

US VIRGIN ISLANDS
SUSTAINABLE FINANCING FOR TERRITORIAL
PARKS AND PROTECTED AREAS
ACTION PLAN

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ACRONYMS AND ABBREVIATIONS

CRCP	Coral Reef Conservation Program
CTF	Conservation Trust Fund
DPNR	Department of Planning and Natural Resources
DSPR	Department of Sports, Parks and Recreation
DTPPA	Division of Territorial Parks and Protected Areas
EDA	Economic Development Authority
EDC	Economic Development Commission
NOAA	National Oceanic and Atmospheric Administration
PA	Protected Area
SEA	St. Croix Environmental Association
SHPO	State Historic Preservation Office
STT	St. Thomas
SUCCEED	St. Croix Unified for Community, Culture, Environment and Economic Development Inc.
TVIL	Trust for the Virgin Islands Lands
TNC	The Nature Conservancy
TPTF	Territorial Parks Trust Fund
VI	Virgin Islands

1.0 INTRODUCTION AND BACKGROUND

The workshop “Building capacity to implement sustainable conservation finance mechanisms in the US Virgin Islands” is part of the National Oceanic and Atmospheric Association’s Coral Reef Conservation Program (NOAA CRCP) funded cooperative agreement with The Nature Conservancy (TNC), “*Addressing Global Threats at Local Scales in Coral Reef Communities*”. TNC is working with the government and stakeholders of the US Virgin Islands to develop a Protected Areas (PA) System Plan with an accompanying sustainable financing structure and mechanisms to fund the PAs.

The workshop was held on March 12-13, 2014 at The Nature Conservancy Great House, and had representation from various stakeholders, government entities, consultants, NGOs and NOAA-CRCP. The agenda for the workshop is provided in Annex 1. Day 1 of the workshop was focused on setting the context; and establishing the legal and institutional setting for the development of a trust fund; while Day 2 was focussed on defining potential sustainable finance mechanisms.

This work plan is developed in support of implementation and defines the steps to establish a Trust Fund with enactment of legislation and development of sustainable financing mechanisms to capitalize the fund.

2.0 COMPONENTS FOR IMPLEMENTATION

The key elements to be considered for implementation of the Trust Fund and supporting sustainable finance mechanisms, and for which some actions have been defined in this action plan are:

1. Passing the Territorial Parks Trust Fund (TPTF) legislation (amendment to current legislation)
2. Making the TPTF operational, and
3. Development and implementation of priority sustainable finance mechanisms

Supporting Territorial Parks System actions include:

1. Establishing an Advisory Council with a 5 years life span
2. Development of a new Division of Territorial Parks and Protected Areas (Parks)
3. Consolidation of the Parks system

2.1 Key considerations emerging from the stakeholders' planning workshop

Key considerations emerging from the stakeholders' planning workshop are:

- There are two options for the Trust Fund: i) as a Trust “to accommodate the acquisition of properties by the Government of the Virgin Islands for the Territorial Park System” and ii) an umbrella fund that combine the function of i) with a revolving fund that “captures revenue generated by the park system or on behalf of the park system”. For option i) a separate revolving fund would be managed by Government; while for Option ii) the Trust would manage both, acting as an umbrella with the ability to manage multiple sub-accounts. An umbrella fund will be able to accommodate multiple sub-accounts or windows and where required, there will be no co-mingling of funds. The umbrella fund benefits from economies of scale and allows for one investment effort, thus reducing investment management costs. There is an example of an umbrella type fund existing in the US VI, that is, for the DPNR's State Historic Preservation Office (SHPO)
- A feasibility study will have to be conducted to inform the selection of revolving fund mechanisms to be applied
- Proposed composition for the Board of Trustees is a hybrid 9 member Board (two ex officio; three appointed by government and four appointed by the Board of Trustees). The two ex officio members are: the Commissioner of Planning and Natural Resources and the Commissioner of Sports, Parks and Recreation. The terms will be staggered over 6 years to allow for smooth transition between changes in government
- In selecting members of the Board of Trustees, a resident of St. Thomas and St. John's district would also include Water Island
- Five financing mechanisms were proposed for further development. These are: cruise head tax; air travel fee; Economic Development Commission (EDC) companies taxed by Economic Development Authority (EDA); a hotel bed fee; and Stamp tax / transfer fee for land sales. These are complemented by a “Friends of” type organization.

