

Virgin Islands Small Business Development Center



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Year End Report – PY 2020

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INTRODUCTION

The VI SBDC serves the Virgin Islands small business community through one-on-one confidential counseling and hosting training events for clients and the general public. The is a partnership with the U.S. Small Business Administration and the University of the Virgin Islands and it continues to be the premier provider for business related technical assistance in the Territory.

The VI SBDC is transitioning from a Fiscal Year to Calendar Year program. Fiscal year 2020 has been extended an extra quarter to complete the transition. The final annual report will be comprised of five Quarters. This report is a summary of program deliverables through the end of the programmatic calendar year (October 1, 2019 – December 31, 2020).

The Year End Report reflects counseling, training and outreach activities performed during the five quarters comprised of Calendar Year 2020. Through Q5 of FY 2020 the VI SBDC has exceeded capitalization goals for the year as well as unique clients, and business starts. Jobs supported/created finished Q5 at above 90% of annual goal. The VI SBDC has collaborated with local partners more than ever before due to the COVID-19 pandemic to promote resources and provide technical assistance.

Territorial infrastructural problems still linger as a result of aftermath of Hurricanes Irma and Maria and most recently Hurricane Dorian in August 2019. This is compounded with the onset of the COVID-19 Pandemic of 2020, which has significantly crippled almost all industries in the Territory. However, the VI SBDC continues to offer its services, while navigate the current pandemic through recommendations from our Host Institution and Federal and Local health officials.

In FY 2019, original funding allocated by U.S. Congress Virgin Islands was \$561,111 with a local cash match of \$300,000 through an allocated by the Territorial Government and administered through the University of the Virgin Islands. A budget was submitted to SBA in FY 2020 at \$750,000 in Federal Funding with local match reduction to \$273,000. In addition, the VI SBDC has transitioned to a Calendar Year (CY) budget and a CY-2020 extension budget was approved by SBA. The transition to calendar year allowed the VI SBDC to receive an additional \$175, 282 in Federal Funding with local match of \$148,636.27. So the total Federal Funding amount for PY 2020 was \$925,282.00 with local match funding at \$591,754.47.



Theodore J Gutierrez
State Director
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100 – Capital Formation

Traditional financing in the Virgin Islands remains as hurdle for small businesses, particularly for entrepreneurs who are starting a business. Local lenders are reluctant to make business loans, with the exception of loans for long standing clients who have significant resources. Funding for start-ups and existing businesses with marginal borrower credit history or limited assets are still a challenge. In an effort to provide a level of comfort to local lenders, the VI SBDC continues to have talks with officials in hierarchy of the local financial institutions to address how the VI SBDC can support lenders and their clients. VI SBDC staff has participated in educational trainings and have become knowledgeable about the new Federal Funding Programs for businesses; the Economic Injury Disaster Loans (EIDL) and the Paycheck Protection Program (P3), and Paycheck Protection Program Forgiveness.

The stimulus package passed by the US Congress to assist small business in the United States and its territories in response to the COVID-19 pandemic have been of great benefit to local businesses. The Economic Injury Disaster Loan (EIDL); which was subdivided into an “Advance” portion that is forgivable and the other portion is a repayable low interest loan, provided a financial lifeline for many businesses. The Paycheck Protection Program (P3), designed to help small businesses continue paying their employees to reduce burden on the unemployment system also provided needed relief for businesses. With the second stimulus package passed by Congress, both the Economic Injury Disaster Loans and the Paycheck Protection Program application deadlines have been extended to 2021

The most difficult part of these new Federal Loan Programs was the continuous updates by SBA, with each update designed to make the programs more “user friendly”. The VI SBDC staff remain vigilant in learning about each of these updates in order to properly convey them to clients and the public on a continual basis. As the processes for these Federal Loan Programs become simplified, more of our small businesses are taking advantage of the initial application step.

The initial funding for the EIDL was extinguished and Congress passed an additional round of funding for the program. However, the program was not available for all small business owners. The second round of funding was limited to Agricultural-based businesses. The SBA continued working on applications from the first round of funding through mid-June. The EIDL application portal was once again opened to all small businesses in late June and is available until December 26, 2020 or funds are depleted.

