VIRGIN ISLANDS PORT AUTHORITY TESTIMONY

ON ITS FISCAL YEAR 2026 BUDGET AND CURRENT PROJECTS

SUBMITTED TO:

The Honorable Novelle E. Francis Jr.
Chairman
36th Legislature of the U.S. Virgin Islands
Committee on Budget, Appropriations and Finance

SUBMITTED BY:

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August 17, 2026

www.viport.com

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Testimony Before the Committee on Budget, Appropriations and Finance

August 17, 2026

A pleasant, good day to Honorable Senator Novelle E. Francis Jr., Chairman of the Legislature's Committee on Budget, Appropriations and Finance. Greetings are also extended to other Committee members and senators present, legislative staff, and the viewing and listening audience.

I am Ava Penn, Interim Executive Director of the Virgin Islands Port Authority (VIPA). Joining me today are members of VIPA's executive leadership team:

1. Assistant Executive Director, Bill Rawlins;
2. Deputy Executive Director, Anise Hodge;
3. Chief Financial Officer, Anna Penn;
4. General Counsel, Atty. Catherine Hendry;
5. Director of Engineering, Preston Beyer;
6. Director of Human Resources, Diane Richardson;
7. Territorial Airport Manager, Jerome Sheridan;
8. STT/STJ Marine Manager, Joseph Cranston Jr.; and
9. STX Marine Manager, Mervyn Constantine.

As VIPA's Fiscal Year 2027 budget remains to be finalized and reviewed by the Board of Governors, our testimony today will focus on the Fiscal Year 2026 financial performance, operational accomplishments, workforce challenges, strategic initiatives, and major capital investments.

The Virgin Islands Port Authority is an autonomous instrumentality of the Government of the Virgin Islands that owns and operates the Territory's two airports and most public marine facilities. Our mission is to provide safe, efficient, and reliable transportation infrastructure that supports tourism, commerce, economic development, and quality of life throughout the Virgin Islands.

The Fiscal Year 2026 Operating and Capital Budget totals approximately **$212.3 million**, consisting of **$136.7 million** in capital investments, **$73.0 million** in operating expenditures, and **$2.6 million** in debt service.

Nearly two-thirds of the Authority's budget is dedicated to capital investments, reflecting VIPA's commitment to modernizing critical transportation infrastructure throughout the Territory.

Through June 30, 2026, operating revenues totaled **$73.4 million**, up about **16%** from the prior year. Operating expenses totaled **$47.5 million**, an increase of just **1.34%** over the same period last year. This performance demonstrates continued revenue growth while maintaining disciplined expense control.

FY26 Operating & Capital Budget v. Actuals YTD June FY26 vs FY25 Actuals - June					
Operating Budget					
Revenue/Expense Account	**FY26 Annual Budget**	**FY26 Actuals YTD June**	**FY 26 Budget vs. YTD Actuals June**	**FY25 Actuals YTD June**	**Variance FY 26 vs. FY25 Actuals June**
Aircraft Fees	6,192,008	5,021,005	81.09%	4,837,506	3.79%
Aviation Rental Income	6,087,629	5,135,438	84.36%	4,755,960	7.98%
Aviation Commission & Fees	27,342,275	22,653,488	82.85%	21,542,309	5.16%
Marine Fees	40,529,833	34,413,298	84.91%	25,793,084	33.42%
Marine Rental Income	6,673,576	4,981,837	74.65%	5,005,182	-0.47%
Marine Commission & Fees	1,627,387	1,205,886	74.10%	1,100,483	9.58%
Total Revenues	**88,452,708**	**73,410,951**	**82.99%**	**63,034,525**	**16.46%**
Payroll Expenses	40,937,947	27,474,728	67.11%	25,478,653	7.83%
Maintenance Expenses	3,274,560	1,904,000	58.15%	1,639,085	16.16%
Materials & Supplies	1,711,500	987,882	57.72%	856,590	15.33%
Utilities	7,248,180	4,174,189	57.59%	4,519,140	-7.63%
Professional & Other Services	8,550,200	6,614,256	77.36%	6,627,519	-0.20%
Insurance	9,149,740	5,705,200	62.35%	7,141,748	-20.11%
Other Expenses	1,602,585	284,399	17.75%	266,848	6.58%
Travel Expenses	557,750	338,478	60.69%	323,569	4.61%
Total Expenses	**73,032,462**	**47,483,132**	**65.02%**	**46,853,152**	**1.34%**
Capital Budget					
Vehicles	813,028	0	0.00%	632,358	-100.00%
Major Capital/Facilities Upgrades	128,593,509	11,938,587	9.28%	8,544,309	39.73%
Furniture/Fixtures/Equipment	7,292,341	0	0.00%	0	-
Total Capital Expenditures	**136,698,878**	**11,938,587**	**8.73%**	**9,176,667**	**30.10%**