2.2 Enacting the United States Virgin Islands Territorial Parks and Protected Areas Trust Fund legislation

There is existing legislation for the Territorial Park System and a Territorial Park Trust Fund (TPTF). The TPTF was created in 2003 by Act 6634. The Trust is established to accommodate the acquisition of properties by the Government of the Virgin Islands for the Territorial Parks System. The law currently provides for three non-public sector appointments to the Board of Trustees, one from each island. A recent review of the Territorial Parks System (Knight¹, *undated*) has recommended increasing non-public sector participation to 5 members. The review recommended increasing the Trustees from five to seven members (2 public ex-officio) and 5 private. The deliberations of the workshop will also be included in the considerations for amendments to the legislation.

From the workshop, some initial concerns raised on the existing TPTF legislation that should be considered in its completion include:

¹ Knight, K. undated. Territorial Parks System: Review and Recommendations.

- Consideration to expand the TPTF to a Conservation Trust Fund² (umbrella fund)
 - Currently the TPTF is focused solely on the acquisition of lands for protection but is recommended to also incorporate a revolving fund that can incentivize the Fund with regular, stable sources of funding (e.g. fees, taxes, rentals and concessions)
 - An endowment fund, that sets aside a portion of the funds for investment for long term financing should also be considered
- Consideration for Board composition and skills³
 - The workshop recommended a hybrid Board structure with nine members (2 ex-officio; 3 appointed by the Senate; and four appointed by the Board of Trustees)
 - Board skills will include finance and members must be knowledgeable in acquisition and management of natural areas
- Provisions should be made to ensure transparency and accountability, including communication on how funds are spent and the impact of use of these funds towards management of the Parks System
- Highlighted the importance of setting targets and for monitoring and evaluation
- Development of a Territorial Parks System Plan that provides management guidance for the consolidated system
 - There was concern regarding having to await completion of such a plan; it was suggested that the Plan could be an activity conducted during the establishment of the TPTF or could be an activity supported by the Fund
 - An associated sustainable financing plan would accompany the System Plan document and provide the information on the level of funding needed to finance management of the Territorial Parks System. This will also provide a funding target for the Fund.

Led initially by the Department of Planning and Natural Resources (DPNR), key activities to amend the legislation include:

1. Complete draft legislation
2. Secure staffing and funding for the new Division of Territorial Parks and Protected Areas
3. Conduct public outreach and stakeholder consultations
4. Present draft legislation to the Senate
5. Secure Senate approval of bill

The draft bill should be completed and submitted to the Senate within 45 days (May 2014). The submission will need a champion in the Senate to move it through to approval. Table 1 below provides the action plan for amending the TPTF legislation. Other actions crucial to this process include: establishment of the resources for the Division of Territorial Parks and Protected Areas and the establishment of an Advisory Council by Executive Order.

² A Conservation Trust Fund is broader than a fund that applies to Parks and Protected Areas only, has economies of scale, and is able to accept multiple, diverse funding through the application of multiple windows for administration.

³ Some agreements were made on the Board composition, but this still requires finalization

Table 1: Action Plan for Amending the Territorial Park Trust Fund Legislation for USVI and Making the Fund Operational