The Paycheck Protection Program (P3) was introduced on April 10, 2020. This program is offered through lending institutions and the SBA essentially reimburses the lenders for providing this program. However, local lenders did not begin accepting applications until April 20th. The delay in applying with a local lender put the USVI small businesses at a disadvantage as the first round of P3 was quickly depleted as well. Fortunately,

Congress passed additional funding for the program and a second round then became available until June 30th.

SBDC Business Counselors follow the steps below for clients seeking a traditional loan.

1. If a client already has an existing relationship with a local lending institution, the Business Counselor will first recommend the client continue to work with that institution, connect them with the appropriate commercial lending officer in the institution, and advise the client on what the lending officer will require in a loan package.
2. If a client does not have a relationship with any local lending institution, the Business Counselor shares contact information for all commercial lenders in the territory.
3. Business Counselors also provide contact information and/or make introductions to lenders outside the territory that have experience, or have expressed interest, in providing loans to Virgin Islands businesses. However, this information is provided in addition to, not instead of, information for local commercial lenders.
4. Business Counselors also directs clients to SBA LINC (<https://www.sba.gov/lendermatch>), so that clients are quickly connected with SBA Lenders that have expressed interest in providing capital to Virgin Islands businesses. However, the link directs interested clients to resources in Puerto Rico, not directly to US Virgin Island resources.

As a guiding principle, Business Counselors are expected to work for the best interest of their clients and are not required to wait for each local lending institution to formally decline a loan opportunity prior to connecting a client with an outside lender. However, Business Counselors are expected to make clients aware of the benefits of working with a local lender and provide contact information for local lenders prior to connecting a client with a non-local lender.

Several loans have been made with off island lenders who are looking for investment opportunities in the Caribbean. Projects range in size from \$500,000 to multi-million dollar deals.

200 – Innovation, Technology Transfer and Technology Assistance

The COVID-19 pandemic has allowed the VI SBDC staff and the community to embrace web-based communication and online video conferencing. Online video meetings/webinars/trainings has been available but rarely used in the territory. Online meetings have been one innovation that the VI SBDC has embraced to better serve its clients during the pandemic.

The Virgin Islands Established Program to Stimulate Competitive Research (VI-EPSCoR) remains the primary source of Research & Development activity at the University of the

Virgin Islands. The VI SBDC partners with VI-EPSCOR for Research Day held in April. Research Day provides opportunities to discuss SBIR/STTR support with researchers who speak and present posters during Research Day. VI SBDC staff participate in roundtable discussions on resiliency and economic development in the technology community. However, during the COVID-19 pandemic, Research Day was canceled.

The VI SBDC continues to embrace opportunities to offer more assistance with technology and listening to feedback from clients and stakeholders on which type of technology assistance is needed in the territory. One opportunity that presented itself this year was the partnership with the Virgin Islands Economic Authority (VI EDA), the University of the Virgin Islands Center for Excellence and Lifelong Learning (UVI CELL), the Virgin Islands Office of the Lt. Governor, and the Virgin Islands Department of Licensing and Consumer Affairs (DLCA) to launch the “USVI Business Hub” a virtual platform that supports entrepreneurs and small business owners with resources for economic growth and creation. It offers tools and resources necessary to start and maintain a business locally at the touch of a finger. The app is free and can be found and downloaded on Google Play or the Apple App store.

300 – International Trade

The VI SBDC continues to maintain certified counseling resources available to assist prospective exporters in the Virgin Islands. During FY 2020, the St. Croix Service Center assisted a client with an export loan application and the USDA Value Added Grant application, which are currently in process. Export training for staff and educational programs for clients continues to be a priority. In the upcoming programmatic year, the VI SBDC will ensure that all counselors participate in advance export training(s) available and the center hosts educational programs for the business community.

400 – Procurement

The VI SBDC normally provides assistance to businesses seeking opportunities to work with government purchasers through normal counseling activities and an increased focus on providing government procurement training. However, the needs of businesses in the territory dramatically changed due to COVID-19 and procurement became less of a demand for our services.

