



TESTIMONY ON THE FISCAL YEAR 2026 BUDGET
COMMITTEE ON BUDGET, APPROPRIATIONS AND FINANCE
36th LEGISLATURE OF THE VIRGIN ISLANDS
TUESDAY JUNE 10, 2025
EARLE B. OTTLEY LEGISLATIVE HALL
ST. THOMAS, U.S.V.I.
10:00 AM

BY:

NATHAN SIMMONDS
DIRECTOR OF FINANCE AND ADMINISTRATION
VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY

Introduction

Good morning, Honorable Senator Novelle E. Francis Jr., other distinguished members of the Committee on Budget, Appropriations and Finance of the 36th Legislature of the Virgin Islands of the United States, other members of the 36th Legislature present, fellow testifiers, ladies, and gentlemen in the Chambers and the listening and viewing audiences. I am Nathan Simmonds, Director of Finance and Administration for the Virgin Islands Public Finance Authority (the “Authority”). I am accompanied by Joy Wheatley, Comptroller, Kye Walker, Esq., General Counsel for the Authority, Adrienne Williams-Octalien, Director of the Office of Disaster Recovery (“ODR”), and Artra Watlington-Francis, Deputy Director of Finance and Compliance, ODR.

We also have joining us in the Gallery and in the virtual conference, Lorelei Farrington, Esq., Senior Staff Counsel, Denise Rhymer, Staff Counsel and Chief Disclosure & Compliance Officer, Cherrie Wallace-Cole, Bond Proceeds Disclosure and Compliance Manager, Cheynelle Harris, Human Resources Manager, Carol Burke, Compliance Manager, Refinery and Terminal Operations and Distillery Agreements, and from the Department of Public Works (“DPW”), Jomo McClean, Highway Program Manager, who is prepared to respond to any questions regarding the Government’s capital projects funded through the Authority.

Mr. Chair, we are here today on behalf of the Executive Director, Kevin McCurdy, to report on the activities and budget priorities of the Authority for Fiscal Year 2026. Director Adrienne Williams-Octalien will also make a presentation on the ODR’s activities and priorities for Fiscal Year 2026.

The Authority was created by Act No. 5365 (“The Government Capital Improvement Act of 1988”), as a public corporation and autonomous governmental instrumentality of the Government of the Virgin Islands (“GVI” or “Government”). The Authority’s primary duties are to aid the Government in the performance of its fiscal duties, to raise capital (public or private) for essential public projects, and to create programs that will serve the financing needs of the people of the Territory.

The Authority is under the control of a seven-member Board of Directors, which is chaired by the Governor, with the Commissioner of Finance and Director of the Office of Management and Budget serving as ex-officio members of the Board. The Governor appoints the Executive Director of the Authority from either the Commissioner of Finance or the Director of the Office of Management and Budget.

Presently, the Commissioner of Finance serves as the Executive Director. In addition, four private citizens are appointed by the Governor, subject to legislative confirmation, and serve terms for a period of four years. At present, the private sector members are Keith O’Neale, Jr., Board Secretary from the St. Croix district, and Dorothy Isaacs, Esq., from the St. Thomas-St. John district. There are two vacant positions on the Board, one in the St. Croix district, and one in the St. Thomas-St. John district.

The Office of Disaster Recovery has been established as a component unit under the Authority to help improve financial management coordination across agencies and organizations receiving disaster recovery funds. The ODR helps to ensure compliance with federal grant regulations, increase financial management accountability and transparency through reporting, and improve the Government’s overall administration of federal grant programs.

The Authority is also the parent company of The West Indian Company, Limited (“WICO”), which operates the cruise ship port in Charlotte Amalie harbor on St. Thomas; and the Virgin Islands Next Generation Network (“viNGN”), which provides wholesale broadband middle mile services to providers throughout the Territory.

