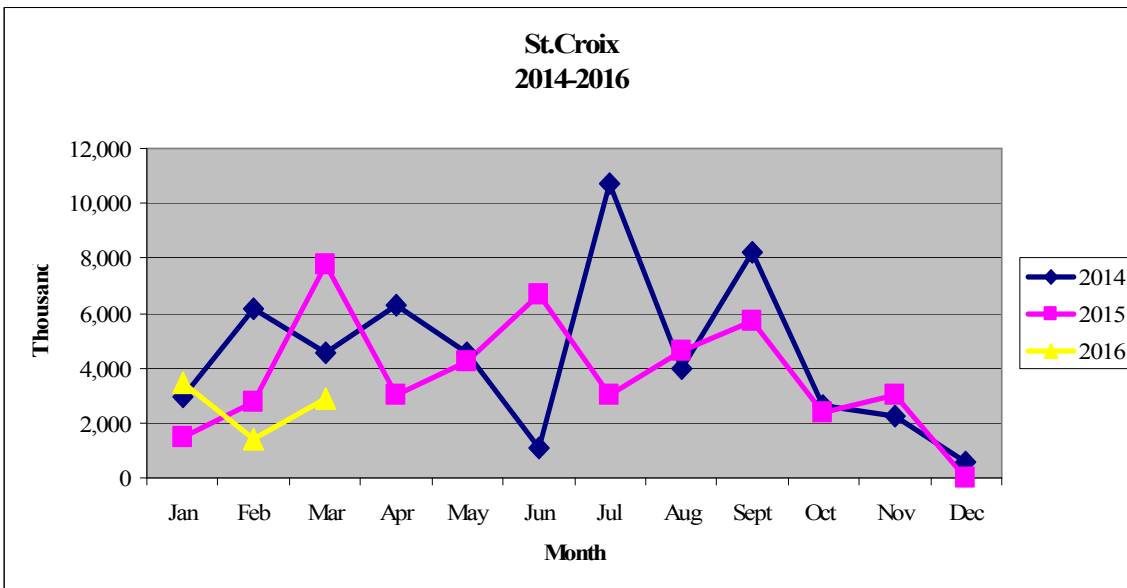
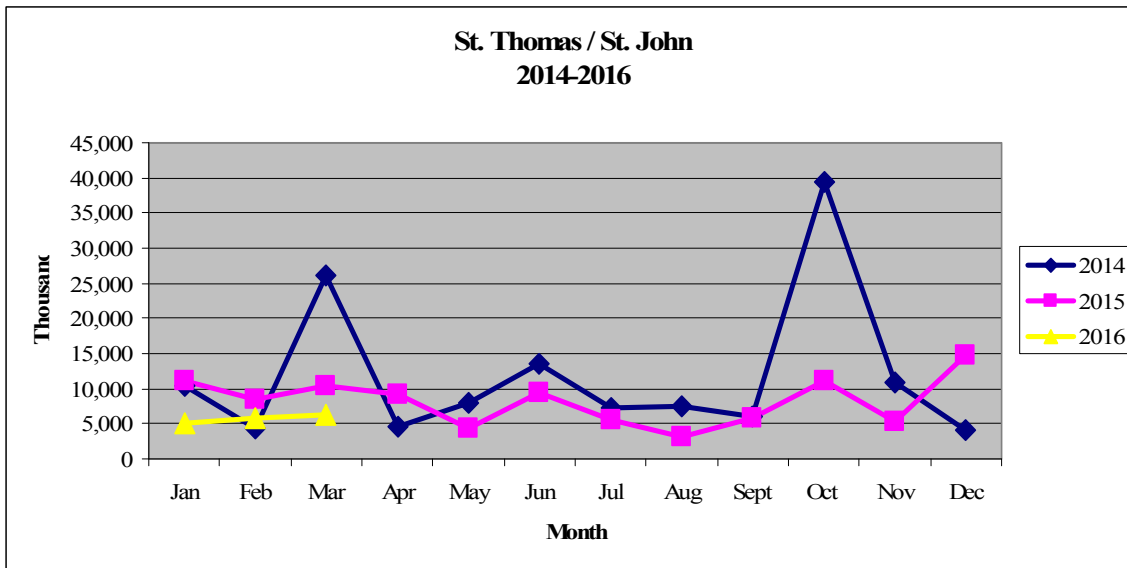
Source: U.S. Department of Commerce, Bureau of the Census.

