The BUG Act

AN ACT

To establish a Municipal Corporations Act for the United States Virgin Islands; to authorize the incorporation of the Town of Christiansted and the Gallows Bay District as the initial demonstration municipality; to provide a replicable pathway for the incorporation of Frederiksted, Charlotte Amalie, and Cruz Bay, and future aspirants; to define the powers, structure, fiscal constraints, and accountability requirements of incorporated municipalities; to protect against fiscal fragmentation, pension liability accumulation, tax base inequality, and governance failure; to preserve the supremacy of territorial law; and for other purposes.

Be it enacted by the Legislature of the United States Virgin Islands:

TABLE OF CONTENTS

Article I — General Provisions
§ 101 Short Title
§ 102 Legislative Findings
§ 103 Purposes
§ 104 Definitions
§ 105 Territorial Supremacy
Article II — Christiansted Demonstration Municipality
§ 201 Christiansted–Gallows Bay Town Government Established
§ 202 Town Boundaries (Seven-Zone Description)
§ 203 Powers of the Town (incl. § 203(l) Energy Resilience)
§ 204 Limitations on Town Powers
§ 205 Town Council — Composition and Elections
§ 206 Town Manager
§ 207 Town Clerk and Staff
Article III — Town Fiscal Structure
§ 301 Fiscal Year and Budget Process (incl. Energy Cost Contingency)
§ 302 Permitted Revenue Sources
§ 303 Prohibited Revenue and Debt Actions
§ 304 Historic Preservation Revolving Fund
§ 305 Reserve Fund Requirement
§ 306 Territorial Revenue Equalization (incl. WAPA Debt Recalculation Trigger)
§ 307 Audit and Financial Reporting
Article IV — Infrastructure and Service Coordination
§ 401 Intergovernmental Service Agreements
§ 402 GVI Agency and Public Authority Coordination Obligation
§ 403 Local Planning Authority
§ 404 Permitting Administration
§ 405 Vacant and Abandoned Property Program
Article V — Historic Preservation Authority
§ 501 Historic District Administration
§ 502 Coordination with State Historic Preservation Officer
§ 503 National Park Service Partnership

§ 504 Building Code Compliance Assistance
Article VI — Economic Development Functions
§ 601 Business Improvement District Authority
§ 602 Local Economic Development Plans
§ 603 TIF District Participation
§ 604 Tourism Enhancement Fund
§ 605 Small Business and Vendor Markets
Article VII — Personnel and Employment
§ 701 Town Employees
§ 702 Pension Prohibition
§ 703 Defined Contribution Plan
§ 704 Personnel Rules
Article VIII — Public Safety, Homelessness, and Behavioral Health
§ 801 Municipal Public Safety Officers
§ 802 Municipal Public Safety Ordinances
§ 803 Homelessness and Street Outreach
§ 804 Public Safety Coordination with VIPD
§ 805 Future Municipality Public Safety Provisions
Article IX — Accountability and Oversight
§ 901 Territorial Oversight Board
§ 902 Performance Standards
§ 903 Legislative Oversight
§ 904 Remediation and Receivership
§ 905 Dissolution Procedure
Article X — Replication Pathway for Future Municipalities
§ 1001 Eligible Communities
§ 1002 Petition Requirements
§ 1003 Feasibility Study
§ 1004 Incorporation Referendum
§ 1005 Legislative Certification
§ 1006 Capacity-Building Requirement
Article XI — Disaster Fiscal Protections
§ 1101 Disaster Reserve Mandate
§ 1102 Prohibition on Independent Disaster Debt
§ 1103 Emergency Territorial Assumption Authority
§ 1104 Federal Assistance Coordination
Article XII — Transition, Effective Date, and Severability
§ 1201 Transition Period
§ 1202 Effective Date
§ 1203 Severability
§ 1204 Codification

ARTICLE I
GENERAL PROVISIONS

§ 101. Short Title.
This Act shall be known and may be cited as the Virgin Islands Municipal Corporations Act of 2026.

§ 102. Legislative Findings.
The Legislature finds and declares that:

(a) The United States Virgin Islands operates with a degree of governmental centralization unique among American jurisdictions, with a fifteen-member territorial Legislature performing functions that in every state of the Union are distributed among county commissions, city councils, zoning boards, and municipal authorities.

(b) This centralization imposes identifiable economic costs: delayed permitting and land use decisions that deter investment; inadequate maintenance of public spaces and historic infrastructure; a Legislature consumed by hyperlocal service delivery questions at the expense of territorial policy priorities; and an absence of accountable local government in communities whose historic, cultural, and economic significance warrants dedicated institutional advocacy.

(c) The Town of Christiansted, St. Croix — founded September 1, 1734, designated a National Historic Site by Congress in 1952, listed on the National Register of Historic Places in 1966, and designated a Preserve America Community in 2008 — is among the most historically and economically significant communities in the United States Caribbean, yet has no elected governing body accountable exclusively to its residents.

(d) Gallows Bay, an adjacent waterfront district that is the site of active public and private redevelopment investment, shares with historic Christiansted a governance vacuum in which no single government official bears coordinating authority or electoral accountability for local quality of life, infrastructure, historic preservation, or economic development outcomes.

(e) The Island Administrator for St. Croix, operating within the Governor's Office, possesses no statutory authority to direct or compel GVI departments and agencies operating on St. Croix, rendering the position insufficient to address the structural governance deficiency that local incorporation would remedy.

(f) The experience of Puerto Rico's seventy-eight municipios demonstrates that municipal fiscal autonomy without robust territorial oversight, debt controls, and pension protections can compound, rather than relieve, territorial fiscal stress; this Act is specifically designed to capture the governance benefits of local incorporation while foreclosing the fiscal risks that Puerto Rico's experience documents.

(g) Municipal governments operating within a framework of enumerated powers, fiscal floors, equalization mechanisms, pension prohibitions, and territorial oversight represent a net benefit to the economic development, historic preservation, infrastructure management, and quality of life of the communities they serve.

§ 103. Purposes.

The purposes of this Act are:

(a) To authorize the Town of Christiansted and the Gallows Bay District to incorporate as the initial demonstration municipality under this Act.

(b) To establish a replicable framework through which the communities of Frederiksted, Charlotte Amalie, and Cruz Bay, and future aspirants, may subsequently seek incorporation upon satisfying the requirements of Article X.

(c) To grant incorporated municipalities a defined set of local governmental powers sufficient to address community-level infrastructure, historic preservation, economic development, permitting, and quality of life needs.

(d) To protect the fiscal integrity of the territorial government and the financial wellbeing of municipal residents through strict debt prohibitions, pension safeguards, revenue equalization requirements, and territorial oversight authority.

(e) To preserve the supremacy of territorial law and the ultimate authority of the Legislature over all aspects of municipal governance.

§ 104. Definitions.

As used in this Act:

(a) **"Act"** means the Virgin Islands Municipal Corporations Act of 2026, as may be amended.

(b) **"AHCD"** means an Architectural Historic Control District established pursuant to Title 29 of the Virgin Islands Code.

(c) **"Demonstration Municipality"** means the Town of Christiansted-Gallows Bay, incorporated pursuant to Article II of this Act.

(d) **"Future Municipality"** means any municipality incorporated pursuant to the replication pathway set forth in Article X.

(e) **"GERS"** means the Government Employees Retirement System of the Virgin Islands.

(f) **"GVI"** means the Government of the Virgin Islands.

(g) **"Historic Preservation Revolving Fund"** means the fund established pursuant to section 304 of this Act.

(h) **"Legislature"** means the Legislature of the Virgin Islands.