The Authority provides managerial and administrative support services for the Tobacco Settlement Financing Corporation, a special-purpose, independent instrumentality created by Act No. 6428 for the purpose of managing the Tobacco Settlement Healthcare and Capital Improvement Funds in the Territory, and the Matching Fund Special Purpose Securitization Corporation, a special purpose, independent and autonomous public corporation and governmental instrumentality incorporated under the provisions of Act No. 8540, for the purpose of issuing the

2022 Matching Fund Securitization Bonds and purchasing the rights, title, and interest in and to the Matching Fund Receipts to be received from the U.S. Department of Treasury by the Government of the Virgin Islands.

On April 23, 2025, the Authority approved a resolution to authorize the creation of the Virgin Islands Transportation & Infrastructure Corporation, a wholly owned subsidiary corporation of the Authority to issue the Series 2025 GARVEE Bonds to address vital infrastructure projects, and on June 5, 2025, the Corporation closed on the Grant Anticipation Revenue Bonds (Federal Highway Grant Anticipation Revenue Loan Note), Series 2025 “Garvee Bonds” in the amount of \$150,155,000. The bonds were issued to (i) finance all or a portion of the costs of the approved projects as outlined in Act 8949, (ii) refund the Authority’s Grant Anticipation Revenue Bonds, Series 2015, (iii) fund the amount necessary to meet the Debt Service Reserve Requirement for the Bonds, and (iv) to pay the costs of issuance of the Bonds.

Additionally, King’s Alley Management Inc (“KAMI”), a wholly owned subsidiary of the Authority, was incorporated as a “for profit” corporation on June 22, 2001, for the Authority to operate and manage the King’s Alley Walk and Hotel that the Authority received because of the foreclosure of the property from the prior owner. The hotel was sold on March 22, 2022, along with the former Anchor Inn Property to USVI Opportunity Fund LLC, d/b/a Neighborhood Establishment, which plans to develop the property along with the King Christian Hotel into a major enhancement to the Christiansted Boardwalk.

The Authority also manages Lonesome Dove Petroleum Company pursuant to Act 7864, which authorized the transfer of the stock of the Company to the Authority to operate and manage and to make payments to satisfy the obligation for taxes and interest owed to the Government by the Company.

Further, the Authority manages the Frederiksted Mall, under a lease agreement with a private landowner. Space in the mall is sublet to various small business entities in Frederiksted, St. Croix and houses an office for the Department of Tourism.

VIPFA Fiscal Year 2026 Budget

The Authority's Bond Indenture Agreements require the Authority's Board of Directors to approve an administrative budget annually, which is used to assure the Authority's compliance with all covenants entered into with its bond holders. The Authority's Board of Directors met on May 27, 2025, to discuss the FY 2026 Budget and approved the Fiscal Year 2026 Budget in the amount of \$26.11 million dollars, which is a 21% or a decrease of \$3.30 million below Fiscal Year 2025. This is due primarily to a decrease in Consultancy Services and budgeted salaries at 50%. The fiscal year 2026 budget will be used to fund the business operations of the Authority and the Office of Disaster Recovery, such as Payroll, IT Systems Maintenance and Upgrades, Building and Property Maintenance, Office Space Rental, Training expenses, Professional Services Agreement

The Authority's proposed FY 2026 annual Budget of \$26.11 million is funded with \$5 million from Gross Receipts Taxes, \$9 million in General Fund Appropriations, \$8.21 million from federal reimbursements, \$3.8 million from the Authority's Project Fund, and \$100K from Frederiksted Mall rental revenue.

Of the \$9 million requested from the General Fund, \$5 million is for the Authority's administration and finance operations, and \$4 million for the ODR. Prior to 2022, the \$5 million for administration and finance would be allocated from the Internal Revenue Matching Funds. However, with the issuance of the Matching Fund Bonds and the use of the excess revenues after debt service to fund the GERS Note, it became necessary to request funding from the General Fund.