500 – Manufacturing

The VI SBDC State Director and business counselors attended meetings and tours throughout the year to discuss how the VI SBDC can support local manufacturing. We were able to showcase one of our local manufacturer on a national level as one of the

SBA Small Business of the Year Honorees. We continue to provide support to their industries via Federal Funding Programs and our virtual counseling services.

600 – Special Emphasis Groups

The VI SBDC recognizes that several key industries require special emphasis. These include marine, agriculture/agribusiness, and hospitality/tourism. To support these industries, outreach and meetings were held with had key stakeholders to include the Commissioner of Agriculture and the VI Legislative Committee Chairs on Agriculture and Economic Development, to address and identify concerns and issues still facing these industries, post Hurricane Maria and Irma, and currently the COVID-19 pandemic.

The VI SBDC State Director served on a “special task force” created by the VI Office of the Governor to address the concerns of businesses affected by COVID-19. On December 15, 2020, the task force hosted a 1-day forum entitled, “USVI Community Business Forum 2020 Theme: **Adapting Business for COVID Normal.**” The forum served as a platform for the government and private sectors to come to the virtual table to discuss sustainability, adaptability, and progression during the pandemic.

The VI SBDC also conducted a survey focused on the effects of the COVID-19 pandemic on the hospitality/tourism industries and the resources and support needed for their survival. The data collected was shared with Government officials and will be used to provide programming on resiliency.

700 – Minority Small Business Development

A large percentage of businesses in the US Virgin Islands are minority businesses, so much of the technical assistance conducted by the VI SBDC is focused on minority businesses.

800 – Women-Owned Businesses

The VI SBDC continues its outreach to women-owned businesses in the Territory. Meetings were scheduled with the group “Women Striving for Success” group but all events were canceled due to COVID-19.

VI SBDC has also fostered a partnership with SEAT Innovation and Entrepreneurship Center, Inc. (SEAT IEC), a women’s-owned non-profit organization. VI SBDC has provided support for SEAT IEC to secure a grant through the Virgin Islands Community Foundation to launch in 2021 the “Three Queens Ventures Women's Business Accelerator Program”. Three Queens Ventures is the first initiative within the Virgin Islands that will focus on women entrepreneurs in the Creative Arts. The program will

support female makers, artists, craftspeople and designers in the USVI who are interested in growing or expanding their current businesses. The primary goal of the accelerator is to help creative women entrepreneurs in the USVI build viable, resilient businesses which have a strong market presence locally, regionally, and internationally.

900 - Veterans, Reservist, Service-Disabled Veteran Owned Businesses and all other U.S. Military

The VI SBDC continues to partner with the SBA by hosting Veteran and active-duty military personnel themed training. The State Director appeared on a local radio show for Veterans and promoted the programs available to them in the future such as the VBOC program. The Veterans Business Outreach Center held two events in January 2020 in partnership with VI SBDC for Veterans and their families on St Croix and St Thomas.

The VI SBDC also hosted eight (8) training programs in CY-2020:

<u>Date</u>	<u>Event Title</u>	<u>Att</u>
5/28/2020	SBA Resources for Veteran-owned businesses and Entrepreneurs	5
5/28/2020	SBA Resources for Veteran-owned businesses and Entrepreneurs	3
3/12/2020	Military Women's Event	23
1/28/2020	Boots to Business Reboot 2020 - Starting or Growing a Veteran-Owned Business	11
1/27/2020	Boots to Business Reboot 2020 - Starting or Growing a Veteran-Owned Business	12
11/7/2019	Starting and Growing Your Veteran-Owned Business - STT	3
11/7/2019	How to Become a Federal Government Small Business Subcontractor - STT	6
11/5/2019	Starting and Growing your Veteran-owned Business	3
TOTAL		66

1000 – Rural Assistance

There are no major metropolitan areas in the U.S. Virgin Islands. The largest towns are Charlotte Amalie, with a population of about 10,000, is located in St. Thomas, and Christiansted, with a population of approximately 3,000 is located in St. Croix. Essentially all of the assistance provided by the VI SBDC is considered rural and the U.S.