(i) **"Municipal Boundaries"** means the geographic area within which a municipality exercises its powers under this Act, as defined by the relevant incorporating legislation or referendum.
(j) **"Municipality"** means a public body corporate and politic incorporated under this Act, including the Demonstration Municipality and any Future Municipality.
(k) **"Organic Act"** means the Revised Organic Act of the Virgin Islands of 1954, 48 U.S.C. § 1541 et seq., as amended.
(l) **"PSC"** means the Virgin Islands Public Service Commission.
(m) **"Territorial Oversight Board"** means the board established pursuant to section 901 of this Act.
(n) **"TIF"** means Tax Incremental Financing as authorized by Title 29, Chapter 22 of the Virgin Islands Code.
(o) **"Town Council"** means the elected governing body of a municipality.
(p) **"Town Manager"** means the chief administrative officer of a municipality, appointed pursuant to section 206 of this Act or its equivalent in Future Municipality enabling legislation.
(q) **"WAPA"** means the Virgin Islands Water and Power Authority.

§ 105. Territorial Supremacy.

(a) This Act and all municipal authority created hereunder is subordinate to the Organic Act of 1954 and all laws of the United States applicable to the Virgin Islands.
(b) In the event of any conflict between a municipal ordinance, resolution, or action and any law, regulation, or order of the territorial government, territorial law shall control.
(c) The Legislature retains full authority to amend, repeal, expand, or restrict the powers of any municipality incorporated under this Act at any time, without requirement of municipal consent.
(d) Nothing in this Act shall be construed to limit the authority of the Governor, the Legislature, or any GVI department or agency over matters of territorial concern.

ARTICLE II
CHRISTIANSTED DEMONSTRATION MUNICIPALITY

§ 201. Christiansted–Gallows Bay Town Government Established.

(a) There is hereby established as a body corporate and politic under the laws of the United States Virgin Islands the **Town of Christiansted** (hereinafter "the Town"), comprising the historic Town of Christiansted and the Gallows Bay District on the Island of St. Croix.
(b) The Town is established as the Demonstration Municipality under this Act and shall serve as the pilot model for future municipal incorporations pursuant to Article X.
(c) Before the first election of the Town Council, a confirmatory referendum shall be conducted pursuant to Title 18 of the Virgin Islands Code, administered by the Board of Elections for the St. Croix District. A majority of qualified electors residing within the Town Boundaries voting in favor of incorporation shall be required for the Town to proceed to full operation. If the referendum fails, this Article shall be suspended for a period of not less than two (2) years, after which a new referendum may be initiated by petition of not less than twenty percent (20%) of registered voters within the Town Boundaries.
(d) Upon a favorable confirmatory referendum, the Town shall have perpetual succession, the power to sue and be sued, to hold and convey real and personal property consistent with this Act, and to exercise the powers granted herein.

§ 202. Town Boundaries.

(a) The initial boundaries of the Town shall encompass the area generally described as follows, comprising seven contiguous zones whose precise legal description shall be determined by the Lt. Governor's Cadastral Office in Christiansted pursuant to subsection (b):
(1) **Historic Core.** The Historic District of Christiansted as delineated in the Architectural Historic Control District designation of 1998, including the Government House complex, King Street and Company Street commercial corridors, and all contributing structures within the AHCD boundary.
(2) **Waterfront and Boardwalk Corridor.** The Christiansted National Historic Site and its buffer area; the waterfront boardwalk whose western terminus is the Svend Aage Ovesen Seaplane Terminal (the Christiansted Harbor Seaplane Base, FAA Identifier VI32), including associated ramp, hangar, and barn structures owned or operated by the Virgin

Islands Port Authority on the harbor waterfront, and whose eastern terminus is Fort Christiansvaern — all structures and improvements on the seaplane base parcel being included within the Town for purposes of local planning coordination and historic interpretation, notwithstanding that the facility remains under VIPA jurisdiction. A private developer has constructed portions of a waterfront concrete walkway running east of Fort Christiansvaern to west of Lobster Street on private property being prepared for development adjacent to Gallows Bay; such privately constructed portions are noted for planning purposes but are not dedicated public right-of-way and are not within the Town Boundaries unless separately dedicated or incorporated by boundary amendment under subsection (c).

(3) **Fort Louise Augusta Site.** The historic site of Fort Louise Augusta at the east entrance of Christiansted Harbor — originally constructed by the British circa 1647 and expanded by the French (as Fort St. Jean) and the Danish Crown (completed 1788) as one of three harbor-defense fortifications forming the original colonial triangle with Fort Christiansvaern and the Protestant Cay battery — including all parcels on or immediately surrounding the fort site, whether in GVI ownership, VIPA jurisdiction, or private holding, for purposes of historic preservation planning, interpretive programming, and advocacy for site restoration and public access.

(4) **D.C. Canegata Ballpark and Recreational Complex.** The David C. Canegata Ballpark and associated recreational facilities located east of Fort Christiansvaern in the Christiansted area, including the playing fields, bleachers, concession facilities, parking areas, and contiguous public open space — being a community recreational asset whose maintenance, programming, and capital improvement the Town shall advocate for in coordination with the GVI Department of Sports, Parks and Recreation under an intergovernmental service agreement pursuant to section 401.

(5) **Altona Lagoon and Park.** The Altona Lagoon bioluminescent bay, the Altona Lagoon Park including the lagoon entrance bridge, public boat ramp, fishing and recreational areas, and all public parkland, shoreline, and water-access parcels associated therewith, as a community natural and recreational resource and ecotourism asset within the Christiansted waterfront zone.

(6) **Gallows Bay District.** The Gallows Bay waterfront and marine district east of Fort Christiansvaern, comprising the Gallows Bay Marine Facility (VIPA 400-foot dock), the Hospital Street corridor including redevelopment parcels from Government House eastward, Chandler's Wharf, St. Croix Marine and Boatyard, and contiguous commercial and residential properties within the Gallows Bay transition zone as described by DPNR pursuant to subsection (b).

(7) **Christiansted Bypass Corridor.** The Christiansted Bypass road right-of-way and its immediately adjacent public properties from the road's western terminus at Contentment Road — where the Bypass provides the principal southern access to the historic downtown — eastward to the intersection with East End Road at Mount Welcome, including the King Cross Street and Peters Farm Road intersections; the western terminus and approach areas of the Bypass being incorporated within the Town for purposes of traffic, pedestrian access, and hillside development planning that directly affects the economic and visual character of the historic town below. This zone is limited to the road right-of-way and immediately adjacent public properties; private hillside parcels are not within the Town Boundaries unless separately incorporated by boundary amendment under subsection (c).

(b) A legal description and map of the precise Town Boundaries consistent with the seven zones described in subsection (a) shall be prepared by the Lt. Governor's Cadastral Office in Christiansted, in consultation with the National Park Service, the Virgin Islands Port Authority, the Department of Sports Parks and Recreation, and the Department of Public Works, for inclusion in this Act before final passage. Upon enactment, the approved boundaries shall be recorded in the Office of the Recorder of Deeds.

(c) Boundary amendments shall require a resolution of the Town Council adopted by a two-thirds supermajority, approval by the Territorial Oversight Board, and ratification by the Legislature.

§ 203. Powers of the Town.

The Town shall have and may exercise the following enumerated powers, and no others except as expressly authorized by subsequent Act of the Legislature:

(a) **Governance.** To adopt ordinances, resolutions, and rules within the scope of the powers granted by this Act; to hold regular and special public meetings; to receive and expend funds appropriated or generated as authorized herein; and to enter into contracts on behalf of the Town.

(b) **Local Planning and Zoning Administration.** Within the framework of the territorial Comprehensive Land and Water Use Plan and the AHCD standards administered by DPNR, to administer local zoning compliance, issue routine building permits for structures within the Town Boundaries, and maintain a local planning registry. The Town shall not exercise independent zoning authority inconsistent with territorial land use law or AHCD regulations.

(c) **Public Space and Infrastructure Maintenance.** To maintain, repair, and improve public streets, sidewalks, drainage, public parks, the boardwalk, public restrooms, street lighting, signage, and other public spaces within the Town Boundaries, subject to intergovernmental service agreements with relevant GVI departments.

(d) **Historic Preservation Stewardship.** To administer the Historic Preservation Revolving Fund; to coordinate with the DPNR State Historic Preservation Officer; to maintain a local registry of historic structures; to offer restoration grant and loan programs; to conduct code compliance outreach to property owners; and to serve as a local governmental partner to the National Park Service for the Christiansted National Historic Site.