Administration and Finance Fiscal Year 2026 Budget

Administration

In Fiscal Year 2025, the total budget For the Administration category was \$5.05 million. For Fiscal Year 2026, the total budget in this category is \$5.66 million which represents an increase of \$610,269 dollars or a 12% increase from fiscal year 2025.

This increase is due primarily to the increased funding needed to increase the staffing needed to effectively conduct the business of the Authority.

Professional Services

The Professional Services category consists of accounting and auditing services, financial advisory services, municipal tax attorneys, legal advisors, trustees and bank custody fees, investment advisors, project evaluation, and underwriting expenses. For Fiscal Year 2025, the total budget in this category was \$8.84 million. For Fiscal Year 2026, the total budget for professional services is \$8.23 million, which is a 7% decrease or \$610,269 less than fiscal year 2025.

The total FY 2026 Operating Budget for Administration and Finance is \$13.9 million. This is identical to the FY 2025 Operating Budget. Once again, we are requesting \$5 million in General Fund support for these categories, representing 36% of the overall budget. It should be noted that prior to 2022, the Authority did not seek any General Fund support. However, with the issuance of the Matching Fund Securitization Bonds, and the use of the excess revenues after debt service to fund the GERS Note, General Fund support is now necessary to replace the funding that previously came from the Matching Fund revenues.

ODR Fiscal Year 2026 Budget

The FY 2026 Operating Budget for the Office of Disaster Recovery is \$12.21 million. The proposed budget will be utilized to conduct the business of ODR to include the Super PMO and CDBG-DR programs. This budget covers expenses such as payroll, staff training, additional office space expenses and corresponding maintenance, equipment, travel, as well as other administrative expenses.

ODR continues to build out the Super PMO seeking staff with specialized expertise to join the unit to execute on the new recovery comprehensive strategy - *Rebuild USVI*. Over 78% of the CDBG-DR positions have been filled and programs are fully integrated with the ODR.

Nonetheless, the overall budget is being decreased by 21.3% from FY 2025 as ODR vacancies have been budgeted at 50% for this cycle. Smaller increases have been included in Rent & Utilities and Equipment & Software to accommodate the

intended consolidation of ODR on both islands and rental cost expenses that are not currently being incurred.

While much of the operation is funded through the administrative cost of the federal disaster programs that are being supported, there is need for seed and float funds to allow for draw down and overarching administrative support of the office operations. Therefore, the budget request to the Government of the Virgin Islands for ODR is \$4,000,000, representing about 33% of the overall budget. The remaining \$8,218,820.00 would be funded by federal reimbursements through the FEMA and HUD disaster programs.

Through the Authority, ODR is also engaged in several Professional Services contracts that provide A&E, Construction Management and Project Management support for recovery projects. These contracts are 100% federally funded.

Government of the Virgin Islands Bonded Debt Obligations

The Revised Organic Act of 1954, as amended, authorizes the Virgin Islands to issue several types of municipal securities and distinguishes general obligation bonds from revenue bonds. The issuance of general obligation bonds is restricted to an amount no greater than 10% of the aggregate assessed valuation of taxable property in the Territory. The Tax Assessor's Office has confirmed the total assessed value of all taxable property to be \$15.1 billion, therefore, the General Obligation debt ceiling for the territory is approximately \$1.51 billion. The current outstanding General Obligation Debt is \$453.1 million. These bonds were issued for working capital and for capital projects and are secured by the Government's Gross Receipts Taxes. The Territory has approximately \$1.1 billion of debt ceiling capacity remaining.

As of April 30, 2025, the Tax Increment Financing Debt of the Government is \$3.5 million. The Tax Increment Revenue Bonds were issued to finance the infrastructure development for the Island Crossings Shopping Center project on St. Croix and are paid from the incremental Property Taxes and 90% of the Gross Receipts Taxes collected from the project. On April 25, 2025, the Authority, on behalf of the GVI, issued the USVI Tax Increment Revenue and Refunding Loan Note (Island Crossings Shopping Center), Series 2025A in the amount of

\$3,475,326.71, which was used to consolidate and refinance the balance on the Tax Increment Finance loan with the secondary note held by CDP, LLC (the “Developers Note”), which was issued in connection with the development of the Island Crossings shopping center site on St. Croix.