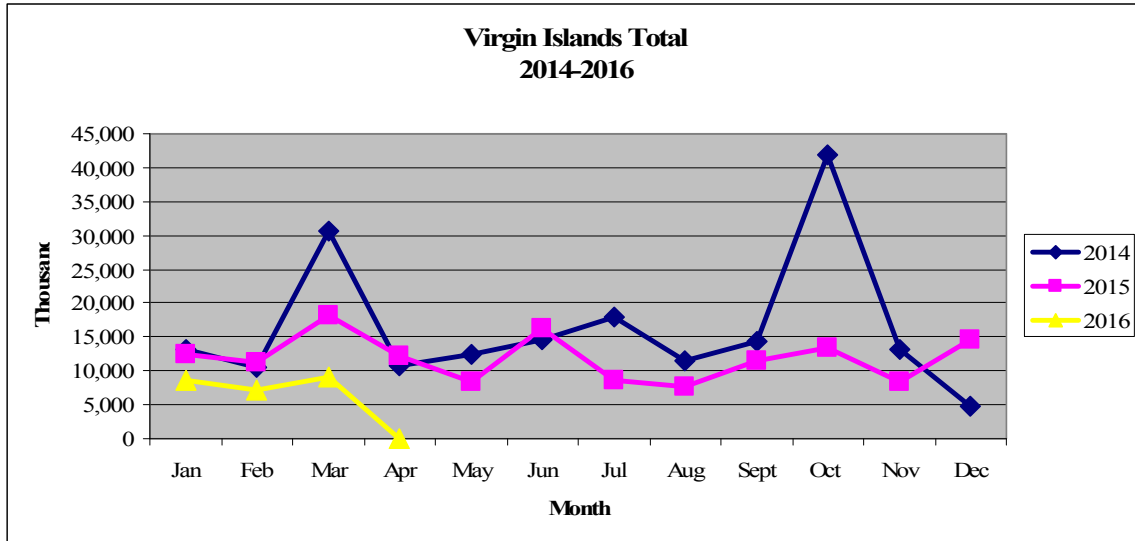
### ***Construction and Permit Statistics***

**Construction Permits.** According to information obtained from The USVI Bureau of Economic Research, the total value of construction permits for 2015 was approximately \$143.2 million. Combined, the Islands of St Thomas and St. John accounted for 68.8% of this amount, while St. Croix accounted for the remaining 31.2%. For 2016, through March, the total value of construction permits was estimated at \$25.0 million, which was behind the measure at this time during 2015.

Economic Exhibit-XIV on the following page provides a history of the total value of construction permits for each of the years 2014 and 2015, and for 2016 (as of March 2016). Included are breakdowns for the Territory as a whole and for the primary islands. The information for St. Thomas and St. John has been combined.