(e) **Business Improvement District Functions.** To assess and collect a Business Improvement District levy from commercial property owners within designated BID sub-zones upon approval of affected property owners and the Town Council; to use BID revenues for street cleaning, beautification, events, marketing, and visitor services within the BID sub-zone.

(f) **Local Economic Development Advocacy.** To prepare and adopt local economic development plans; to represent Town interests before the Legislature, Governor's Office, EDC, VIEDA, EZC, DPNR, federal agencies, and the National Park Service; to apply for federal grants and accept federal funds for purposes consistent with this Act; and to enter into public-private partnerships for community development purposes.

(g) **Vacant and Abandoned Property Program.** To maintain a local registry of vacant, abandoned, and deteriorated properties; to notify property owners and GVI agencies of code violations; to coordinate with DPNR, the Department of Property and Procurement, and the Legislature on remediation, acquisition, or transfer of government-owned vacant properties within the Town Boundaries.

(h) **Tourism Enhancement and Cultural Programming.** To organize, fund, and administer community events, cultural programs, public markets, heritage tourism initiatives, and visitor welcome services; to coordinate with the USVI Department of Tourism and relevant cultural organizations; and to manage the Tourism Enhancement Fund established pursuant to section 604.

(i) **Local Revenue Collection.** To assess and collect the revenues specifically authorized by Article III of this Act, and no other taxes or fees.

(j) **Property Management.** To acquire, lease, manage, and dispose of real and personal property within the Town Boundaries as necessary for municipal purposes, subject to the restrictions of this Act and with Legislative approval required for acquisitions exceeding Two Hundred Fifty Thousand Dollars ($250,000).

(k) **Intergovernmental Coordination.** To enter into intergovernmental service agreements with GVI departments and agencies; to convene interagency coordination meetings; and to report publicly on the status of GVI service delivery within the Town Boundaries.

(l) **Energy Resilience.** To apply for federal and territorial energy grants; to enter into net energy billing arrangements with WAPA for municipally-owned renewable energy systems serving Town public facilities; and to develop, own, or contract for community-scale solar or microgrid systems for Town public facilities, consistent with WAPA interconnection requirements and any applicable PSC regulations. This subsection does not authorize the Town to distribute electricity to private customers or to compete with WAPA as an electricity provider.

§ 204. Limitations on Town Powers.

The Town shall have no power to:

(a) Levy, assess, collect, or rebate any income tax, gross receipts tax, property tax, excise tax, customs duty, or other territorial tax, except as expressly authorized in Article III.

(b) Issue bonds, notes, certificates of indebtedness, or any other form of debt obligation, except as specifically authorized by the Legislature by separate Act.

(c) Create, join, or contribute to any defined benefit pension or retirement system, including GERS.

(d) Enact any zoning ordinance, land use regulation, or building standard inconsistent with territorial law, DPNR regulations, or AHCD requirements.

(e) Exercise eminent domain or condemnation authority.

(f) Create any subsidiary public authority, enterprise fund, or public benefit corporation without specific Legislative authorization.

(g) Enter into any contract, lease, or agreement with a term exceeding five (5) years without approval of the Territorial Oversight Board, and in all cases subject to the revenue sufficiency requirement of section 303(e).

(h) Appropriate funds for any purpose inconsistent with the enumerated powers of section 203.

(i) Employ more than twenty-five (25) full-time equivalent employees without approval of the Territorial Oversight Board.

§ 205. Town Council — Composition and Elections.

(a) **Composition.** The Town shall be governed by a Town Council consisting of seven (7) members: five (5) members elected from single-member wards and two (2) members elected at-large from within the Town Boundaries. Ward boundaries shall be established by the Lt. Governor's Cadastral Office in Christiansted in consultation with the Board of Elections prior to the first election.

(b) **Eligibility.** A candidate for Town Council must be a qualified elector who has been a bona fide resident of the Town for not less than one (1) year immediately preceding the election and must be at least twenty-one (21) years of age.

(c) **Terms.** Town Council members shall serve four-year terms, staggered so that ward members in wards 1, 3, and 5, together with one at-large member, are elected in one cycle, and ward members in wards 2 and 4, together with the second at-large member, are elected two years thereafter.

(d) **Elections.** Town Council elections shall be held in odd-numbered years and shall be administered by the St. Croix District Board of Elections pursuant to the applicable provisions of Title 18 of the Virgin Islands Code. Elections shall be held in odd-numbered years so as not to be confused with campaigns and elections for Territorial offices. The cost of Town Council elections shall be borne by the Town.

(e) **Compensation.** Town Council members shall receive a monthly stipend not to exceed One Thousand Five Hundred Dollars ($1,500) per month. No member shall receive additional compensation, benefits, or employment from the Town.

(f) **Mayor.** The Town Council shall elect from among its members a Mayor who shall preside at Council meetings, represent the Town in official capacities, and serve as the primary liaison to the Governor's Office, Legislature, and GVI agencies. The Mayor shall serve a two-year term in that role.

(g) **Vacancies.** Vacancies on the Town Council shall be filled by appointment of a qualified replacement by affirmative vote of four (4) remaining Council members, subject to confirmation at the next general election.

§ 206. Town Manager.

(a) The Town Council shall appoint a Town Manager to serve as the chief administrative officer of the Town. The Town Manager shall be a professional administrator with demonstrated experience in municipal management, public finance, or comparable public administration.

(b) The Town Manager shall be responsible for: day-to-day administration of Town operations; preparation of the annual budget for Council adoption; supervision of Town employees; implementation of Council ordinances and resolutions; coordination with GVI departments under intergovernmental service agreements; and reporting to the Council and the Territorial Oversight Board.

(c) The Town Manager shall serve at the pleasure of the Town Council and may be removed by affirmative vote of four (4) Council members.

(d) The annual salary of the Town Manager shall be established by the Town Council and shall not exceed the salary of a GVI Department Commissioner without approval of the Territorial Oversight Board.

§ 207. Town Clerk and Staff.

(a) The Town Council shall appoint a Town Clerk who shall maintain official records, publish meeting notices and minutes, administer public access to Town documents, and assist in the administration of Town elections. The Town Clerk may not serve as Town Manager.

(b) The Town may employ such additional staff as is authorized in the approved annual budget, subject to the personnel limits of section 204(i) and the personnel rules of Article VII.

(c) The Town is encouraged to enter into shared services arrangements with GVI departments, non-profit organizations, and neighboring municipalities to reduce administrative overhead.

ARTICLE III
TOWN FISCAL STRUCTURE

§ 301. Fiscal Year and Budget Process.

(a) The fiscal year of the Town shall coincide with the territorial fiscal year.

(b) The Town Manager shall submit a proposed annual budget to the Town Council not later than sixty (60) days before the start of each fiscal year. The budget shall be balanced — projected revenues shall equal or exceed projected expenditures.

(c) The Town Council shall hold at least one (1) public hearing on the proposed budget before adoption. The adopted budget shall be transmitted to the Territorial Oversight Board within five (5) days of adoption.

(d) The Town shall not expend funds in excess of appropriations without Council approval by a two-thirds supermajority and immediate notification to the Territorial Oversight Board.

(e) A mid-year budget amendment process shall be available for unanticipated needs, subject to the same public hearing and Oversight Board notification requirements.

(f) **Energy Cost Contingency.** Given the territory's history of utility rate volatility, the Town's annual budget shall include an energy cost contingency line item of not less than ten percent (10%) of projected WAPA electricity expenditures for Town facilities, adjusted annually to reflect any PSC rate orders issued within the prior fiscal year.

§ 302. Permitted Revenue Sources.

The Town is authorized to generate revenue from the following sources only:

(a) **Business Improvement District Assessments.** A levy on commercial property owners within a BID sub-zone designated by the Town Council, not to exceed one-half percent (0.5%) of assessed commercial property value annually, imposed only upon approval by a majority of affected property owners measured by assessed value. BID assessment revenue shall be used exclusively for BID purposes within the designated sub-zone.