The outstanding balance of the Federal Highway Grant Anticipation Revenue (“GARVEE”) Series 2015 Bonds of the Government as of April 30, 2025, is \$53.8 million. These bonds were issued to finance several road projects in the Territory and the debt service is paid from Federal Highway Grant Revenues received by the Department of Public Works. On June 5, 2025, the Virgin Islands Transportation & Infrastructure Corporation, a wholly owned subsidiary corporation of the Authority issued the Grant Anticipation Revenue Bonds (Federal Highway Grant Anticipation Revenue Loan Note), Series 2025 “Garvee Bonds” in the amount of \$150,155,000 to refund the 2015 Bonds and to address vital infrastructure projects.

Tobacco Settlement Financing Corporation

The Corporation has issued a total of \$69.8 million of Tobacco Settlement Financing Corporation Asset-Backed Bonds, secured by and payable solely from the Tobacco Settlement Revenues, investment earnings and amounts held in certain accounts, and the Corporation’s rights under the purchase agreement. The proceeds were used for the purpose of financing several capital hospital and health department projects, including the Charlotte Kimmelman Cancer Institute on St. Thomas and the V.I. Cardiac Center on St. Croix, and to fund operating costs of the Corporation. Of the \$69.8 million in bonds issued, approximately \$20.5 million remains outstanding on the Series 2006 bonds. The Series 2001 bonds were paid in full on May 15, 2023. Funds allocated for capital projects totaled \$24.9 million, of which \$23.9 million has been expended and \$1.0 million remains unexpended. The remaining unexpended balances are for projects under the Department of Health.

Matching Fund Special Purpose Securitization Corporation

The Internal Revenue Matching Fund, Revenue Obligation Debt, is now held by the Matching Fund Special Purpose Securitization Corporation. As of April 30,

2025, the outstanding debt was \$952.8 million. These bonds were originally issued to fund capital projects and provide working capital to the Government and are secured by the revenue generated from rum produced on St. Croix and exported to the United States. The Matching Fund Special Purpose Securitization Corporation (the “Corporation”) issued Matching Fund Securitization Series 2022A Bonds of \$930,315,000, and Taxable Matching Fund Securitization Bonds, Series 2022B of \$22,510,000 in April 2022. Proceeds of the Series 2022 Bonds were used to: (i) purchase the Government of the Virgin Island’s right, title, and interest in and to the Matching Fund Receipts to be received from the U.S. Department of Treasury and the Related Rights, (ii) pay Capitalized Interest on a portion of the Series 2022 Bonds, and (iii) pay certain Costs of Issuance of the Series 2022 Bonds. The Government provided a portion of such funds to the Virgin Islands Public Finance Authority for the payment, repurchase and cancellation of all the outstanding Revenue and Revenue Refunding Bonds issued by the Authority.

As of May 31, 2025, the outstanding balances of the Corporation’s Series 2022A and Series 2022B Bonds were \$930,315,000 and \$22,510,000, respectively. Principal payments on the Series 2022A and 2022A bonds are scheduled to begin on October 1, 2025 (Fiscal Year 2026).

On April 4, 2025, Kroll Bond Rating Agency affirmed the long-term rating of BBB and revised the Outlook to Negative, from Stable, for the Matching Fund Special Purpose Securitization Corporation – Matching Fund Securitization Bonds.