Year-to-date operating expenses of **$47.5 million** plus capital expenditures of **$11.9 million** total **$59.4 million**, of which:

- Payroll Expenses: **46.3%**
- Capital Outlays: **20.1%**
- Professional & Other Services and Charges: **11.13%**
- Insurance: **9.6%**
- Utilities: **7.02%**
- Maintenance Expenses: **3.2%**
- Materials & Supplies: **1.67%**
- Travel Expenses: **.57%**
- Other Expenses: **.48%**

Financial Reporting and Audit Status

VIPA recognizes the importance of timely financial reporting and accountability. While the Authority continues working to eliminate its audit backlog, I would like to highlight a significant accomplishment during this period. VIPA successfully implemented Governmental Accounting Standards Board Statement No. 87 (GASB 87), Leases, becoming one of the first Government of the Virgin Islands entities to implement this complex accounting standard fully.

This achievement required a comprehensive review of the Authority's extensive lease portfolio of over **100** active leases, including identifying, validating, documenting, and reporting lease-related assets and liabilities.

I would like to publicly acknowledge and thank the employees of our Property Management Division. Their hard work, dedication, and countless hours reviewing lease agreements and supporting documentation were instrumental to the successful implementation of GASB 87. I also extend my appreciation to our Finance and Accounting Divisions and financial consultants whose expertise helped guide the Authority through this challenging process. Together, they strengthened the Authority's financial reporting, transparency, and accountability.

At the same time, VIPA acknowledges that it remains behind in completing its annual audits. The Fiscal Year 2022 audit was issued in May 2026, and management is actively working to complete the Fiscal Year 2023, 2024, and 2025 audits. We anticipate completing the 2023 audit before December 2026.

The delays have been driven primarily by staffing shortages in key accounting and financial reporting positions, implementation of new accounting standards, the complexity of managing an expanding capital improvement program, and increased federal reporting requirements.

To address these challenges, VIPA is recruiting for key finance and accounting positions, strengthening internal reporting processes, utilizing consultant support, and developing an audit recovery plan designed to return the Authority to a timely audit cycle. We remain fully committed to transparency, accountability, and sound financial management.

Workforce and Human Resources

VIPA's employees remain the foundation of our success. The Authority currently employs **337** active employees: **215** on St. Thomas; **12** on St. John; and **110** on St. Croix. A total of **238** employees are unionized under **six (6)** separate collective bargaining agreements (CBAs) – **four (4)** of which are set to expire on September 30, 2026. We are actively negotiating renewal contracts with those unions.

During Fiscal Year 2026, VIPA successfully filled **49** positions. Despite these efforts, the Authority currently has **84** vacant positions, representing approximately **20%** of our authorized workforce.

Many vacancies exist in critical operational areas, including:

- Airport Rescue and Firefighting
- Port Authority Police
- Airport Security
- Marine Operations
- Engineering
- Maintenance
- Information Technology
- Finance and Auditing

The annual salary value associated with these vacancies exceeds **$3.2 million**. Several vacancies are in frontline operational and public safety positions essential for maintaining airport certification requirements, maritime operations, and regulatory compliance.

VIPA continues aggressive recruitment efforts while providing competitive salaries and benefits. The minimum salary for all VIPA employees is **$35,000** pursuant to Act 8995, and the Authority continues to fund **85%** of employees' single/family medical coverage and **50%** of dental coverage. Individuals interested in employment opportunities are encouraged to visit our website at **www.viport.com**.

Beyond recruitment and retention, VIPA is committed to developing the next generation of leaders within the organization. We recognize that our long-term success depends not only on maintaining a skilled workforce today, but also on preparing employees to assume greater leadership responsibilities in the future. As experienced employees retire and workforce needs evolve, succession planning has become a strategic priority for the Authority.

Through training, mentorship, professional development opportunities, cross-functional assignments, and increased leadership responsibilities, VIPA is intentionally cultivating an environment that prepares employees for advancement into supervisory, management, technical, and executive roles. We are focused on preserving institutional knowledge, strengthening leadership capacity, and creating a sustainable talent pipeline that will ensure organizational continuity and operational excellence for years to come.

While filling current vacancies remains a priority, we are equally committed to investing in our people and developing future leaders who will guide the Authority through its next phase of growth and modernization.