**Economic Exhibit-XIV**  
**Total Value of Construction Permits – 2014 Through March of 2016 (Monthly)**



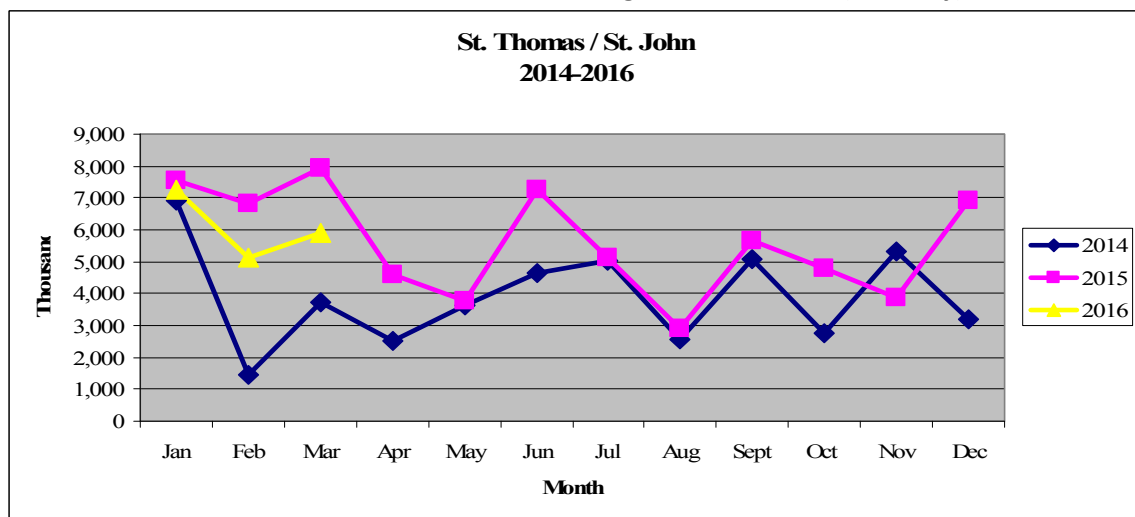


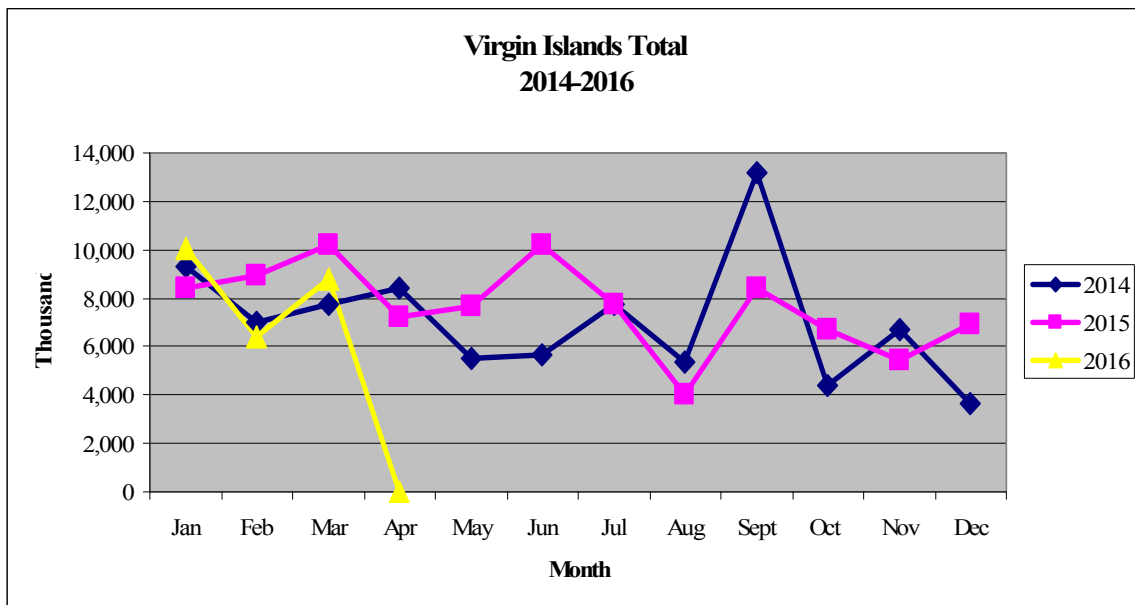
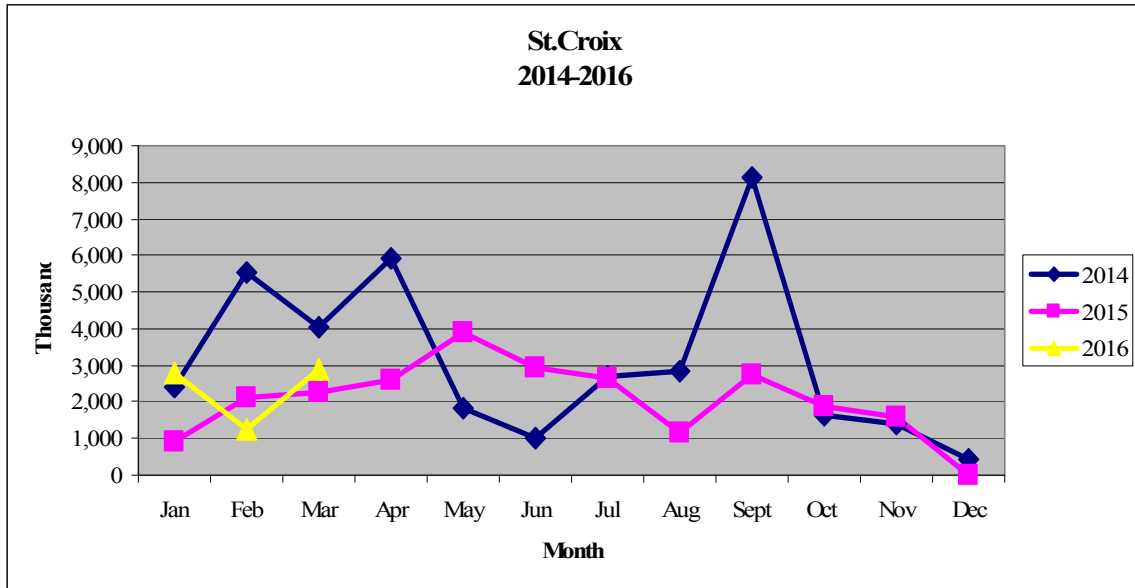
Source: Images and information extracted from the USVI Bureau of Economic Research. Additional information can be found by visiting the official website of the USVI Bureau of Economic Research (<http://www.usviber.org>).