Virgin Islands Transportation and Infrastructure Corporation

Pursuant to Act 8949, the 36th Legislature of the Virgin Islands authorized the issuance of up to \$250,000,000 in bonds, notes, or other evidence of indebtedness by the Government and the Authority, either directly or through a wholly owned subsidiary or affiliated corporation serving as a public corporation to finance projects under 23 U.S.C. §122, including the payment or refunding of the 2015 Bonds. On May 7, 2025, the Virgin Islands Transportation and Infrastructure Corporation was formed as a special purpose, independent, and autonomous public corporation and governmental instrumentality of the United States Virgin Islands

and wholly owned subsidiary of the Authority in accordance with Act 8949 and organized as a not-for-profit corporation in accordance with Title 13, Chapter 3, Section 491 et. Seq of the Virgin Islands Code

On June 5, 2025, the Virgin Islands Transportation & Infrastructure Corporation (VITIC) closed on the Grant Anticipation Revenue Bonds (Federal Highway Grant Anticipation Revenue Loan Note), Series 2025 “Garvee Bonds” in the amount of \$150,155,000.

The bonds were issued to (i) finance all or a portion of the costs of the Approved Projects as outlined in Act 8949, (ii) refund the Virgin Islands Public Finance Authority Grant Anticipation Revenue Bonds (Federal Highway Grant Anticipation Revenue Loan Note), Series 2015, (iii) fund the amount necessary to meet the Debt Service Reserve Requirement for the Bonds, and (iv) to pay the costs of issuance of the Bonds.

Of the proceeds \$96,000,000 will fund the following approved projects:

- (1) The Ferry Project - \$20,000,000;
- (2) The Veterans Drive Highway Project - \$48,000,000;
- (3) Additional projects identified by the Department of Public Works and approved by the Federal Highway Administration’s (FHWA) for the district of St. Croix - \$28,000,000

S&P Global Ratings, a division of S&P Global Inc., has assigned the Bonds a rating of “A” with a Stable Outlook.

Government Employees Retirement System Loan Note

The restructuring of the Authority’s bonds enabled the Authority, in turn, to issue its own note to the Government Employees Retirement System (“GERS”), secured by an irrevocable and legally binding pledge of the Government’s share of residual Matching Fund receipts. That note, with an estimated par amount of \$1.7 billion dollars, has been issued to secure the payment of an estimated \$4 billion over the next thirty years. Utilizing the newly created Corporation to refund and

restructure the outstanding Matching Fund debt was a critical element of the GERS Solvency Plan. Reducing debt service costs during the early years allowed for Matching Funds to be provided to GERS through the Funding Note on an accelerated basis – including over \$500 million during the critical next few years when funding to GERS is most urgently needed. As of April 30, 2025, the outstanding on the GERS Note was approximately \$3.3 billion.

Investment Management

In concert with its mission, the Authority is charged with the investment and administration of the debt service funds for the debt instruments issued that are loaned to the Government. The proceeds from these debt issuances are managed by the Authority on behalf of the Government. These management activities consist of investing the proceeds, managing the debt service reserves, processing vendor payments, and receiving pledged revenues for the timely payment of principal and interest. As of March 31, 2025, the total value of our investment portfolio was \$167.7 million. During calendar year 2024, the Authority had on average \$140.2 million under management, at an approximate yield of 4.50%, and investment earnings for 2024 were approximately \$6.4 million.

Capital Projects

As of March 31, 2025, there was approximately \$73.0 million in unexpended bond and loan proceeds for capital projects funding within the various departments and agencies. A listing of outstanding capital projects with unexpended balances, by department, is attached. During fiscal year 2024 approximately \$8.2 million in capital project funding from bond proceeds was expended. As of March 31, 2025, \$3.2 million in capital project funding from bond proceeds was expended during fiscal year 2025.

