



Legislature of the Virgin Islands

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POST AUDIT DIVISION

June 21, 2016

COMMITTEE ON FINANCE

Fiscal Year 2017 Budget Hearings

VIRGIN ISLANDS PORT AUTHORITY AGENCY OVERVIEW

INTRODUCTION

Established as a public corporation and autonomous government instrumentality, charged with the ownership, operation, development and management of all air and marine ports in the United States Virgin Islands, The *Virgin Islands Port Authority (VIPA or the Authority)* is charged with controlling and maintaining the territory's harbor with the exception of mooring and anchoring of vessels.

As the steward of our shores, the *VIPA* provides jobs for over **353** employees, and owns a portfolio of almost **200** properties comprising more than **1,500** acres on the islands of St. Thomas, Hassel Island, St. John and St. Croix and is landlord to over **300** lessees and operators.

The Authority does not receive nor does it contribute any funds to the Government of the Virgin Islands. Instead, revenues are generated through the application of user fees and rental fees charged to users of its airport and marine facilities; leasing of its facilities and properties and grant funding from the federal or state government for completion of FAA approved capital projects.

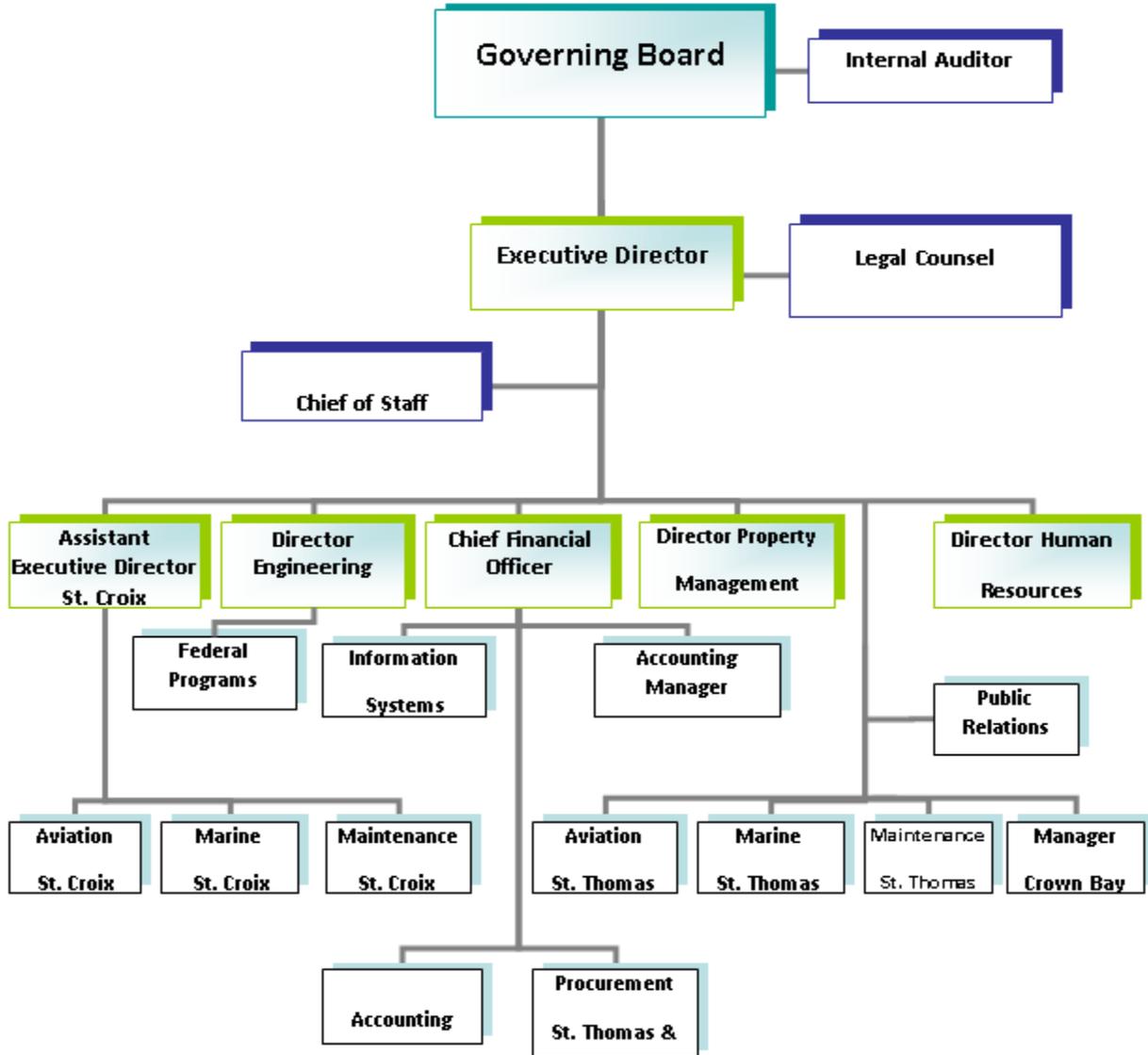
VIPA is governed by a nine-member board which includes:

VIRGIN ISLANDS PORT AUTHORITY *Governing Board*

Board Member	Position	Term
1. Roberto Cintron, PE	Chairman	STX
2. Beverly Nicholson-Doty	Vice - Chair	<i>ex Officio</i>
3. Jose A. Penn	Secretary	<i>ex Officio</i>
4. Claude Walker	Member	<i>ex Officio</i>
5. Gustav James	Member	<i>ex Officio</i>
6. Yvonne E.L. Thraen Ph.D.	Member	STT
7. Laurel Hewitt-Sewer	Member	STJ
8. VACANT	Member	STX
9. VACANT	Member	STT

**Members are appointed to a 3 year term and remain eligible for reappointment.*

The Board sets policies which direct the Executive Director in his day to day operation of the Authority. The current organization structure comprises the following:



OPERATIONAL OVERVIEW

As a vital component in the economic development of the U.S. Virgin Islands, the Authority accomplishes its mandate through operation, management or ownership of the following.

<i>Divisions</i>	Virgin Islands Port Authority
<i>Aviation</i>	Cyril E. King Airport – St. Thomas
	Henry E. Rohlsen Airport – St. Croix
<i>Marine</i>	The Gallows Bay Dock –Christiansted STX
	The Svend Aage Ovensen Jr. Terminal –Christiansted STX
	The Ann E. Abramson Marine Facility –Frederiksted STX
	The Wilfred “Bomba” Allick Port/Transshipment Ctr –Krause Lagoon STX
	The Gordon A. Finch Molasses Pier - Krause Lagoon STX
	The Lorendon Lorence Boynes Sr. Dock –Cruz Bay-STJ
	The Victor William Sewer Marine Facility – Cruz Bay-STJ
	The Theovald Eric Moorehead Marine Facility –Enighed Pond -STJ
	The Austin “Babe” Monsanto Marine Terminal –Crown Bay- STT
	The Crown Bay Cargo Port-STT
	The Charlotte Amalie Waterfront-STT
	The Edward Wilmoth Blyden Marine Terminal -STT
	The Charles F. Blair Seaplane Terminal -STT
The Urman Victor Fredericks Marine Terminal -STT	
<i>Property Management</i>	Lindberg Bay Park and Water Playground -STT
	Bourne Field Housing -STT

YEAR IN REVIEW

For fiscal year 2016, the Virgin Islands Port Authority anticipates operating expenses of **\$43.5M**, excluding debt service cost of **\$5.7M**, and capital expenditures of **\$33.2M** resulting in total outlays of **\$82.4M** (*Information acquired from VIPA WEB site.*)

VIRGIN ISLANDS PORT AUTHORITY

Budget Aggregate Outlays Fiscal year ended September 30, 2016

	FY 2015 Budget	FY 2016 Budget	Variance	% Change
<i>(In Millions)</i>			Budget	
Operating Expense	\$41,817	\$43,501	1,684	4%
Debt Service	6,287	5,671	-616	-11%
Renewal & Replacement	606	0	-606	-100%
Capital Expenditure	41,578	33,227	-8,351	-25%
Total	\$90,288	\$82,399	-7,889	-10%
Depreciation in Expense	20,827	19,380	-1,447	-7%

Exhibit I

The Authority did not respond to the Post Audit Division’s fiscal year 2017 Budget Request. The basic information contained within this analysis was retrieved from the Authority’s fiscal year 2016 Operating and Capital Budget Statement located at www.viport.com.

VIRGIN ISLANDS PORT AUTHORITY
Budget Aggregate Resources)
 Fiscal year ended September 30, 2016

	FY 2015 Budget	FY 2016 Budget	Variance	% Change
<i>(In Millions)</i>			Budget	
Operating Revenues	\$53,418	\$54,587	1,169	2%
Renewal & Replacement	-	-182	-182	-100%
Passenger Facility Charges	3,402	2,932	-470	-16%
Capital Grants	10,551	7,162	-3,389	-47%
Cash Reserves & Other	6,667	2,193	-4,474	-204%
Loan Proceeds	16,250	15,707	-543	-3%
FY 2016 Cash Flow’s	\$90,288	\$82,399	-7,889	-10%

Exhibit II

- Fiscal Year 2016 revenues of **\$54.6M** are **\$1.2M** higher in comparison to the fiscal year 2015 amount of **\$53.4M**. When compared to the projected FY2015 revenue collections of **\$52.7M** (see Exhibit V and VI on page 6) however, the FY 2016 revenues are **\$1.9M** or **3.5%** higher.
- Core operating expenses are expected to increase by **4%** (see exhibit I.) in FY 2016 when measured against the fiscal year 2015. This is due in part to negotiated salary increases, an anticipated **11%** increase in medical insurance, and the addition of 8 new positions.