I would also like to recognize our 2026 Employees of the Year, Mr. Mario Pinder on St. Thomas and Mr. Elvis Wattley on St. Croix, for their exemplary service, professionalism, and dedication to the Authority. Their commitment reflects the caliber of employees who contribute to VIPA's success every day.

Aviation Division Operations and Air Service

Passenger Trends and Air Service Challenges

As of June 30, 2026, passenger activity experienced declines at both airports. Overall **departures declined by 8%**, and **arrivals declined by 12%** compared to the same period in

Fiscal Year 2025. CEKA recorded a **7%** decrease in departures and a **12%** decrease in arrivals. In comparison, HERA recorded decreases of **11%** and **14%**, respectively.

Enplanement and Deplanement Comparison FY25 vs. FY26 (June)						
	Enplanements (Departures)			Deplanements (Arrivals)		
	FY25	FY26	+ / (-)	FY25	FY26	+ / (-)
CEKA	76,650	71,495	(7%)	77,678	68,580	(12%)
HERA	21,807	19,333	(11%)	21,863	18,797	(14%)
Combined	98,457	90,828	(8%)	99,541	87,377	(12%)

These decreases are largely attributed to the departure of three air carriers from the Virgin Islands market over the past year: Silver Airways, Frontier Airlines, and Spirit Airlines. Collectively, these carriers provided critical connectivity between the Territory and key mainland and regional markets. Their departures reduced seat capacity, flight options, fare competition, and scheduling flexibility for residents, visitors, and business travelers.

The impact has been particularly significant for inter-island and regional travel previously supported by Silver Airways, as well as low-cost travel options offered by Frontier and Spirit Airlines. Reduced airline competition can place upward pressure on airfares while decreasing travel convenience for Virgin Islands residents and visitors alike. These market changes underscore the importance of continued air service development efforts and the need to position the Territory as a competitive destination for existing and prospective airline partners.

Despite these challenges, the USVI remains open for business and continues to be actively engaged with the Virgin Islands Department of Tourism to attract new carriers and expand existing service. The addition of Southwest Airlines, the expansion of United Airlines service, new Breeze Airways routes, and enhanced regional service by Cape Air, Contour Airlines, and Fly the Whale demonstrate continued confidence in the U.S. Virgin Islands market and represent important steps towards building airlift capacity.

VIPA Airports Public-Private Partnership (P3)

Modernizing the Territory's airports remains one of the most significant infrastructure initiatives undertaken by the Virgin Islands Port Authority. VIPA continues negotiations with its selected P3 partner, SkyCity VI, to advance the redevelopment and long-term operation of the St. Thomas and St. Croix airports.

The proposed partnership is intended to address decades of deferred infrastructure needs, modernize passenger facilities, improve operational efficiency, enhance customer service, and provide the capacity necessary to support future growth in visitor arrivals and economic activity. The project contemplates substantial private-sector investment in airport facilities while maintaining public ownership of these critical transportation assets.

Throughout this negotiation process, VIPA continues to engage actively with airline partners, federal stakeholders, labor representatives, business organizations, and community members to ensure transparency and obtain meaningful feedback. VIPA held territory-wide public hearings in July 2026 to receive public comments, address concerns about changes to the proposed rate methodology, and share initial project designs.

Once finalized, the project is expected to deliver modern terminal facilities, improved passenger flow, enhanced baggage handling systems, upgraded technology infrastructure, expanded commercial opportunities, and critical airside improvements that will strengthen the competitiveness of the U.S. Virgin Islands as a regional tourism and transportation destination. VIPA's objective is to conclude negotiations before the end of 2026.

Marine Division Operations

VIPA's Marine Division serves as the backbone of the Territory's maritime transportation system. VIPA owns, operates, maintains, and oversees **13** public marine facilities throughout the St. Thomas/St. John and St. Croix districts. These facilities support cruise tourism, cargo, ferry and seaplane operations, commercial harbor activity, military vessel visits, and marine-related economic development.

Beyond accommodating passengers and visitors, VIPA's marine infrastructure plays an essential role in supporting residents' daily needs throughout the Territory. Virtually all consumer goods, food products, construction materials, medical supplies, fuel, and commercial imports arrive through Virgin Islands seaports. As a result, maintaining reliable and efficient marine facilities is critical to both economic stability and public safety.

During Fiscal Year 2026, the Marine Division continued to prioritize vessel safety, navigation services, port security, dock maintenance, facility repairs, and harbor management activities. Marine personnel coordinated the movement of thousands of commercial, passenger, cargo, cruise, and recreational vessels through Territory waters while ensuring compliance with federal maritime regulations and industry safety standards.