Rum Cover Over Program – Internal Revenue Matching Fund

Each year, the Government submits a request for a prepayment of Matching Fund Revenues to the United States Department of Interior (“DOI”). The funds,

known as rum cover-over, are calculated based on the rum producers' estimates of federal excise taxes to be collected and earned on the projected sales of rum produced in the U.S. Virgin Islands and shipped to the United States. DOI determines the amount of the federal excise taxes for prepayment for the ensuing fiscal year, and such payment is made into a Special Escrow Account held at the Bank of New York, Mellon ("BNY"), the Trustee of the funds. Currently, the cover over remains at the statutory rate of \$10.50 per proof gallon. We continue to collaborate with the Delegate to Congress and our Washington Team to get the cover-over extension to \$13.25 per proof gallon passed through Congress.

The FY 2025 Internal Revenue Matching Fund (IRMF) advance of \$210,000,000 was based on the projected sale of 20,000,000 proof gallons that the Virgin Islands Rum Industry indicated they will produce and sell in the United States. However, due to the deduction of (\$28,931,362) for FY 2023 True-Up, the actual Advance received was \$181,068,638. The FY 2023 True-Up of (\$28,931,362) was the difference between the excise taxes collected of \$217,818,638 and the FY 2023 Advance received of \$246,750,000. We have not yet received the final estimates from the Rum Companies for FY 2026. Once received, the estimates will be provided to DOI for the calculation of the amount of prepayment due FY 2026.

Caribbean Basin Initiative Fund

The Caribbean Basin Economic Recovery Act of 1983 provides that all revenue from federal excise taxes on rum imported into the United States from foreign sources be remitted to the treasuries of Puerto Rico and the Virgin Islands according to a formula promulgated by U.S. Treasury. Under the formula, Puerto Rico's share of excise tax revenue will never exceed its baseline percentage of 87.6% and the Virgin Islands' share will never fall below its baseline percentage of 12.4%. For FY 2024, the Virgin Islands received \$5.7 million in Caribbean Basin Initiative funds.

Limetree Bay Refining and Terminal

The Authority has also been charged with compliance oversight of the operating agreements between the Government and Limetree Bay Terminals, LLC, ("LBT")

and Limetree Bay Refining, LLC (“LBR”), which were ratified by the 31st legislature pursuant to Act No. 7806, as amended by Act No. 8072.

As it pertains to the Limetree Bay Terminal operations d/b/a Ocean Point Terminals, as of January 2025:

- 943 persons were employed at the Limetree Bay Terminal, 395 of which are contractors and 548 are employees.
- There are approximately twenty-eight million barrels of storage currently online, with a total storage capacity of thirty-four million at the terminal.
- OPT made their Variable Terminal Payments for 2024 in the amount of \$5,292,993.00. For its first quarter payment for 2025, OPT made a payment on April 17, 2025, in the amount of \$1,750,000, plus an additional payment of \$1,500,000.
- The 2024 True Up amount owed by OPT is \$5,453,808.00. OPT has proposed paying that amount to the Government in eight (8) equal consecutive monthly installments with the first payment due on May 31, 2025, and the final payment due on December 31, 2025. With interest compounded quarterly on the unpaid balance through December 31, 2025, the amount paid will be \$5,747,048.00.
- Limetree Bay Terminals, LLC entered into a \$10 million Promissory Note on 11/30/2019 with the Government of the Virgin Islands for conveying particular property and easements acquired by the LBT. Payment on the Note of \$1.1 million is semi-annual on June 30 and December 31. The 2024 payments in the amount of \$1,139,605.38 were received by the Authority. As of December 31, 2024, the balance on the note was \$7,352,294.54.

Limetree Bay Refining achieved refinery restart on January 31, 2021, and made their first quarterly payment of \$2.3 million to the Government on March 31, 2021. Following several pollution incidents, the U.S. Environmental Protection Agency (USEPA) issued an Emergency Order to LBR to discontinue Refining operations. Thereafter the Refinery ceased operation and filed for bankruptcy. On July 12, 2021, LBR filed a Chapter 11 petition in the Bankruptcy Court in Texas, which resulted in Port Hamilton owning and assuming the Refining Operating Agreement.

