

VIRGIN ISLANDS PORT AUTHORITY TESTIMONY

Good morning Honorable Senator Novelle E. Francis Jr., Chairman of the 36th Legislature of the Virgin Islands Committee on Budget, Appropriations, and Finance, and to the other honorable senators present, the legislative staff, and those in the listening and viewing audience. I am Carlton Dowe, the Executive Director of the Virgin Islands Port Authority. Thank you for the opportunity to testify before this body in support of Bill No. 36-0038, which seeks to amend Title 29 of the 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. To highlight the importance of this bill, I will provide an overview of the Port Authority's mandate, its responsibilities, and the challenges the agency faces.

VIPA is an autonomous, self-sustaining, U.S. Virgin Islands government agency created by the 7th Legislature as the owners and managers of the territory's two airports and most of the public seaports. Our mandate is to maintain and develop the airports and seaports of the USVI to accommodate the current and future demands of its users.

VIPA's operations and capital expenditures at the territory's airports are funded through a diverse range of sources. The primary source of revenue is income generated from the use of aviation facilities, which is detailed in our Aviation Tariff. Other revenue streams include passenger facility charges and car rental concession fees. Under FAA regulations, all revenues generated must be used for aviation-related activities only. The main source for

capital expenditures in the Aviation Division is federal grants awarded by the U.S. Department of Transportation via the Federal Aviation Administration. However, those grant funds are designated for specific projects, primarily on the airfield side of the airport.

In the Marine Division, the principal source of revenue is the fees that VIPA charges according to our Marine Tariff. Although VIPA does not receive an annual appropriation from the Legislature, this body has supported major capital improvements by allocating millions of dollars in the past three years for essential port maintenance and development projects. Those funds were allocated for specific capital projects that VIPA has undertaken, including \$18.6 million for the upcoming Charlotte Amalie Harbor dredging project.

VIPA also funds major capital projects by issuing bonds, as authorized by this body. When VIPA was created in 1969 the original bond cap was established at \$65 million. In 1988 that cap amount was lifted to \$100 million where it has stayed for more than 35 years. VIPA has undertaken significant projects to develop our seaports and airports. While VIPA has received federal FAA assistance with grants for our major capital projects on aviation operations, we did not have grant opportunities for capital projects on marine operations until very recently. As a result, VIPA has had to seek municipal bonds to develop its marine facilities like Crown Bay and other projects.

VIPA is responsible for maintaining the public seaport facilities in the territory according to federal and industry standards. These facilities include cargo, passenger ferries, barges, marinas, cruise ports, water taxis, cruise excursion docks, and marine terminals as well as the associated lands, buildings, parking lots, and industrial equipment.

Over the last 20 years, the U.S. Virgin Islands has become a premier cruise port destination in the Caribbean. Our cruise industry is growing tremendously with **595** cruise ship visits scheduled in Fiscal Year 2025 (October 1, 2024 – September 30, 2025). An eleven percent overall increase in cruise ship passenger traffic is expected with the largest growth in St. Croix, which has **101** scheduled calls in FY25 versus the **57** calls received in FY24. Three years ago, St. Croix received **less than 40,000** cruise ship passengers. For Fiscal Year 2024, we recorded **144,930** cruise passengers arriving in St. Croix. In Fiscal Year 2025, we anticipate **275,000** passengers. As of January 31, 2025, a total of **104,754** cruise passengers visited St. Croix.

On December 18, 2024, the Board of Governors of the Virgin Islands Port Authority authorized me, as the executive director, to request an amendment to the legislation to increase VIPA's bonding limit from \$100 million to \$500 million. This increase will enable us to continue to enhance our marine facilities while maintaining competitive usage fees and providing modern, safe facilities for public use. For clarification, VIPA is requesting an increase in our bond restriction. However, this does not imply that we will issue bonds up to the maximum limit. VIPA only issues debt that it can afford to repay to maintain the Authority's strong financial standing. The Authority must meet specific criteria outlined in its bond ordinance to issue future debt. These criteria may include:

- Meeting debt service coverage ratios, ensuring VIPA has sufficient revenue to pay existing and future debt.
- Passing additional bond tests, which are financial evaluations designed to assess the creditworthiness and financial health of bond issuers.

- Review and approval by credit agencies.
- Ensuring investor capacity and confidence in the Authority's creditworthiness.
- Approval by VIPA's Board of Governors to issue the bonds.

This amendment will provide the Authority with increased financial flexibility to address our future needs. VIPA's short-term financing needs may exceed our bonding capacity and include the following:

- **Capital maintenance projects** for upgrades and repairs to existing seaport facilities on all three islands.
- **Pre-development projects** in the Crown Bay District, as part of the Royal Caribbean Group/Cruise Terminals International (CTI) initiative.
- **Development of a new U.S. Customs facility** at the Urman V. Fredericks Marine Terminal in Red Hook, St. Thomas.
- **Additional funds for the dredging** of the Charlotte Amalie Harbor.

The seaports of our territory function as vital transshipment centers for cargo across the Caribbean, acting as key connections to other islands in the region. Our marine facilities are essential components of the local economy and significantly impact the daily lives of Virgin Islanders. They support various activities, including commerce, business operations, emergency responses, and leisure travel. It is imperative that we enhance our infrastructure to maintain efficiency and accommodate increasing traffic at our ports.

Chairman Francis, this concludes my testimony. Thank you for allowing me to testify in favor of Bill 36-008, which will positively impact the Port Authority's ability to maintain and develop the territory's port infrastructure. My team and I are ready to answer any questions you may have regarding the information presented.