Virgin Islands is designated as a qualified Historically Underutilized Business (HUB) Zone by the Small Business Administration.

1100 - Economic Development, Faith Based and Community Initiatives

The VI SBDC continues to partner with the local Economic Development Authority by participating in presentations/webinars on various programs available for small businesses.

As a result of the COVID-19 pandemic, the VI SBDC has extended its outreach to non-profit entities and religious organizations to provide technical assistance and federal funding assistance via the EDIL and PPP loan programs.

1200 – Research

The VI SBDC continued its utilization and development of business modeling and market research tools. One of these in particular is GrowthWheel. Business Counselors use this tool to provide strategic management models for use in local businesses as well as support businesses that are selling off island.

1300 – On-Line Activity

The VI SBDC has expanded its presence on the internet by further developing and refining its Facebook page and eCenter web portal, and has been integrating them with the VI SBDC website.

Additionally, the VI SBDC continues its migration to a new website host and platform and is expected to be completed by the end of 2020 and launched in 1st quarter 2021.

1400 – Other Activity

Two VI SBDC business counselors have completed the training process of obtaining their Business Valuation Certification. The process started prior to ASBDC 2020 and they are expected take the examination to receive their certifications by Spring 2021.

1500 – Success Stories



Mutiny Island Vodka, LLC a local vodka distillery, was able to pivot its business strategy to reduce the economic impact due to COVID-19. This was achieved through its innovative use of the by-products from its vodka production. The micro-distillery began producing hand sanitizer utilizing their equipment, materials, and other resources. As a result, the company was able to help the community with achieving and increasing safety measures. When COVID-19 begins to dissipate, the company will continue to keep this product line and incorporate it into its export initiatives. VI SBDC counselors are working with the client to set up strategic meetings that will allow Mutiny Island Vodka to expand into the United States and to export to the British Virgin Islands and the lower Caribbean. The project will create additional tax revenue from sales for the company and Territory.



STUDIO STX, Interactive Selfie Studio, began operating in late-2019. As a startup business, the owner faced with the uncertainty of success, especially during the COVID-19 pandemic when it was the business temporarily close twice. However, the business was able to remain open through guided assistance from her SBDC Counselor. As a result of the assistance received, the client was able to applying for aid, registering and

certifying as a Women Owned Small Business (WOSB), and other ways to strengthen her business (HUBZone Certification is in progress). STUDIO STX also credits VI SBDC weekly webinars and other resources in helping her gain knowledge to further build my business towards success.



ALVIN'S HOT SAUCES, a small business exporter, has been manufacturing and exporting his hot sauces for many years. During the COVID-19 pandemic, the client was forced to retool his manufacturing model and contacted the VI SBDC for export assistance. After evaluating several funding options, the SBDC helped him identify a financial package that will drive his global development and marketing plan. The client has also been able to gain national notoriety with his recent appearance on Netflix's "Restaurants on the Edge" television series and is exploring funding opportunities through USDA's "Value-Added Grant Program and export financing.



506 SCENTS & CO, Hand Poured Candles & Gifts contacted the VI SBDC for assistance with an SBA EDIL Loan. The company needed additional resources to keep it afloat, particularly amidst the present state of health emergency. VI SBDC Counseling staff

worked via the phone with the client on her application. Within eight (8) hours, the client’s application was reviewed, approved and accepted. The client was thankful to the SBDC for its timely assistance.

PrisCo Consulting USVI Marketing, Public Relations & Events Consultant sought the assistance of the VI SBDC when its operation started experiencing a severe decline in its clientele in the early onset of the COVID-19 pandemic. Many of its clients were on hiatus and/or ceased all business operations permanently, forcing the business to contemplate ceasing operation. However, through CARES Act funding, the VI SBDC approached PrisCo Consulting USVI for an opportunity to become an Independent Contractor, providing marketing consulting services to COVID-impacted clients/businesses in the Territory at “no cost”. Subsequently, the company has assisted over a dozen VI SBDC business clients in transitioning their business, while remaining in business.