Port Hamilton Refining and Transportation

Under the terms of the bankruptcy ruling, Port Hamilton Refining and Transportation (“PHRT”) assumed the Refinery Operating Agreement. Port Hamilton filed a suit against the US Environmental Protection Agency over the permits required for refinery restart, and in a July 25, 2023, decision, the court ruled that EPA exceeded its statutory authority under the CAA in requiring Port Hamilton to obtain a PSD Permit.

The Government was notified that Crucian Energy Holdings, Inc., acquired a controlling interest in PHRT, but has not been made aware of any definitive plans to restart the refinery. The GVI continues to remain supportive as PHRT navigates its future through legal and regulatory challenges and continues to work with the US Environmental Protection Agency on a safe restart for the refinery.

Fiscal Year 2024 Accomplishments:

AUDITS

- Completed the FY 2022 Audits for PFA and Subsidiary Units.
- Completed the FY 2023 Audit for Tobacco Settlement Financing Corporation.
- Completed the FY 2023 and FY 2024 Audits for Matching Fund Special Purpose Securitization Corporation.
- Field work began on FY 2023 Audits for all entities with a proposed completion date of June 30, 2025, for all entities.

Audits are posted on the Authority’s website and can be seen at this link:
<https://usvipfa.com/wp-content/uploads/2024/02/2021-PFA-Audited-Financials.pdf>

PROCUREMENT

- The Authority issued 35 solicitations, 30 of which were issued on behalf of the ODR. RFPs issued for the Ninety-Nine Steps and the 2023 to 2025 Audits for the PFA, MFSPSC and Tobacco Settlement Financing Corporation are noteworthy solicitations.

INITIATIVES IN CONJUNCTION WITH THE GOVERNMENT OF THE VIRGIN ISLANDS

\$150,000,000 Line of Credit

Act 8701 authorized the Governor to engage in a line of credit in the maximum amount of \$100,000,000, to provide for the disbursement of funds needed to advance disaster-related recovery projects that are reimbursable through federal funding and other disaster-related projects and provide funding to advance payments of \$45,000,000 towards the acquisition of the propane infrastructure assets by the Virgin Islands Water and Power Authority from VITOL. The Governor sought an amendment to Act No. 8701 to increase the approved line of credit from \$100,000,000 to \$150,000,000, which was approved by the Legislature in Act 8915; utilizing the additional \$50,000,000 of the line of credit for the payment of vendors, retroactive wage payments, and to address other critical needs of the Territory that due to cash flow deficiencies have not been able to be addressed in a timely manner; and utilizing \$100,000,000 for disaster related recovery projects. The outstanding balance of the line of credit as of April 30, 2025, was \$89,783,877.72. The line of credit expires December 31, 2026.

\$250M Federal Highway (GARVEE) Bond Authorization

The Legislature, via Act No. 8949 authorized the Authority, itself or acting through a wholly-owned subsidiary or an affiliated corporation, to issue up to \$250,000,000 in bonds, notes, or other evidences of indebtedness of the Government, to provide for the payment or refunding of the Series 2015 Bonds, to finance the construction of certain transportation projects and to finance the construction of additional road projects approved by the Department of Public Works and the Federal Highway Administration (“FHWA”). The Authority, on behalf of the Department of Public Works, is authorized to issue up to \$156,000,000 of Grant Anticipation Revenue (GARVEE) Bonds to finance the construction of the 2025 Transportation Projects, including up to:

- \$20,000,000 for an inter-island ferry to run between St. Croix and St. Thomas;
- \$48,000,000 for Phase II of the Veterans Drive Highway Project;
- \$28,000,000 for additional road project on St. Croix;
- \$54,000,000 to refund the existing 2015 GARVEE Bonds; and

- \$ 6,000,000 to fund the Debt Service Reserve Fund and costs of issuance.