(b) **Tourism Enhancement Levy.** A per-night surcharge on hotel and short-term rental occupancies within the Town Boundaries, not to exceed Two Dollars ($2.00) per room per night, with twenty-five percent (25%) of receipts dedicated to the Historic Preservation Revolving Fund under section 304 and seventy-five percent (75%) dedicated to the Tourism Enhancement Fund under section 604. This levy shall be collected by the territorial government as a supplement to the hotel occupancy tax and remitted monthly to the Town.

(c) **Permit and Service Fees.** Reasonable fees for the processing of locally-administered building permits, business registry filings, special event permits, and other Town services. All fee schedules shall be adopted by ordinance and published on the Town's public website.

(d) **Grants and Donations.** Federal grants, territorial grants, private donations, and philanthropic contributions accepted for purposes consistent with the powers of the Town. Federal grant applications shall be coordinated with the GVI Office of Management and Budget to avoid duplication.

(e) **Territorial Revenue Sharing.** Annual allocations from the Territorial Revenue Equalization Fund established pursuant to section 306.

(f) **Intergovernmental Service Reimbursements.** Payments received under intergovernmental service agreements for services the Town provides to GVI or other governmental bodies.

(g) **Historic Preservation Revolving Fund Returns.** Loan repayments and investment returns credited to the Historic Preservation Revolving Fund under section 304.

§ 303. Prohibited Revenue and Debt Actions.

(a) The Town shall not levy, assess, or collect any income tax, gross receipts tax, real property tax, excise tax, or customs duty.

(b) The Town shall not issue bonds, notes, or any form of debt obligation without express Legislative authorization by separate Act.

(c) The Town shall not pledge Town revenues or assets as collateral for any obligation not authorized by this Act.

(d) The Town shall not make any expenditure that would cause a deficit in any fund of the Town. Any actual or projected deficit must be reported to the Territorial Oversight Board within fifteen (15) days of identification, together with a remediation plan.

(e) The Town shall not enter into any multi-year expenditure commitment without demonstrating dedicated revenue sufficient to cover the full commitment.

§ 304. Historic Preservation Revolving Fund.

(a) There is hereby established within the Town Treasury a **Historic Preservation Revolving Fund** (hereinafter "HPRF") for the purpose of financing the restoration, rehabilitation, and preservation of historic structures within the Town Boundaries.

(b) **Capitalization.** The HPRF shall be capitalized through: an initial appropriation by the Legislature of not less than Five Hundred Thousand Dollars ($500,000), to be included in the first post-incorporation territorial budget; annual

deposits equal to twenty-five percent (25%) of Tourism Enhancement Levy receipts under section 302(b), with the remaining seventy-five percent (75%) of such receipts dedicated to the Tourism Enhancement Fund under section 604; federal historic preservation grants received by the Town; and private donations designated for historic preservation.

(c) **Uses.** HPRF funds may be used for: low-interest loans to private property owners for restoration of structures contributing to the AHCD; matching grants for historic preservation projects; technical assistance and architectural consultations for owners of historic properties; training and capacity programs for local historic preservation trades; and code compliance assistance for owners unable to finance required restoration independently.

(d) **Administration.** The HPRF shall be administered by the Town Manager with oversight of the Town Council and annual reporting to the DPNR State Historic Preservation Officer and the Legislature.

(e) **Revolving Mechanism.** Loan repayments to the HPRF shall be re-lent or re-granted to other eligible properties, maintaining the Fund as a self-sustaining revolving resource.

§ 305. Reserve Fund Requirement.

(a) The Town shall maintain a General Reserve Fund equal to not less than ten percent (10%) of the Town's annual operating budget at all times.

(b) The Reserve Fund shall be held in a segregated account and may be drawn upon only: in a declared state of emergency affecting the Town; upon approval by five (5) of seven (7) Town Council members; and with immediate notification to the Territorial Oversight Board.

(c) Any draw on the Reserve Fund shall be replenished within two (2) subsequent fiscal years.

(d) Failure to maintain the Reserve Fund at the required level shall trigger automatic Oversight Board review under section 904(a).

§ 306. Territorial Revenue Equalization.

(a) The Legislature shall establish by separate Act a Territorial Municipal Revenue Equalization Fund to ensure that municipalities incorporated under this Act do not suffer fiscal starvation due to unequal tax base distribution.

(b) Until such separate Act is enacted, the territorial government shall annually appropriate to each incorporated municipality a per-capita base allocation of not less than the amount calculated by dividing the total annual territorial general fund expenditures on community-level services by the total USVI population and multiplying by the municipal population.

(c) Revenue equalization allocations shall be calculated by the Office of Management and Budget and approved as part of the annual territorial budget process.

(d) **Recalculation Upon Material Change in GVI Obligations.** In the event that the Government of the Virgin Islands formally assumes or guarantees the debt obligations of any public authority, including without limitation WAPA, the per-capita equalization allocation shall be recalculated by the Office of Management and Budget within ninety (90) days of such assumption or guarantee, and the Legislature shall appropriate any required adjustment to municipal equalization allocations in the subsequent budget cycle.

§ 307. Audit and Financial Reporting.

(a) The Town shall engage an independent certified public accountant to conduct an annual audit of all Town funds, accounts, and financial operations. The audit shall be completed within ninety (90) days of fiscal year-end and transmitted to the Town Council, the Territorial Oversight Board, the Legislature, and the GVI Inspector General.

(b) The Town shall publish quarterly financial reports on its public website, including a budget-to-actual comparison for each fund.

(c) The Town Manager shall appear before the Legislature's Finance Committee upon request to present the annual audit and respond to questions.

(d) All Town financial records shall be public records subject to the provisions of Title 3, Chapter 33 of the Virgin Islands Code.

ARTICLE IV
INFRASTRUCTURE AND SERVICE COORDINATION

§ 401. Intergovernmental Service Agreements.

(a) The Town is authorized to enter into Intergovernmental Service Agreements (ISAs) with GVI departments and agencies to define responsibilities, funding, and performance standards for services within the Town Boundaries.
(b) ISAs shall specify: the scope of services; the responsible GVI department and Town liaison; performance metrics and reporting timelines; funding and cost-sharing arrangements; and dispute resolution procedures.
(c) ISAs shall be approved by the Town Council, the relevant GVI department head, and the Office of Management and Budget, and shall be filed with the Legislature.

§ 402. GVI Agency and Public Authority Coordination Obligation.

(a) GVI departments and agencies with operations, facilities, or responsibilities within the Town Boundaries — including without limitation the Department of Public Works, DPNR, VIPA, the Department of Property and Procurement, and the Department of Sports Parks and Recreation — shall designate a liaison officer responsible for coordinating with the Town Manager. For public authorities including WAPA and VIPA whose governance structure differs from GVI executive departments, the liaison requirement of this section shall be implemented through a formal intergovernmental coordination agreement between the Town and the relevant authority's governing board, executed within one hundred eighty (180) days of the first Town Council meeting.
(b) Each designated GVI liaison shall participate in not less than quarterly coordination meetings convened by the Town Manager, and shall provide the Town with advance notice of planned infrastructure work, permit decisions, or service changes affecting the Town.
(c) The Town Council may formally request that a GVI department take specific action within the Town Boundaries. GVI departments shall respond in writing within thirty (30) days explaining action taken or the reasons action cannot be taken.
(d) The Island Administrator for St. Croix shall serve as the primary executive branch coordinator between the Town and the Governor's Office, and shall have standing to convene interagency meetings on behalf of the Town.

§ 403. Local Planning Authority.

(a) The Town shall prepare and maintain a Local Community Development Plan, updated not less than every five (5) years, consistent with the territorial Comprehensive Land and Water Use Plan.
(b) The Local Community Development Plan shall address: land use priorities within the AHCD and adjacent areas; infrastructure needs and improvement priorities; historic preservation strategies; economic development opportunities; housing affordability; visitor experience enhancement; and resilience and disaster preparation.
(c) The Plan shall be developed through a documented public engagement process with not less than three (3) public hearings, and shall be submitted to DPNR and the Legislature upon adoption.
(d) DPNR shall respond to the Plan within sixty (60) days with a written assessment of consistency with territorial planning law and any required modifications. If DPNR does not respond within sixty (60) days, the Town Council is authorized to proceed with implementation of the Plan without further delay.