VIPA's ports also continued to support strategic federal and military operations throughout the year. U.S. military vessels used Virgin Islands marine facilities on multiple occasions, demonstrating the strategic importance of the Territory's harbors and reinforcing the value of maintaining modern, resilient port infrastructure capable of serving both civilian and governmental needs.

The marine sector's strong performance was reflected in operational and financial results. As of June 30, 2026:

- The Territory had **661** cruise calls and welcomed approximately **2 million** cruise passengers, with passenger-related revenue totaling **$22.4 million**.
- Cargo vessel activity generated **$5.6 million** in revenue, reflecting growth of approximately **$396,000**, or **8%**, over the same period in FY 2025.

These results demonstrate the continued strength of the marine sector and its importance to both VIPA's financial stability and the Territory's economic growth.

Summary - Cruise Ship Activity
Comparison FY26 vs. FY25 - 9 months
(Oct - Jun)

Category	FY26 Oct - Jun	FY25 Oct - Jun	Variance	%
Total PAX Charges	$22,386,060	$17,634,422	$4,751,638	27%
Total PAXs	1,957,212	1,631,401	325,811	20%
Total Calls	661	509	152	30%

#1: Summary - Cargo Vessel Activity
Comparison FY26 vs. FY25 - 9 months
(Oct - Jun)

Category	FY26 Oct - Jun	FY25 Oct - Jun	Variance	%
Total Revenue	$5,552,007	$5,155,725	$396,282	8%
Total Calls	7,448	5,697	1,751	31%

Crown Bay Redevelopment

VIPA continues advancing the Crown Bay Redevelopment Project through its partnership with Crown Bay Destinations (a special purpose entity created by Royal Caribbean and Cruise Terminals International for this project).

The project is expected to generate significant economic benefits through construction activity, business development opportunities, increased visitor spending, and expanded opportunities for local entrepreneurs, taxi and tour operators. Crown Bay Destinations is expected to assume daily operations in November 2026.

Capital Program and Infrastructure Investments

Our Director of Engineering, Preston Beyer, will now present VIPA's capital program.

VIPA continues to make significant investments to modernize and improve the Territory's transportation infrastructure.

While the FY 2026 budget totals approximately **$136.7 million**, capital expenditures through June 30, 2026, totaled approximately **$11.9 million**. This variance is primarily attributable to project timing rather than project inactivity. Many major projects are currently progressing through planning, engineering, environmental review, procurement, permitting, and grant compliance phases before construction expenditures can be recognized.

The Authority's capital program is supported by both federal grants and legislative appropriations, providing critical funding for aviation and marine infrastructure improvements throughout the Territory.

As of June 30, 2026, VIPA has **24** active federal grant awards totaling more than **$152 million**, with approximately **$75 million** already drawn to support projects at both airports and marine facilities. These grants fund runway, taxiway, apron, drainage, airport planning, resiliency, and marine terminal improvement projects essential to maintaining safe, efficient transportation infrastructure.

VIPA also continues to advance projects funded through legislative appropriations. As of June 2026, legislative appropriations supporting VIPA projects totaled **$47.4 million** and include investments in the Charlotte Amalie Harbor Dredging Project, the St. John Multipurpose Facility, Frederiksted Waterfront enhancements, dredging for maritime access projects, the Loredon Boynes Dock, the Ann E. Abramson Marine Facility, and other marine infrastructure improvements throughout the Territory.

These projects are in varying stages of development and implementation. Several projects are substantially complete, while others are currently advancing through design, permitting, procurement, or construction phases. As these projects progress, expenditures and grant drawdowns will increase significantly.

Closing

Chairman Francis and senators, thank you for the opportunity to appear before you today. The Virgin Islands Port Authority remains financially stable and operationally resilient. While we continue addressing workforce shortages, audit backlogs, airline service reductions, and aging infrastructure, we have also achieved meaningful progress through strong financial performance, record marine activity, successful implementation of GASB 87, expansion of air service, and advancement of transformative infrastructure projects.

The Authority remains committed to transparency, accountability, and strategic investments that strengthen transportation infrastructure, support economic development, and improve the quality of life for the people of the Virgin Islands.

I would like to thank the members of the 36th Legislature, the Bryan/Roach Administration, and the VIPA Board of Governors for their ongoing support of the Port

Authority. Last but not least, a heartfelt thank you to all VIPA employees for their dedicated service and support in keeping our ports safe and functional. My team and I stand ready to answer any questions the Committee may have.