Working World, LLC, through the SBA and the Virgin Islands SBDC’s COVID-19 assistance, has been able to continue the process of preparedness in our Adult Educational Training Center, which places emphasis on Windows software methods, Adult Literacy, and additional training methods, relative to job placement. Working World, LLC is also an employment agency in the U.S. Virgin Islands. Webinars through SBA and VI SBDC has given the company clear direction on how to receive funding to assist the community at large.



Lou Morrissette, owner of Tickles Pub had this to say about the VI SBDC: “The year 2020 started out bringing promise of a good season for St. Thomas. Our hopes were soon shattered when the financial effects of the Corona Virus started to impact the island. It was the beginning of March when it became apparent to us at Tickles Dockside Pub that

this Corona Virus thing was not going to be short lived. We started looking for ways to stay solvent during a time that is normally profitable. We heard about some Government programs that would be administered by the SBA and our local SBDC. We contacted Wayne Huddleston at the SBA to learn more about these programs. He helped us navigate thru the various steps needed to obtain the financial help necessary to keep the restaurant opened and the staff employed. Without the help of the SBA and SBDC we would not have survived the beginning months of the Virus and would not be in business today. Whenever we have needed assistance and asked the SBDC for help they were available and eager to do so. We are extremely grateful to the SBA and the SBDC or all of their steadfast help provided to us at Tickles Dockside Pub”.

1600 – Advocacy

The VI SBDC regularly participates in online public events where small business, entrepreneurship, and economic development are highlighted.

1700 – Resource Development

The VI SBDC continues its relationship with the following private and public organizations to facilitate and provide training, business development, and outreach events.

- SBA
- Local Chambers of Commerce
- SCORE
- University of the Virgin Islands - Cooperative Extension Service
- University of the Virgin Islands - School of Business
- U.S. Department of Agriculture
- SEAT Innovation and Entrepreneurship Center, Inc. (SEAT IEC)
- Virgin Islands Office of the Governor
- Virgin Islands Economic Development Authority

1800 – Collaboration and Leveraging

Through its collaboration with the following public agencies, the VI SBDC was able to offer a variety of seminars to enhance the knowledge-base of the community as well as the staff.

- U.S. Small Business Administration
- University of the Virgin Islands - Cooperative Extension Service

- U.S. Department of Agriculture
- Virgin Islands Economic Development Authority

1900 – Unplanned Travel

None to report.

2000 – Key Personnel Changes

All SBDC staff continues to work from home and are allowed to work intermittently in the office following all COVID-19 safety precautions. The SBDC offices continue to not be open to the public. However, staff are allowed to utilize the office to meet one-on-one with clients, if deemed necessary, following all safety precautions, and for use in facilitating virtual meetings, webinars, and office related activities.

A new Associate State Director (ASD) was brought on board on October 1st, 2020. The new ASD, Karen Jones, returns to the VI SBDC to fill this role after a four-year absence. Ms. Jones has over 12 years of SBDC experience on St. Croix and the territory.

One business counselor resigned from the St. Croix service center in October 2020. He left to pursue his own consulting business. As a result of his departure, this allows the VI SBDC to pursue additional contractors in the area to work with small businesses in specific subject matters.

2100 – Challenges

Access to capital for small business owners continues to be a key issue confronting the Virgin Islands.

Another challenge local small businesses and potential small businesses encounter is the level of difficulty obtaining a business license in a timely manner. The U.S. Virgin Islands' Department of Licensing and Consumer Affairs has addressed some of these steps, however the difficulties still exist and continue to be an issue.

The biggest challenge during this period has been the decline of purchases for goods and services due to the COVID-19 pandemic. The territory has experienced different stages of “shut-down” as mandated by the Center for Disease Control and the USVI Government so many of those businesses continue to be shut down or may not reopen.