§ 404. Permitting Administration.

(a) The Town shall have full authority to administer and approve all building permits for structures and improvements within the Town Boundaries, consistent with the AHCD standards and territorial building codes, with the sole exception of Territorial projects financed with Territorial government monies, which shall continue to require DPNR review. This authority is granted in recognition that permit processing delays by DPNR have chronically disrupted construction timelines and lender draw schedules within the Town.
(b) **"Permits subject to DPNR review"** means permits for Territorial projects financed with Territorial government monies, projects requiring coastal zone management review, and projects requiring a special exception or variance from territorial zoning law. All other permits within the Town Boundaries shall be processed and approved by the Town.
(c) For permits subject to DPNR review under subsection (b), the Town shall serve as a required consulting party and shall receive advance notice of all DPNR proceedings affecting properties within the Town Boundaries. DPNR shall provide the Town with written notice of its determination within forty-five (45) days of application; failure to respond within that period shall be deemed approval of the permit.
(d) The Town shall maintain a permit processing standard of not more than fifteen (15) business days for routine permits, and shall publish processing time statistics quarterly.

§ 405. Vacant and Abandoned Property Program.

(a) The Town shall maintain a Vacant and Abandoned Property Registry for all properties within the Town Boundaries that are vacant, abandoned, or substantially deteriorated.

(b) For government-owned vacant properties, the Town shall: notify the Department of Property and Procurement and the Legislature of the existence, condition, and potential productive use of each such property; advocate for expeditious disposition, lease, or rehabilitation; and coordinate with interested private developers consistent with the Local Community Development Plan.
(c) For privately owned vacant or deteriorated properties, the Town shall: notify property owners of applicable code requirements; offer HPRF technical assistance and financing; coordinate referrals to DPNR for enforcement action; and maintain public information on property status.
(d) The Town shall publish an annual Vacant Property Report summarizing Registry contents, actions taken, and outcomes achieved.

ARTICLE V
HISTORIC PRESERVATION AUTHORITY

§ 501. Historic District Administration.
(a) Within the AHCD of Christiansted, the Town shall serve as the primary community-level interface between property owners, residents, businesses, and the regulatory requirements of the Architectural Historic Control District.
(b) The Town shall appoint a Historic Preservation Officer, who may be a part-time position or a shared position under an ISA, responsible for: maintaining the local historic structures inventory; administering the HPRF; coordinating with DPNR's SHPO staff; conducting outreach to property owners; and advising the Town Council on preservation matters.
(c) The Town may establish a local Historic Preservation Advisory Committee, with not fewer than three (3) members having demonstrated expertise in historic preservation, architecture, local history, or related fields, to advise the Town Council and Historic Preservation Officer.

§ 502. Coordination with State Historic Preservation Officer.
(a) The Town shall enter into a Memorandum of Understanding with the DPNR State Historic Preservation Officer establishing: regular coordination meetings; joint review procedures for significant permit applications within the AHCD; shared access to survey and inventory data; and coordination on Section 106 review processes under the National Historic Preservation Act.
(b) The Town shall be a consulting party in all Section 106 reviews for federal undertakings affecting properties within the Town Boundaries.

§ 503. National Park Service Partnership.
(a) The Town is authorized to enter into a formal partnership agreement with the National Park Service for the Christiansted National Historic Site, including: joint planning for the waterfront and boardwalk corridor; coordinated visitor experience programming; shared use of public spaces for community events; and collaborative pursuit of federal historic preservation grants.
(b) The Town shall include NPS representation in its local planning process and shall consult with NPS prior to any proposed action affecting the viewshed, access, or character of the National Historic Site.

§ 504. Building Code Compliance Assistance.
(a) Recognizing that historic preservation in the AHCD is financially infeasible for many property owners due to the cost differential between standard and compliant historic restoration, the Town shall administer a Building Code Compliance Assistance Program from the HPRF providing: technical referrals to licensed historic preservation contractors; small grants for structural stabilization of at-risk structures; assistance in navigating insurance, probate, and title issues that delay restoration; and coordination of low-interest lending through the USVI Economic Development Bank.

ARTICLE VI
ECONOMIC DEVELOPMENT FUNCTIONS

§ 601. Business Improvement District Authority.

(a) The Town Council may, by ordinance, designate one or more Business Improvement District (BID) sub-zones within the Town Boundaries following: a survey of commercial property owners within the proposed zone; a public hearing; and approval by a majority of affected commercial property owners measured by assessed commercial property value.
(b) BID assessments shall be levied and collected pursuant to section 302(a) and used exclusively for services within the designated BID sub-zone, including: enhanced street cleaning and maintenance; landscaping and public realm improvements; wayfinding, signage, and lighting; event programming and marketing; and visitor and customer services.
(c) BID sub-zones and assessment rates shall be reviewed by the Town Council every three (3) years. Commercial property owners may petition for BID dissolution by majority vote.

§ 602. Local Economic Development Plans.

(a) The Town shall prepare a Local Economic Development Plan as a component of the Local Community Development Plan required by section 403, addressing: strategies for business retention, attraction, and formation; workforce development needs; infrastructure investments that support economic activity; anti-displacement protections for existing community businesses and residents; and alignment with EDC, VIEDA, and EZC programs.
(b) The Town Manager shall maintain an active working relationship with the EDC and VIEDA to advocate for Christiansted-based applicants and to identify investment opportunities within the Town Boundaries. The Town Manager shall additionally have standing to file written comment in any PSC proceeding affecting commercial or public facility electricity rates within the Town Boundaries, and shall represent the Town's ratepayer interests before the PSC on matters affecting municipal operating costs and economic development.
(c) The Town shall provide formal written comment on all EDC and EZC applications for projects within the Town Boundaries, and shall be notified by those agencies of pending applications in advance of public hearings.

§ 603. TIF District Participation.

(a) The Town may, consistent with Title 29, Chapter 22 of the Virgin Islands Code, propose Tax Incremental Financing districts within the Town Boundaries in coordination with the VIEDA.
(b) The Town shall be a required participating party in any TIF plan affecting property within the Town Boundaries, and shall formally endorse or object to proposed TIF plans within sixty (60) days of referral.
(c) TIF proceeds attributable to Town-boundary projects shall include a component, not to exceed twenty percent (20%) of annual TIF revenues, allocated to the Town for local infrastructure and historic preservation purposes, as specified in each approved TIF plan.

§ 604. Tourism Enhancement Fund.

(a) There is hereby established within the Town Treasury a **Tourism Enhancement Fund** capitalized by seventy-five percent (75%) of the per-night Tourism Enhancement Levy receipts authorized in section 302(b) — with the remaining twenty-five percent (25%) dedicated to the Historic Preservation Revolving Fund under section 304 — and by donations and grants.
(b) The Fund shall be used exclusively for: visitor welcome and orientation services; cultural and heritage event programming; public market and vendor program management; wayfinding and interpretive signage; website and visitor marketing; and community cultural programs open to residents and visitors.
(c) The Fund shall not be used for Town administrative overhead.

§ 605. Small Business and Vendor Markets.

(a) The Town is authorized to establish, regulate, and manage public markets, craft fairs, farmers markets, and vendor programs in public spaces within the Town Boundaries, consistent with applicable GVI licensing and health regulations.
(b) Preference in public market programming shall be given to residents of the Town and to St. Croix-based businesses.

ARTICLE VII
PERSONNEL AND EMPLOYMENT

§ 701. Town Employees.

(a) Town employees shall be hired, supervised, and discharged by the Town Manager pursuant to the personnel rules adopted by the Town Council under section 704.