Objective: To enact/amend legislation for a VI TPTF						
Actions	Primary Responsibility	Partners	Timeline		Performance Indicators/Targets	
			Start	End		
1. Secure funding and initial staffing for new Division of Territorial Parks and Protected Areas	Karl Knight/Commissioner Alicia Barnes		March 2014	May 2014	<ul style="list-style-type: none"> Funding and staffing for Division secured 	
2. Finalize amendments to TPTF legislation	Karl Knight		March 2014	May 2014	<ul style="list-style-type: none"> Amendments completed 	
3. Create Bill proforma and submit to Senate	Karl Knight/Governor’s Counsel		March 2014	May 2014	<ul style="list-style-type: none"> Draft Bill submitted to Senate 	
4. Seek Executive Order to establish Advisory Council to provide continuity during change of administration	Karl Knight and Office of the Governor		March 2014	May-June 2014	<ul style="list-style-type: none"> Advisory Council established 	
5. Identify and pursue champion in the Legislature	Jean-Pierre Oriol		March 2014	Prior to presentation to Legislature	<ul style="list-style-type: none"> Champion identified 	
6. Present draft TPTF Bill to Legislature <ul style="list-style-type: none"> Senate President present to Legislature and assign committee. Presentation/Hearings to Committee 	Karl Knight Senate President	TNC, Landmark, TIVL, SEA, SUCCEED	Submission prior to budget hearings. Hearing may be post budget hearings	November 2014	<ul style="list-style-type: none"> Draft Bill presented to Legislature 	

Objective: To operationalize VI TPTF				
Actions	Primary Responsibility	Partners	Timeline	Performance Indicators/Targets
			Duration	
1. Nominate Board of Trustees and send for confirmation	Office of the Governor		One month	<ul style="list-style-type: none"> Nominations list completed
2. Process for confirmaton of nominees conducted (hearings, etc.)	Senate	DPNR	Three months	<ul style="list-style-type: none"> Hearings held
3. Dispatch confirmation letters to Board of Trustees	DTPPA (Parks)		Three months	<ul style="list-style-type: none"> Letters of confirmation sent to Board members
4. Hold First Board of Trustees meeting <ul style="list-style-type: none"> Hold election of Officers of the Board Establish sub-committees of the Board 	DTPPA		Seven months	<ul style="list-style-type: none"> Officers of TPTF Board elected Sub-committees of the Board appointed
5. Conduct 2-days Board training	DTPPA		Eight months	<ul style="list-style-type: none"> Board training conducted Board members rules discussed
6. Develop bylaws/rules for the Board of Trustees	Board of Trustees	DTPPA, Consultant	One month (following formation of Board)	<ul style="list-style-type: none"> Bylaws developed and agreed on
7. Establish standard operating procedures for the Board of Trustees	Board of Trustees	DTPPA, Consultant	One month (following formation of Board)	<ul style="list-style-type: none"> SOPs established Structures in place
8. Establish Bank account	Board of Trustees	DTPPA	One month (following formation of Board)	<ul style="list-style-type: none"> Bank account established
9. Commence operations	Board of Trustees	DTPPA		<ul style="list-style-type: none"> Operations started

2.3 Making the USVI Territorial Parks Trust Fund Operational

Once the TPTF legislation is approved, the fund needs to be made operational in order to begin to raise funds. It is intended that the amendments to the legislation will be approved by November- December 2014. Consequently, the Trust Fund will become operational by mid 2015 to be able to begin to access funds from donors. Table 1 above also provides steps to make the TPTF operational.

Led by the newly established DTPPA, key activities to make the fund operational include:

1. Appointment of Board members
2. Conduct Board training
3. Establish By-laws and Standard Operating Procedures
4. Establish bank account
5. Commence operations

2.4 Establishing Sustainable Financing Mechanisms for the Trust Fund

Six sustainable financing mechanisms for Parks and Protected Areas have been recommended. These are:

1. "Friends of" type organization
2. Cruise Head Tax
3. Air travel fee
4. EDC companies taxed by Economic Development Authority
5. Hotel Bed fee
6. Stamp tax/transfer fee for land sales

For these mechanisms to be fully considered a comprehensive feasibility study will have to be conducted. The decision regarding the structure of the fund will impact how these are developed. If the Trust Fund is established as an umbrella fund, the selected mechanisms will be utilized along with individual and private donations.