The VI SBDC lead center on St. Thomas began the process of relocating from its location at Nisky Center to the West Bay Center on the UVI campus in December 2020. West Bay

shopping center was acquired by the University of the Virgin Islands in August 2020. The vision of the building is to create a symbiotic relationship between many UVI departments. The VI SBDC is the first tenant in the building and is expected to resume operations in early 2021. Although the space is smaller, the updated building will allow the VI SBDC to continue serving the needs of the community. There is a training center which will allow SBDC to hold events once COVID-19 restrictions have been modified. In addition, there is an office allocated for SBA, SCORE, or other agency use within the SBDC layout.

The SBDC continues to pay the same lease dollar amount to UVI, causing a concern for the SBDC State Director. The price per square foot paid by the SBDC has essentially doubled. Recent cut-backs in local match dollars have affected SBDC the past two years and if future local match dollars are reduced, the SBDC may have to find alternate areas within the program to cut. The recommendation of the State Director is to renegotiate the lease amount with UVI to adjust to local market retail price per square foot. The State Director will ask the SBA to weigh-in on this matter.

2200 – PY 2020 Budget

PY 2020 Budget vs. Actual Expenditures						
Small Business Development Center Budget						
October 1, 2019 to December 31, 2020						
<u>Federal</u>			<u>Budget</u>		<u>Actual</u>	<u>Balance</u>
Personnel			\$ 470,597.62		\$ 385,803.53	\$ 84,794.09
Fringe Benefits			\$ 174,121.12		\$ 142,992.00	\$ 31,129.12
Travel			\$ 41,502.00		\$ 213.00	\$ 41,289.00
Equipment			\$ 33,000.00		\$ 1,379.00	\$ 31,621.00
Supplies			\$ 12,000.00			\$ 12,000.00
Contractual			\$ 41,179.40		\$ 8,844.25	\$ 32,335.15
Consultants			\$ 5,000.00			\$ 5,000.00
Others			\$ 147,881.86		\$ 52,526.69	\$ 95,355.17
Vehicle						\$ -
Total Federal Direct Cost			\$ 925,282.00		\$ 591,758.47	\$ 333,523.53
Total Federal Indirect Cost						\$ -
Total Federal Fund Expenditures			\$ 925,282.00		\$ 591,758.47	\$ 333,523.53
<u>Non-Federal</u>			<u>Budget</u>		<u>Actual</u>	<u>Balance</u>
Personnel			\$ 162,497.16		\$ 166,027.86	\$ (3,530.70)
Fringe Benefits			\$ 59,013.95		\$ 32,278.86	\$ 26,735.09
Travel			\$ -		\$ -	\$ -
Equipment			\$ -		\$ -	\$ -
Supplies			\$ -		\$ -	\$ -
Contractual			\$ -		\$ -	\$ -
Consultants			\$ -		\$ -	\$ -
Others			\$ 126,488.89		\$ 17,413.44	\$ 109,075.45
Total Direct Cost			\$ 348,000.00		\$ 215,720.16	\$ 132,279.84
Waived Indirect Costs			\$ -		\$ -	\$ -
Total Non-Federal Expenditures			\$ 348,000.00		\$ 215,720.16	\$ 132,279.84
Total PY 2020 Budget Expenditure			\$ 1,273,282.00		\$ 807,478.63	\$ 465,803.37

2300 – Economic Impact

Performance Goals

The chart below compares the VI SBDC Network’s accomplishments through Q5 for the measured SBA performance goals stated in the FY 2020 Cooperative Agreement.

Virgin Islands Small Business Development Center	
Program Year 2020	
Data Elements	Totals
New Businesses Created	
Bought/Started Business Milestones	11
Jobs Created/retained (Full and part-time)	281.00
Change in Sales	\$1,912,890.00
Total Loans	
Number of Loans	53
Dollar Amount of Loans	\$19,157,155.00
Equity Capital	
Dollar Amount of Equity Capital	\$1,385,000.00
Total Capital (Loans + Equity)	
Number of Loans/Equity	57
Dollar Amount of Loans/Equity	\$20,542,155.00
Total Counselor Hours	2,448.30
Clients Counseled	
Total Clients Counseled	568
Number of New Clients Counseled	308
Client Hours	
Total Client Hours	2,431.30
New Client Hours	939.58
Total Training Events	111
Training Attendees	2,058