(b) Town employment shall not confer any rights, benefits, or protections of GVI employment, nor shall Town employees be considered GVI employees for any purpose.
(c) In filling employment positions, the Town shall give preference to qualified residents of the Town and St. Croix.

§ 702. Pension Prohibition.

(a) The Town shall not enroll any Town employee, officer, or elected official in GERS or any other defined benefit pension plan. This prohibition is absolute and may not be waived by Town Council ordinance, resolution, or agreement.
(b) The Town shall not create, sponsor, or participate in any defined benefit retirement arrangement of any kind.
(c) This section reflects the Legislature's determination that the existing net pension liability of GERS constitutes a generational obligation that municipal incorporation shall not be permitted to increase.

§ 703. Defined Contribution Plan.

(a) The Town shall offer all eligible Town employees a defined contribution retirement plan under which the Town contributes not more than eight percent (8%) of each eligible employee's annual salary to an individual account held in the employee's name.
(b) Town contributions under the defined contribution plan shall vest fully after three (3) years of continuous service.
(c) The plan administrator shall be a qualified third-party plan administrator, and plan assets shall not be held in or commingled with Town operating funds.

§ 704. Personnel Rules.

(a) The Town Council shall adopt, by ordinance, a Personnel Rules Manual within one hundred eighty (180) days of the first Town Council meeting. The Manual shall address: hiring, classification, and compensation; standards of conduct and ethics; grievance and appeal procedures; anti-discrimination protections; and conflict of interest provisions.
(b) Personnel rules shall be consistent with applicable territorial and federal anti-discrimination laws.

ARTICLE VIII
PUBLIC SAFETY, HOMELESSNESS, AND BEHAVIORAL HEALTH

The Legislature finds that the absence of local government in Christiansted and Gallows Bay has produced a specific and documented public safety gap: no locally accountable authority exists to address the quality-of-life offenses, petty crimes, and misdemeanor activity that erode the visitor experience and resident well-being in the historic downtown and waterfront areas. The Legislature further finds that the persistent presence of unsheltered individuals with behavioral health needs in tourist areas reflects a governance vacuum — not merely a policing shortage — that requires a coordinated community response combining civilian outreach, behavioral health services, and measured civil enforcement, in coordination with the Virgin Islands Police Department.

§ 801. Municipal Public Safety Officers.

(a) **Establishment.** The Town Council is authorized to establish a Municipal Public Safety Officer (MPSO) corps — unarmed officers with limited law enforcement authority — as a component of Town operations. MPSOs are not police officers and shall have no authority over felony offenses or misdemeanors punishable by more than thirty (30) days imprisonment.
(b) **Training and Certification.** MPSOs shall complete a training program approved by the VIPD Commissioner and the GVI Department of Justice covering: civil citation authority; de-escalation techniques; crisis intervention and behavioral health first response; trespass and exclusion procedures; tourist assistance protocols; report writing; and limits of MPSO authority. No MPSO shall exercise any law enforcement authority prior to completing the approved training program.
(c) **Limited Enforcement Authority.** Pursuant to authority delegated by the Legislature under this Act, MPSOs are authorized to:
(1) Issue civil citations and municipal infraction notices for violations of Town ordinances adopted pursuant to section 802 of this Article;
(2) Issue civil trespass warnings and exclusion notices for designated public spaces within the Town Boundaries, enforceable by VIPD upon violation;
(3) Enforce posted park rules, boardwalk regulations, and public space ordinances, including prohibitions on aggressive solicitation, illegal vending, public intoxication, open container violations in designated areas, and unauthorized encampment;

(4) Request VIPD response in any situation involving a threat to public safety, an apparent felony, or a misdemeanor exceeding MPSO authority;
(5) Provide sworn written statements supporting VIPD enforcement action;
(6) Serve as first-responder liaisons to VIPD, EMS, and behavioral health crisis teams.
(d) **Prohibited Actions.** MPSOs shall have no authority to: make arrests; carry firearms or offensive weapons; use physical force except in lawful self-defense; exercise any authority beyond the Town Boundaries; or take any enforcement action against any person solely on the basis of that person's homeless status, appearance, or mental health condition.
(e) **Coordination Agreement.** The Town shall enter into a formal MPSO Coordination Agreement with the VIPD Commissioner specifying: joint patrol protocols; communication and dispatch procedures; incident reporting requirements; VIPD oversight of MPSO conduct; and the process for revoking individual MPSO authority upon misconduct finding.
(f) **Staffing Limits.** The MPSO corps shall not exceed eight (8) full-time equivalent positions without approval of the Territorial Oversight Board. MPSO positions count toward the Town's overall twenty-five (25) employee cap under section 204(i).
(g) **Accountability.** The Town Manager shall receive and investigate all complaints against MPSOs and shall report annually to the Town Council, the Oversight Board, and the VIPD Commissioner on MPSO activity, citations issued, complaints received, and outcomes.

§ 802. Municipal Public Safety Ordinances.

(a) The Town Council is authorized to adopt, by ordinance, local public safety and quality-of-life regulations applicable within the Town Boundaries, provided such ordinances are consistent with territorial law and VIPD jurisdiction. Permissible subject areas include:
(1) Regulation of public spaces including the boardwalk, parks, plazas, and waterfront areas, including hours of use, noise standards, and prohibited activities;
(2) Prohibition of aggressive solicitation, including repeated requests after refusal, physical obstruction of pedestrian movement, and intimidating conduct directed at tourists or residents in public areas;
(3) Open container regulations within designated zones, consistent with territorial alcohol control law;
(4) Unlicensed and unauthorized street vending in designated no-vend zones;
(5) Maintenance and use of municipal parks, recreational facilities, and public restrooms;
(6) Encampment on public property, consistent with applicable federal constitutional standards, including adequate notice, personal property protection procedures, and referral obligations to shelter and services.
(b) All Town public safety ordinances shall be reviewed by the GVI Department of Justice for consistency with territorial law prior to taking effect. The Department of Justice shall respond within forty-five (45) days of submission or the ordinance shall be deemed approved.
(c) Penalties under municipal ordinances shall be civil in nature — fines not exceeding Five Hundred Dollars ($500) per violation — and shall not include incarceration. Criminal prosecution for any conduct that also constitutes a territorial offense remains exclusively with VIPD and the Office of the Attorney General.

§ 803. Homelessness and Street Outreach.

(a) **Street Outreach Program.** The Town shall establish or contract for a Street Outreach Program staffed by trained outreach workers — not MPSOs — who shall conduct regular, non-enforcement contact with unsheltered individuals in the Town Boundaries for the purposes of: building trust; assessing needs; connecting individuals with shelter, housing, mental health, and substance use services; providing basic welfare checks; and maintaining an anonymized registry of unsheltered individuals in the Town for service planning purposes.
(b) **Behavioral Health Crisis Response.** The Town shall establish a protocol — coordinated with the GVI Department of Health's mental health and behavioral health programs and Catholic Charities of the Virgin Islands — under which MPSOs encountering individuals in apparent behavioral health crisis shall immediately request a trained behavioral health crisis responder rather than VIPD, unless there is an immediate safety threat requiring law enforcement. The Town shall designate a Behavioral Health Liaison, who may be a contracted position, responsible for maintaining the crisis response protocol and provider relationships.
(c) **Shelter and Services Advocacy.** The Town shall formally advocate before the Legislature, the GVI Department of Human Services, and the Continuum of Care on homelessness for adequate emergency shelter and transitional housing

capacity on St. Croix. The Town shall be a formal participant in the annual Point-in-Time homeless count coordinated by the GVI Continuum of Care.

(d) **No Criminalization of Homelessness.** No municipal ordinance, MPSO protocol, or Town policy shall treat homelessness itself as a violation or target individuals for enforcement solely on the basis of their housing status. Encampment regulations adopted under section 802(a)(6) shall include: not less than seventy-two (72) hours advance written notice before removal; storage of personal property for not less than thirty (30) days; and documented referral to shelter or services for each displaced individual where capacity exists.