Table 2. Considerations for developing and implementing select sustainable finance mechanisms

	SUSTAINABLE FINANCE MECHANISMS				
	Cruise Head Tax	Air Travel fee	Economic Development Authority fixed contribution for EDC companies	Transfer fee (stamp tax) for land sales	Hotel Bed Tax
Strengths and Advantages	<ul style="list-style-type: none"> • Administrative efficiency (if collected directly) • Establishes minimum standards for visitor experience • Easy to monitor, data accessible • Willingness to Pay studies show that persons are willing to pay if the money goes to maintaining or enhancing the sites and visitor experience • Less pressure placed on government appropriations • Stable and significant source of revenue (2 million passengers per year) • Not levied on VI residents • Revenue directly supports/enhances tourism product 	<ul style="list-style-type: none"> • Institutional mechanism for effective collection • A guaranteed fee • Administrative costs covered by other entities e.g. airlines, cruise ships • Good record keeping • Willingness to Pay studies show that persons are willing to pay if the money goes to maintaining or enhancing the sites and visitor experience • Funds going directly to fund PA management and not to consolidated fund • Marginal additional cost to traveller • Potential larger amount of income for more tangible benefits • Potentially strong linkage between fee collected and services received • Lower administrative cost or no need to collect at sites • Potential for leakage low • Higher class of tourism, fee can be higher than cruise (~700,000 visitors annually by air) 	<ul style="list-style-type: none"> • Legislation in place • Short timeframe to establish • Stable source of funding • Can bring in significant revenue 	<ul style="list-style-type: none"> • Generous source of revenue • Structure in place for collection • Natural fit and synergies between Trust Fund and land transactions 	<ul style="list-style-type: none"> • Common tax in other locations • Current tax of 10% is relatively low • Not a burden on locals (residents) • High financial return • Efficiency of collection • Can be used as a marketing tool by hotels to show environmental stewardship
Challenges and Potential Issues	<ul style="list-style-type: none"> • Hesitancy to negotiate with cruise ship industry • Subject to industry volatility • Infringement on Port Authority and WICO ability 	<ul style="list-style-type: none"> • How do you separate residents from non-residents? (potential to levy on residents) • Infringement on Port Authority's ability to change/raise their head tax 	<ul style="list-style-type: none"> • Potential pushback from Department of Education • Would have to change the rules of use of funds • Non-compliance is high 	<ul style="list-style-type: none"> • Would require legislative amendment • Longer time to establish • Levied on residents, 	<ul style="list-style-type: none"> • Would require legislative amendment • Potential pushback from Department of

	SUSTAINABLE FINANCE MECHANISMS				
	Cruise Head Tax	Air Travel fee	Economic Development Authority fixed contribution for EDC companies	Transfer fee (stamp tax) for land sales	Hotel Bed Tax
	to change/raise their head tax	<ul style="list-style-type: none"> • Dependent on tourism arrival which fluctuates with the global economy and natural disasters • May be seen as additional, “unfair” tax • Potential political hesitancy • Reluctance by some tourists unless they see evidence of use of funds • Impact of events (e.g. natural disasters) decrease aesthetic value beyond the control of management 	and enforcement is uncertain	<ul style="list-style-type: none"> • could be a burden to locals • Potential pushback from Waste Management Authority 	Tourism and Hotel and Tourism Association
Comments	<ul style="list-style-type: none"> • The number of cruise ship passengers is a substantial impact on STT infrastructure and resources • Need to develop argument as to what revenue will support • Need to show early action (visibility) • Annual report must show finances and progress/improvements • Communications is critical 	<ul style="list-style-type: none"> • Air passengers will visit multiple protected area sites, more than cruise ship passengers 	<ul style="list-style-type: none"> • Need to consider how to wrap additional fee into existing fees • Environment/conservation should be option on contribution form 	<ul style="list-style-type: none"> • Land/market value tied to state of the environment 	<ul style="list-style-type: none"> • There are two options: Create new legislation or amend existing legislation • Benefit to consolidated Parks System • Emphasize use of funds for enhancement of tourism product

2.4.1 Advancing activities towards selection and development of sustainable financing mechanisms

Next steps in advancing the development of sustainable finance mechanisms include:

1. Review Willingness to Pay studies that have already been conducted
2. Conduct a feasibility study to determine priority funding mechanisms for development
3. Hold Department Head level meeting(s) to discuss feasibility analysis
4. Led by the Office of the Governor, develop joint plans for implementing specific mechanisms
 - i. Negotiate with cruise and air lines
 - ii. Develop appropriate documents (e.g draft Bill/amended Bills) to commence implementation of mechanisms

Annex 1: Workshop Agenda

**Sustainable Financing of a VI Park and Protected Area System Workshop
The Nature Conservancy Great House, 52 Estate Little Princess, Christiansted, St. Croix
March 12-13, 2014**

Purpose of workshop:

This workshop is designed to provide practical tools, information, and training to:

- 1) Develop a VI Territorial Area Trust Fund;
- 2) Select and plan for implementing new conservation finance mechanisms for the sustainable financing of protected areas.

These will be achieved by:

- 1a) Assembling stakeholders to review the existing legislation for a trust fund and amend as needed.
- 1b) Developing specific action plans for passing/amending the necessary legislation to create the fund.
- 2a) Showcasing best practices for sustainable financing
- 2b) Developing USVI-specific action plans for the creation and implementation of new conservation finance mechanisms.

	Agenda DAY 1 – March 12, 2014
8:30am—9:00am	Arrival, Registration and Coffee
9:00am—9:10am	Welcome, Opening of Workshop, and Introductions <i>Aaron Hutchins, TNC</i>
9:10am—9:40am	VI Park System Formation, Vision and Structure (20 min. presentation & 10 min. Q&A) <i>Commissioner Alicia Barnes, DPNR</i>
9:40-10:20	Territorial Park System Report (20 min. presentation & 20 min. Q&A) <i>Karl Knight</i>
10:20am—10:30am	Outline of Sustainable Finance Workshop Agenda <i>Alicia Hayman</i>
10:30am—10:45am	BREAK
10:45am—11:30am	Background and Discussion on Conservation Trust Funds (20 min. presentation & 20 min. Q&A) <i>Jonathan Rotter, TNC</i>
11:30am—12:30pm	Review National Protected Areas Trust Fund (NPATF) Model Legislation & Bylaws (20 min. presentation & 40 min. Q&A) <i>Jonathan Rotter, TNC</i>
12:30pm —1:15pm	LUNCH
1:15pm—2:15pm	Existing Enabling legislation and policy development for a USVI Trust Fund (20 min. presentation & 25 min. Q&A) <i>Jonathan Rotter, TNC with additional comments by Karl Knight</i>

	BREAK-OUT GROUPS
2:15pm – 3:30pm	Break-out Groups & Plenary: Revise elements of VI legislation for Trust Fund (Purpose, Board composition, Process for selecting Board members, Board skills etc.) <i>Alicia Hayman</i>
3:30-5:00pm	Break-out Groups: Develop action plan, timeline, budget/resource requirements, roles & responsibilities for passing TPAT legislation and making TPAT operational <i>Alicia Hayman</i>

TIME ALLOTMENTS	Agenda DAY 2 – March 13, 2014
8:30am–9:00am	Arrival and Coffee
9:00am–9:10am	Welcome and Recap of Day 1 <i>Aaron Hutchins, TNC</i>
9:10am–9:20am	Wrap-up of first part of workshop and Introduction to Part 2 of the Workshop: Funding Mechanisms <i>Alicia Hayman</i>
9:20am–10:20am	Review existing sustainable finance plans and willingness to pay results- known operating costs, revenues, gaps, feasible finance mechanisms <i>Anne Marie Hoffman, TNC</i>
10:20am–10:35am	BREAK
10:35am–12:00pm	POTENTIAL SUSTAINABLE FINANCING MECHANISMS Case studies from the region
12:00pm–1:00pm	LUNCH
1:00pm-2:00pm	<i>Pros and Cons of top 3-4 potential mechanisms (plenary)</i> <i>Feasibility ranking of top 3-4 potential mechanisms (Breakout groups)</i>
2:00pm–2:15pm	BREAK
2:15pm–3:00pm	Define next steps in developing top sustainable finance mechanisms
3:00pm–3:15pm	Workshop Recap/Wrap-up <i>Alicia Hayman</i>