



Legislature of the Virgin Islands

P.O. Box 1690, Emancipation Garden Station

St. Thomas, U.S. Virgin Islands 00804

TEL: (340) 774-2478

FAX: (340) 774-2492

POST AUDIT DIVISION

March 11, 2025

MEMORANDUM:

TO: Senator Novelle E. Francis, Jr.
Chairperson
Committee on Budget, Appropriations and Finance
36th Legislature

FROM: Post Audit Division

SUBJECT: **Bill No. 36-0038** – An Act amending title 29 Virgin Islands Code, chapter 10, subchapter III, section 551, subsection (a) by increasing the limit for outstanding bonds for the Virgin Islands Port Authority from \$100 million to \$500 million

BILL SUMMARY

Bill 35-0038 seeks to codify the change in the bond limits for the Virgin Islands Port Authority (VIPA). The Virgin Islands Port Authority Board has approved raising its bonding limit from \$100 million to \$500 million, marking a significant shift in the agency's ability to fund critical infrastructure projects. This change revises a limit that was last amended in 1988 under Section 551 of Title 29, Chapter 10 of the Virgin Islands Code, which raised the bonding capacity from \$65 million to \$100 million. With this increased bond capacity, VIPA gains the financial flexibility to modernize and maintain the territory's port facilities. This ensures the Virgin Islands can continue supporting its marine trade and tourism sectors. However, this expansion also brings important considerations regarding debt management and long-term fiscal stability.

Increasing the bond limit from \$100 million to \$500 million will significantly affect the Virgin Islands' economic landscape, public finance, and infrastructure development. This move presents opportunities for growth and risks that must be carefully managed.

Potential Benefits:

- **Enhanced Infrastructure Investment:** The increase in the bond limit provides VIPA with the financial capacity to secure additional funds for vital infrastructure improvements. Investments in port modernization and facility upgrades could significantly improve operational efficiency, making the ports more competitive. This would position the ports as essential assets for long-term economic development.
- **Economic Stimulus:** Funds raised through the expanded bonding capacity could stimulate local economic growth. By improving port facilities, VIPA could attract more cruise line traffic, driving tourism and boosting industries linked to the sector. This increased economic activity could create short-term jobs (during construction) and long-term employment opportunities (through expanded port

operations), benefiting multiple sectors such as tourism, logistics, and retail. This could foster sustained long-term economic growth and strengthen the region's resilience.

- **Increased Access to Capital:** Raising the bonding limit gives VIPA greater flexibility to access capital for larger, more ambitious projects. If the funds are managed effectively, this could enhance the territory's creditworthiness, reducing borrowing costs.
- **Tourism Growth:** Upgraded port facilities could accommodate more cruise ships, a key driver of the Virgin Islands' economy. The influx of additional tourists would stimulate spending in the hospitality and retail sectors, increasing overall tourism revenue for the region.

Potential Risks:

- **Growing Debt Burden:** A higher bond limit means more borrowing, which could increase the financial burden on VIPA and the Virgin Islands. VIPA must carefully manage the resulting debt obligations to ensure that port revenues can meet debt service requirements. Failure to manage this effectively could lead to financial instability.
- **Higher Interest Payments:** Issuing more bonds would result in higher interest payments over the life of the debt. These payments could divert funds from other essential government services or future investments, creating trade-offs in public spending. The increased debt service could also limit the territory's ability to finance future projects or fulfill other fiscal obligations.
- **Impact on Credit Rating:** The decision to issue additional debt could negatively affect the Port Authority's credit rating, particularly if adequate and sustainable revenue streams do not back the increased borrowing. A downgrade in credit rating could lead to higher borrowing costs in the future, compounding financial challenges.
- **Environmental and Social Impact:** Large-scale infrastructure projects, especially port expansions or construction, can have significant environmental and social consequences. Potential disruptions to local ecosystems, coastal communities, or even displacement could lead to public opposition, delays, or complications in project execution.

Conclusion

While increasing the Virgin Islands Port Authority's bonding limit offers substantial economic growth opportunities, particularly in infrastructure development, tourism, and job creation, it also introduces considerable risks. The added debt burden, potential for fund mismanagement, and long-term fiscal implications need careful consideration. To maximize the benefits and minimize the risks, VIPA must implement strong financial oversight, strategic planning, and clear repayment strategies.



Nikia A. Fleming
Acting Post Auditor