Refunding of Tax Increment Financing Loan Note

Executed a loan with FirstBank Puerto Rico, in the amount of \$3.5 million to consolidate and refinance the remaining balance on the Tax Increment Finance (TIF) loan of approximately \$2 million with the secondary note held by CDP, LLC (the “Developers Note”), with a balance of approximately \$1.5 million, which was issued in connection with the development of the Island Crossings shopping center site on St. Croix.

In 2019, the Authority issued a TIF Bond in a principal amount of \$12,000,000 to: (i) refinance the Series 2012A Term Loan, (ii) finance the additional TIF Eligible Improvements in connection with the Island Crossings Project, (iii) pay costs of issuance of the TIF Bond, (iv) fund a debt service reserve fund, and (v) to issue to CDP the Developer Note in respect of the Developer Fee for a term of not more than thirty (30) years from the date of issuance, and at an interest rate of not more than 8½% per annum. The original proceeds were used to develop Phase I of the Island Crossings Shopping Center on St. Croix anchored by Home Depot under a 20-year lease. Home Depot began operations in September 2011.

Washington Team

We continue our work with our Washington Legal and Government Relations consultants on several initiatives on behalf of the Government of the Virgin Islands, including:

- Rum Cover-Over Program
- Global Intangible Low-Taxed Income (“GILTI”) initiative
- EU Blacklisting
- Economic Recovery Initiatives
- Tax Litigation Issues
- Health Care Reform
- Disaster Recovery
- Environmental, Terminal and Refinery Issues

Fiscal Year 2025 Goals

Audits

Complete the Authority and Subsidiaries, Kings Alley Management Inc and Lonesome Dove Corporation FY 2023 Audits by June 30, 2025.

Complete the Authority and Subsidiaries, Tobacco Settlement, Kings Alley Management Inc and Lonesome Dove Corporation FY 2024 Audits by December 31, 2025. This will bring all the Authority's and Subsidiaries Audits current.

PFA Systems

Telephone Systems

The Authority is looking at solutions that will enhance its communications environment by transitioning to IP phones and having the capability to dial extension to extension and being able to answer calls on multiple devices.

Surveillance System

Identify areas of concern that will have camera coverage at PFA locations and managed properties.

Network System

Replace old Microsoft operating systems on the servers with up-to-date versions.

Social Media

Identify platforms that will be used for a social media presence.

Building Entry

Identify a solution that will be used for access to our facilities.

Financial System

Implementation of financial system upgrade to Microsoft Business Central by 10/1/2025. Business Central will provide financial information for all entities managed by the Authority. Leveraging the capabilities of Business Central to

streamline workflows and improve efficiency can drive significant business value over time. The implementation of this product will increase the overall efficiency of the Authority by replacing manual processes, allowing access to the financial system from anywhere, not just in the office or having to VPN into the network, enhance data security and compliance, and decreased IT cost as minimal infrastructure will be required.

Human Resources

Staffing

Last year the Authority augmented its staff with a Facilities Maintenance Coordinator for the island of St. Croix, and a Human Resources Manager. The development of new positions for Public Relations & Communications Officer and Chief Investment Officer is still on track.

The VIPFA is continuously growing and the HR Division remains committed to supporting the organization's strategic goals by investing in our most valuable asset – our employees.

As we move forward in 2025 and 2026, the HR Division aims to:

- Embrace new technologies with the implementation of Human Resource Information System to improve payroll, employee performance management, and employee data tracking.
- Focus on Employee Retention by developing strategies to reduce turnover, particularly in high-demand areas.
- Promote Employee Engagement with fostering activities to boost employee morale.

Mr. Chair, before I conclude, I would like to express my thanks and appreciation to the Authority's staff. Their continued dedication and hard work have enabled us to fulfill our mandates. This concludes my presentation on the Authority's Fiscal Year 2026 budget. Thank you for allowing us the opportunity to appear before this committee today. Following Director William-Octalien's testimony, we are available to answer any questions you, or your colleagues may have.