(e) **Interagency Coordination.** The Town Manager shall convene not less than quarterly meetings with the GVI Department of Human Services, the Department of Health Behavioral Health unit, the VIPD Community Affairs unit, Catholic Charities, and other service providers operating in the downtown Christiansted area to coordinate outreach, shelter referrals, and crisis response — and shall report annually to the Town Council and Legislature on outcomes.

§ 804. Public Safety Coordination with VIPD.

(a) The Town shall enter into a Public Safety Coordination Agreement with the VIPD Commissioner specifying: VIPD patrol frequency and response time standards for the Town Boundaries; joint community policing initiatives including foot patrol and community liaison programs in the historic downtown and boardwalk areas; information sharing on crime patterns affecting the Town; MPSO communication protocols; and a designated VIPD Community Affairs liaison for Town coordination.

(b) The Town Council shall hold a public community safety forum not less than twice per year, to which the VIPD Commissioner or district commander shall be invited, at which crime statistics, MPSO activity reports, outreach program outcomes, and community safety priorities shall be presented and community input received.

(c) The Town shall maintain a publicly accessible Safety Dashboard on its website publishing: monthly MPSO citation data by infraction type; VIPD reported incident statistics for the Town Boundaries; street outreach contact and referral data; and shelter availability for St. Croix.

§ 805. Future Municipality Public Safety Provisions.

(a) Each Future Municipality incorporated under Article X shall include public safety provisions equivalent to this Article in its enabling Incorporation Certification Act, with appropriate modifications for community scale and local conditions.

(b) For Cruz Bay, St. John — where the National Park Service maintains law enforcement presence and the community is smaller — the MPSO corps may be reduced to not more than three (3) officers with a corresponding reduction in the street outreach program scale, provided that the homeless outreach, behavioral health coordination, and no-criminalization provisions of section 803 shall apply in full.

(c) For Charlotte Amalie, St. Thomas — where homelessness, street-level disorder, and tourist-area crime are more acute — the MPSO corps may be expanded to not more than fifteen (15) officers, and the behavioral health crisis response requirement of section 803(b) shall include a co-responder model pairing MPSOs with mental health clinicians on routine patrol.

ARTICLE IX
ACCOUNTABILITY AND OVERSIGHT

§ 901. Territorial Oversight Board.

(a) **Establishment.** There is hereby established a Territorial Municipal Oversight Board (hereinafter "the Oversight Board") as an independent body within the Government of the Virgin Islands.

(b) **Composition.** The Oversight Board shall consist of seven (7) members appointed by the Governor with the advice and consent of the Legislature: one (1) member with expertise in municipal finance; one (1) member with expertise in land use planning; one (1) member with expertise in historic preservation; one (1) member representing the business community; one (1) member representing community or civic organizations; one (1) member who is a former GVI department head or administrator; and one (1) at-large member. No more than three (3) members shall be affiliated with the same political party.

(c) **Terms.** Members shall serve four-year staggered terms and may serve no more than two consecutive terms.

(d) **Duties.** The Oversight Board shall: review and accept or reject annual municipal budgets; receive and review annual audits; monitor compliance with fiscal requirements of Article III; review and approve multi-year contracts exceeding the thresholds of section 204(g); conduct annual performance reviews under section 902; receive and investigate complaints against municipal governance; and recommend remediation or receivership to the Legislature when warranted.

(e) **Meetings.** The Oversight Board shall meet not less than quarterly and shall hold at least one (1) public meeting annually in each active municipality.

(f) **Staffing.** The Oversight Board shall be staffed by the GVI Office of Management and Budget, with dedicated support from the GVI Inspector General's Office for audit review functions.

§ 902. Performance Standards.

(a) The Oversight Board shall adopt annual performance standards for each municipality addressing: fiscal compliance; service delivery quality; historic preservation outcomes; economic development activity; permit processing times; public engagement; and workforce development.

(b) Each municipality shall submit an annual self-assessment against performance standards to the Oversight Board not later than ninety (90) days after fiscal year-end.

(c) The Oversight Board shall publish an annual scorecard for each municipality and transmit it to the Legislature.

§ 903. Legislative Oversight.

(a) The Legislature shall conduct a comprehensive review of each active municipality not less than every five (5) years, examining fiscal health, governance performance, service delivery outcomes, and continued consistency with the purposes of this Act.

(b) The Town Council and Town Manager shall appear before the Legislature at the Legislature's request to provide testimony on any matter within the Legislature's oversight jurisdiction.

(c) The Legislature retains full authority to amend any provision of this Act or to restrict any municipal power at any time.

§ 904. Remediation and Receivership.

(a) **Remediation Trigger.** The Oversight Board shall place a municipality on Remediation Status upon finding: a fiscal deficit not remediated within sixty (60) days of identification; failure to maintain the Reserve Fund; failure to submit a timely annual audit; material violation of the pension prohibition; repeated non-compliance with performance standards; or credible evidence of financial mismanagement.

(b) **Remediation Period.** A municipality on Remediation Status shall submit a Remediation Plan within thirty (30) days and shall comply with enhanced reporting and oversight for a period of not less than one (1) year.

(c) **Receivership.** If a municipality fails to achieve compliance within the Remediation Period, or if the Oversight Board finds an immediate fiscal emergency, the Oversight Board may recommend to the Legislature that a Receiver be appointed to assume administrative control of the municipality. The Legislature shall act on a receivership recommendation within sixty (60) days.

(d) **Receiver Powers.** A Court-appointed Receiver shall have authority to: suspend Town Council action; reorganize Town administration; renegotiate contracts; liquidate non-essential assets; and prepare a fiscal recovery plan. Receivership shall not suspend the Town's legal existence.

§ 905. Dissolution Procedure.

(a) A municipality may be dissolved: by a two-thirds vote of the Legislature upon recommendation of the Oversight Board; or by a referendum of qualified electors within the municipality in which a majority votes for dissolution, followed by Legislative ratification.

(b) Upon dissolution, all municipal assets shall be transferred to the territorial government; all municipal employees shall be separated with applicable notice; and all lawful municipal obligations shall be assumed by the territorial government after audit and verification.

(c) The Demonstration Municipality may not be proposed for dissolution within five (5) years of its first Town Council election.

ARTICLE X
REPLICATION PATHWAY FOR FUTURE MUNICIPALITIES

This Article establishes the pathway by which the communities of Frederiksted (St. Croix), Charlotte Amalie (St. Thomas), and Cruz Bay (St. John) — and such other communities as the Legislature may designate — may seek incorporation as municipalities under this Act. The framework is designed to ensure that future incorporations occur only when communities demonstrate the fiscal base and governance capacity necessary for sustainable operation.

§ 1001. Eligible Communities and Provisional Charters.

(a) The following communities are pre-designated as eligible to seek incorporation under this Article: Frederiksted, St. Croix; Charlotte Amalie, St. Thomas; Cruz Bay, St. John; and such other communities as the Legislature may add by resolution upon recommendation of the Oversight Board.

(b) Provisional Charters. Upon the effective date of this Act, each of the four pre-designated communities — Frederiksted, Charlotte Amalie, Cruz Bay, and Christiansted-Gallows Bay — is hereby granted a Provisional Charter for the limited purpose of establishing an interim governing body whose agents shall have standing and a recognized seat and voice at all intergovernmental tables, boards, and proceedings involving federal funds allocated within or affecting the respective town limits. The Provisional Charter authority extends specifically to: federal disaster recovery and mitigation programs administered by FEMA; housing and community development programs administered by HUD; federal housing assistance programs; and Community Development Block Grant (CDBG) appropriations and sub-recipient agreements. Provisional Charter authority does not confer general municipal powers and shall be superseded in full upon the effective date of a confirmed incorporation under this Act.

(c) **Provisional Governing Body.** The interim governing body under a Provisional Charter shall consist of not fewer than three (3) and not more than seven (7) agents appointed through the community-based organizational process established by the organizers of each respective town government, subject to confirmation by the Territorial Oversight Board. Agents shall serve without compensation from the territorial government and shall have fiduciary duties to the community they represent in all federal funding proceedings.