VIRGIN ISLANDS PORT AUTHORITY
Summary of Revenues, Expenses and Net Assets
 Fiscal Year Ended September 30, 2016

	Aviation	Marine	Support	Combined Budget
<i>(In Millions)</i>				
Total Operating Revenues	\$22,581,651	\$32,005,534	-	\$54,587,185
Total Operating Expenses	33,226,856	29,653,969	-	62,880,825
Operating Profit(loss)	-\$10,645,205	\$2,351,565	-	-\$8,293,639
Non-operating Revenues (Expenses)				
Passenger Facilities Charges (PFC)	2,931,750			2,931,750
Customer Facilities Charges (CFC)	582,720			582,720
Other Income	-			-
Interest Expense	-1,275	-2,334,378		-2,335,653
Non-Operating Revenues (Expenses), net	3,513,195	-2,334,378		1,178,817
Capital Grant Contributions	7,162,376			7,162,376
Net Assets Increase (-)	\$30,367	\$17,187	-	47,553

Exhibit III

VIRGIN ISLANDS PORT AUTHORITY
Statement of Cash Sources and Uses
 Fiscal Year Ended September 30, 2016

<i>(In Millions)</i>	Aviation	Marine	Admin & Gen	Combined Budget
Operating Revenues	\$22,581,651	\$32,005,534	\$-	\$54,587,185
Operating Exp excl. Deprec.	-22,177,651	-21,322,954		-43,500,604
Net Cash from opr revenues	\$404,000	\$10,682,581	-	\$11,086,581
Long Term Debt P& I	-404,442	-5,266,632		-5,671,074
Renewal & Replacement Res.	-	-182,834		-182,834
Revenue Available for Capital Expenditure	-\$442	\$5,233,115	-	\$5,232,673
Internal Cash Transfer	3,027,397	-3,027,397		-
PFCs – New	2,931,750			2,931,750
PFCs – Restricted Cash on Hand	2,193,468			2,193,468
Available for Internally Funded Capital Budget	\$8,152,173	\$2,205,718	\$-	\$10,357,891
Revenue Funded Capital Expenditure	-\$2,614,064	-\$1,814,010	-\$804,600	-\$5,232,673
PFC Funded Capital Expenditure	-\$5,125,218			-\$5,125,218
Admin & Gen Capital Budget Allocated	-\$413,531	-\$391,069	804,600	-
Internal Cash Over (Short)				
Capital Grant Contributions-FAA Approved	7,162,376			7,162,376
Loan Proceeds		15,706,533		15,706,533
External Cash Sources	\$7,162,376	\$15,706,533	-	\$22,868,909
Grant Funded Capital Projects -FAA Approved	-7,162,376			-7,162,376
Debt Funded Marine Capital Projects		-15,706,533		-15,706,533

Exhibit IV

The above *Exhibit IV* indicates that the Marine Division will transfer or loan to the Aviation Division \$3,027,397 and of this amount, \$2,614,064 will be used for capital expenditure under the Aviation Division. Two Questions come to mind: (1) Is this transfer from Marine to Aviation required to be reflected as a liability on the Aviation Balance Sheet and (2) what projects are expected to be funded by the \$2,614,064?

Additionally, some indication of what projects are to be funded by the debt issuance of \$15,706,533 and the Federal Grant of \$7,162,376 should be provided.

FISCAL YEAR 2016 BUDGET SUMMARY

Exhibit V outlines a 5-year Revenue & Expense Summary as reported on The Virgin Islands Port Authority's website.

MARINE TERMINAL TAX COLLECTIONS

Effective April 23, 2014, VIPA amended its marine tariff with respect to inter-island vessels traveling between the USVI and the BVI. Increases in dues from \$0.85 to \$2.00 for ship dues and \$1.00 to \$3.00 for Wharf age has resulted in an increase in collections of 23.5%. As of July 31, 2015, VIPA collected a total of \$1,623,262 for fiscal year 2015 from the Marine Terminal Tax.