**Private Residential Permits.** According to information obtained from the USVI Bureau of Economic Research, the total value of private residential permits for 2015 was \$91.9 million. Combined, the Islands of St Thomas and St. John accounted for 73.1% of this amount, while St. Croix accounted for the remaining 26.9%. For 2016, through March, the total value of construction permits was estimated at \$18.2 million, which was behind the measure during the same period for 2015.

Economic Exhibit-XV provides a (monthly) history of the total value of private residential permits for each of the years 2014 and 2015, and for 2016 (through March 2016). Included are breakdowns for the Territory as a whole and for the primary islands. The information for St. Thomas and St. John has been combined.

**Economic Exhibit-XV**  
**Total Value of Permits – 2014 Through March of 2016 (Monthly)**





Source: Images and information extracted from the USVI Bureau of Economic Research. Additional information can be found by visiting the official website of the USVI Bureau of Economic Research (<http://www.usviber.org>).

**Financial Institutions**

According to information obtained from the Federal Deposit Insurance Corporation, four commercial banks have 22 branch offices located within the Territory. The commercial saving banks in the Territory had total deposits of approximately \$1.7 billion as of June 30, 2015.



### ***Economic Forecast***

According to information obtained from the Office of the Governor's Chief Economist & Fiscal Policy Advisor (the "Chief Economist"), the Government expects economic growth in the general range of 0.37% to 1.87% through 2021. However, such expectations should be considered as extremely preliminary and will remain subject to changes based on a multitude of economic factors, many of which are highly interconnected.

The Chief Economist's assumptions take into account the Territory's demographic profile and recent wage increases, which are expected to have a positive impact on consumer spending habits. With consumption in the Territory's economy ranging from 60% to 70%, as noted by the Chief Economist, the relationship between consumption and income levels is expected to foster future economic growth. Consequently, economic growth will be also be advantageous for the Territory's private sector.

As noted, the forecast will be subject to change based on the actual performance of various economic sectors; including, consumption, investment, governmental actions, and other foreign trade sectors. The Chief Economist's analysis provides a one dimensional framework, which is founded on the Territory's fiscal system. As such, sound long-term financial reporting is critical to the Territory's economy.