(d) Each eligible community seeking incorporation must satisfy all requirements of this Article before incorporation may take effect.

(e) The Legislature may, by separate Act, adjust the powers, fiscal rules, or governance structure of any Future Municipality to reflect the unique characteristics and needs of that community, provided that the pension prohibition of section 702 and the debt limitations of section 303 shall apply to all municipalities without exception.

§ 1002. Petition Requirements.

(a) Incorporation proceedings shall be initiated by a Petition for Incorporation signed by not less than twenty-five percent (25%) of registered voters residing within the proposed municipal boundaries.

(b) The Petition shall include: a proposed description of the community's boundaries; a statement of the governance needs and community interest in incorporation; identification of proposed revenue sources; and a preliminary estimate of administrative costs.

(c) The Petition shall be submitted to the Supervisor of Elections, who shall certify signature sufficiency within thirty (30) days. A certified Petition shall be transmitted to the Legislature and the Oversight Board.

§ 1003. Feasibility Study.

(a) Upon receipt of a certified Petition, the Oversight Board shall commission a Fiscal and Governance Feasibility Study, to be completed within one hundred eighty (180) days and funded from the territorial general fund.

(b) The Feasibility Study shall assess: the proposed municipal population and tax base; projected annual revenues from permitted sources; projected annual administrative and service delivery costs; the adequacy of the Reserve Fund requirement given projected revenues; existing GVI service delivery within the proposed boundaries; historic preservation, economic development, and infrastructure needs; and governance capacity of the community.

(c) The Feasibility Study shall include a finding on whether the community has demonstrated a fiscally sustainable path to self-sufficient operation within three (3) years of incorporation without requiring territorial subsidy beyond the revenue equalization allocation of section 306.

(d) A negative feasibility finding shall not permanently bar incorporation but shall require a two-year waiting period before a new petition may be filed.

§ 1004. Incorporation Referendum.

(a) If the Feasibility Study produces a positive finding, or if the Legislature by resolution waives the feasibility requirement upon specific findings, an Incorporation Referendum shall be held among qualified electors residing within the proposed boundaries, administered by the Board of Elections.
(b) An affirmative vote of a majority of participating electors shall be required for incorporation to proceed.
(c) The ballot shall include a plain-language summary of: the proposed municipal powers; the proposed revenue sources; the estimated administrative cost; the pension prohibition; and the territorial oversight structure.
(d) A failed referendum shall require a two-year waiting period before a new petition may be filed.

§ 1005. Legislative Certification.

(a) Following a favorable Incorporation Referendum, the Legislature shall consider an Incorporation Certification Act for the proposed municipality.
(b) The Incorporation Certification Act shall: establish the legal boundaries of the new municipality; define any community-specific modifications to the powers or fiscal structure of this Act; appropriate the initial capitalization of the HPRF; and set the date for the first Town Council election.
(c) The Legislature may modify boundary proposals or impose additional conditions in the Certification Act, subject to the requirement that conditions be consistent with the purposes of this Act.

§ 1006. Capacity-Building Requirement.

(a) Prior to the first meeting of a newly incorporated municipality's Town Council, the incoming Town Council members shall complete a mandatory governance orientation program administered by the Oversight Board covering: fiduciary duties and ethics; budget management and fiscal compliance; personnel management; intergovernmental coordination; historic preservation administration; and parliamentary procedure.
(b) The Oversight Board shall provide ongoing technical assistance to newly incorporated municipalities during their first three (3) years of operation.

ARTICLE XI
DISASTER FISCAL PROTECTIONS

Recognizing that the USVI is subject to catastrophic hurricane events, as demonstrated by Hurricanes Irma and Maria in 2017, this Article establishes specific fiscal protections to prevent municipal fiscal collapse from becoming a contingent territorial liability.

§ 1101. Disaster Reserve Mandate.

(a) In addition to the General Reserve Fund required by section 305, each municipality shall establish a Disaster Reserve Fund equal to not less than fifteen percent (15%) of annual operating budget, to be fully funded within five (5) years of incorporation and maintained thereafter.
(b) The Disaster Reserve Fund shall be invested in liquid, low-risk instruments and shall be held separately from operating funds.
(c) The Disaster Reserve Fund may be drawn upon only upon declaration of a major disaster or emergency by the Governor or the President of the United States affecting the municipality, and only upon approval of the Oversight Board.

§ 1102. Prohibition on Independent Disaster Debt.

(a) No municipality shall issue debt for disaster recovery purposes without express authorization by the Legislature.
(b) Municipalities shall coordinate all federal disaster assistance applications with the GVI Office of Disaster Recovery to ensure consistency with territorial recovery strategies and to avoid duplicative applications.

§ 1103. Emergency Territorial Assumption Authority.

(a) In the event that a municipality is rendered financially non-operational as a direct result of a federally declared major disaster, the Governor may, by executive order, temporarily assume administrative control of the municipality for a period not to exceed eighteen (18) months, during which territorial personnel may perform essential municipal functions.
(b) Any territorial expenditures incurred under this section shall be subject to repayment by the municipality from disaster recovery funds when received, pursuant to a repayment agreement approved by the Oversight Board.
(c) The territorial government shall not assume pre-existing municipal operating obligations under this section.

§ 1104. Federal Assistance Coordination.

(a) Municipalities shall be eligible to receive federal Community Development Block Grant-Disaster Recovery (CDBG-DR) funds as sub-recipients through the GVI, subject to compliance with territorial and federal program requirements.
(b) The Town's Local Community Development Plan shall include a Resilience and Recovery chapter addressing pre-disaster mitigation, critical infrastructure vulnerability, and post-disaster recovery priorities.

ARTICLE XII
TRANSITION, EFFECTIVE DATE, AND SEVERABILITY

§ 1201. Transition Period.

(a) The Lt. Governor's Cadastral Office in Christiansted shall prepare the Town Boundaries map and legal description as required by section 202(b) for inclusion in this Act before final passage by the Legislature.
(b) The Board of Elections shall have one hundred twenty (120) days from the effective date to prepare for and schedule the Confirmatory Referendum required by section 201(c).
(c) Upon a favorable Confirmatory Referendum, the Board of Elections shall schedule the first Town Council election within one hundred eighty (180) days.
(d) The Governor shall initiate the appointment process for the Territorial Oversight Board within sixty (60) days of enactment and shall transmit nominations to the Legislature within ninety (90) days.
(e) During the period between enactment and the first Town Council meeting, an Interim Planning Committee consisting of seven (7) community volunteers shall advise on Town Boundary delineation, initial budget preparation, and organizational setup. Volunteers shall be recruited by the organizers of each town government and recommended to the Governor for appointment.

§ 1202. Effective Date.

This Act shall take effect upon signature by the Governor or upon override of a veto, except that section 201(d) and the operational provisions of Articles III through XI shall take effect only upon the favorable outcome of the Confirmatory Referendum.

§ 1203. Severability.

If any provision of this Act, or its application to any person or circumstance, is held invalid or unconstitutional by a court of competent jurisdiction, the remainder of the Act and the application of its provisions to other persons or circumstances shall not be affected thereby, and the invalid or unconstitutional provision shall be severed from the Act.

§ 1204. Codification.

This Act shall be codified as a new Chapter within Title 3 of the Virgin Islands Code, to be designated by the Revisor of Statutes. The Revisor is authorized to make such technical amendments as are necessary for proper codification without altering the substance of any provision.

CERTIFICATION

I hereby certify that this bill was passed by the Legislature of the United States Virgin Islands at its _____ Session by a vote of _____ to _____ on _____, 2026.

_____ _____

President, Legislature of the V.I. Secretary, Legislature of the V.I.

Submitted to the Governor's Legal Counsel · October 2026 · Bottom Up Government Initiative (BUG) · Christiansted Revitalization Planning Task Force · St. Croix, U.S. Virgin Islands · BUG.vi Prepared for submission to the Legislature of the Virgin Islands for introduction and passage before sine die, December 31, 2026. All section numbers and codification designations are subject to revision upon formal introduction.