VIPA 5-year Revenue & Expense Summary - Aviation						
		FY 12 Actual	FY 13 Actual	FY 14 Actual	FY 15 Estimated	FY 16 Annual Budget
User Fees & Charges		\$3,120,140	\$3,090,746	\$3,332,009	\$3,525,525	\$3,590,872
Rental Charges		5,195,107	5,868,959	6,086,039	5,982,691	6,061,554
Commission & Fees		12,923,781	12,113,578	13,038,238	12,788,551	12,929,225
Other Revenues		139,855	188,027	356,142	-	-
Operating Revenues		\$21,378,883	\$21,261,310	\$22,812,428	\$22,296,767	\$22,581,651
Expenses						
Payroll		\$5,270,059	\$5,446,119	\$5,893,589	\$5,360,144	\$5,550,204
Taxes/Benefits						
Maintenance		1,927,235	1,939,440	2,232,455	1,297,033	1,637,711
Materials & Supplies		541,528	1,251,702	504,624	383,713	335,221
Utilities		4,531,943	4,691,063	5,828,918	3,691,103	3,628,157
Prof & Other Svs		745,290	1,146,597	1,877,190	854,447	978,037
Travel & Other		89,657	88,895	124,297	167,008	160,301
Insurance		1,661,194	1,795,696	1,710,996	1,337,573	1,357,725
Depreciation		12,515,256	12,499,020	11,073,731	10,877,413	10,804,788
Other Expense		467,204	471,483	115,886	308,853	250,833
Operating Expenses		\$27,749,366	\$29,330,015	\$29,361,686	\$24,277,287	\$24,702,978

Exhibit V

VIPA 5-year Revenue & Expense Summary - Marine					
	FY 12 Actual	FY 13 Actual	FY 14 Actual	FY 15 Estimated	FY 16 Annual Budget
Rental Charges	\$5,118,320	\$5,434,891	\$5,829,163	\$5,331,043	\$5,269,048
Commission & Fees	592,798	601,600	639,577	611,605	650,318
Marine Fees	20,140,207	20,373,993	22,455,938	24,480,863	26,086,169
Operating Revenues	\$25,851,325	\$26,410,484	\$28,924,677	\$30,423,511	\$32,005,534
Payroll Taxes/Benefits	\$4,775,468	\$5,948,560	\$5,974,375	\$6,496,863	\$6,401,345
Maintenance	601,448	678,189	684,253	608,838	420,994
Materials & Supplies	376,671	296,786	363,849	607,640	530,849
Utilities	1,370,803	1,949,815	2,348,369	2,083,620	2,048,087
Prof & Other Svs	1,776,457	2,068,959	2,182,068	2,374,532	2,030,038
Travel & Other	16,382	25,305	91,416	114,784	44,583
Insurance	1,706,546	1,863,853	1,838,169	1,355,101	1,375,518
Depreciation	7,547,569	7,534,569	7,690,145	7,638,156	8,146,727
Other Expense	190,116	528,215	344,689	517,410	516,763
Operating Expenses	\$18,361,460	\$20,894,251	\$21,517,332	\$21,796,942	\$21,514,905

Exhibit VI

Exhibit VII displays an historical account of revenues for Fiscal Years 2011 through 2015.

	FY 15 Estimate	FY 14 Actual	FY 13 Actual	FY 12 Actual	FY 11 Actual
<i>(In \$1,000,)</i>					
Aviation Revenues	\$22,297	\$22,812	\$21,261	\$21,379	\$20,620
Marine Revenues	30,424	28,925	26,410	25,851	26,120
Total Operating Revenues	\$52,721	\$51,737	\$47,671	\$47,230	\$46,740

Exhibit VII

DEBT SERVICE

Exhibit VIII and IX contain information presented during the Fiscal Year 2016 hearings, a telephonic request for an update of information was placed but not responded to as of close of business on June 22, 2016. The outstanding bonds per the fiscal year 2015 analysis are the 2003 Marine Revenue Series A&B Bonds and the 2003 Marine Revenue Series C. Bonds. The Marine Revenue Bonds were used to finance dredging, rehabilitation and construction of the Crown Bay Pier in St. Thomas and the construction of a mixed use commercial complex at Crown Bay. The Marine Revenue Bonds were issued in a two part series of 2003A (AMT) and 2003B (federally taxable), in principal amounts of **\$18M** and **\$17.4M**. A Summary of the Marine Bonds’ terms follows:

	Interest Rate
1. \$5,930,000 Series A, due 2015 through 2018	5.25%
2. \$12,075,000 Series A, due 2019 through 2023	5.00%
3. \$6,745,000 Series B, due 2003through 2008	3.73%
4. \$7,245,000 Series B, due 2009 through 2013	5.08%
5. \$3,435,000 Series B, due 2014 through 2015	5.43%

Exhibit VIII

The aggregate debt service requirements of bonds payable, in thousands of dollars, as of September 30, 2014 has been listed in *Exhibit VIII*

Debt Service Summary	Principal	Interest	Total
Years			
2015	\$2,374	\$1,256	\$3,630
2016	2,496	1,133	3,629
2017	2,618	1,006	3,624
2018	2,758	872	3,630
2019 through 2023	15,792	2,169	17,961
Total	\$26,038	\$6,436	\$32,474

Exhibit IX



Jose L. George
 Post Auditor