



# Legislature of the Virgin Islands

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## POST AUDIT DIVISION

November 3, 2025

### MEMORANDUM

**TO:** Honorable Novelle E. Francis, Jr.  
Chairman, Committee on Budget, Appropriations and Finance  
36<sup>th</sup> Legislature of the Virgin Islands

**FROM:** Post Audit Division

**SUBJECT:** Bill No. 36-0196 – An Act appropriating excess debt service reserve funds for certain capital projects in the territory.

### PURPOSE OF BILL NO. 36-0196

Bill No. 36-0196 seeks to authorize the appropriation of \$10,000,000 in Fiscal Year 2025 from the excess funds contained in the Debt Service Reserve Fund established under the Indenture of Trust for the Gross Receipts Taxes Revenue Bonds issued by the Virgin Islands Public Finance Authority (VIPFA). The measure designates these excess funds for transfer to the Virgin Islands Port Authority (VIPA) and the Department of Public Works (DPW) for the implementation of critical infrastructure projects throughout the Territory, as follows:

| Agency / Project                     | Description                                                        | Amount (\$)       |
|--------------------------------------|--------------------------------------------------------------------|-------------------|
| Virgin Islands Port Authority (VIPA) | Demolition of the Addelita Cancryn Junior High School              | 2,000,000         |
|                                      | Dredging for Maritime Access Projects                              | 6,000,000         |
|                                      | Completion of the Leonardo "Nardo" Trotman Drive Expansion Project | 2,000,000         |
| Department of Public Works (DPW)     |                                                                    |                   |
|                                      | <b>Total Appropriation</b>                                         | <b>10,000,000</b> |

### FUNDING SOURCE

The Debt Service Reserve Fund was established under the Indenture of Trust governing the Gross Receipts Taxes Revenue Bonds issued by the Virgin Islands Public Finance Authority. The Fund serves as a fiscal safeguard to ensure timely payment of debt service obligations in the event of a shortfall in pledged revenues. Over time, prudent fiscal management and surplus bond coverage results in excess balances within this reserve.

Bill No. 36-0196 authorizes the reprogramming of such excess reserve funds, beyond those required for ongoing debt service, to finance priority capital projects throughout the territory.

Per the Public Finance Authority, as of August 31, 2025, the most recent valuation report received from the trustee, The Bank of New York Mellon, confirms that the Debt Service Reserve Fund held an excess fund balance of \$30,505,495.79. Pursuant to Act No. 8787, \$17 million was appropriated for the dredging of the Charlotte Amalie Harbor, leaving a remaining excess balance of \$13,505,495.79. Bill No. 36-0196 proposes to utilize \$10 million of this remaining balance, leaving \$3,505,495.79 in excess earnings. According to the Public Finance Authority, this residual amount will serve as a cushion to protect the value of the investment portfolio in the event of future interest-rate hikes.

### **PROJECT SUMMARY AND ANALYSIS**

#### *VI Port Authority*

➤ **Demolition of the Addelita Cancryn Junior High School – \$2,000,000**

The demolition of the shuttered Addelita Cancryn Junior High School is a prerequisite for the expansion of the Charlotte Amalie Harbor. According to VIPA, permission has been granted by the US Army Corp of Engineers to use the site of the school as a temporary storage area for beach quality dredged materials however, the property needs to be void of all buildings. The proposed \$2 million allocation covers demolition, debris removal, and site preparation.

➤ **Dredging for Maritime Access Projects – \$6,000,000**

This allocation supports the dredging of navigational channels and harbor access points necessary to maintain compliance with the maritime depth requirements of the West Indian Company (WICO) and its Cruise ship partners. Dredging projects directly support the Territory's cruise and cargo industries, ensuring continued vessel access and economic competitiveness. The proposed appropriation will provide capital liquidity to initiate such initiatives.

#### *Department of Public Works (DPW)*

➤ **Completion of the Leonardo “Nardo” Trotman Drive Expansion Project – \$2,000,000**

The Leonardo “Nardo” Trotman Drive, located in Estate Thomas, St. Thomas, U.S. Virgin Islands, was donated under a deed of covenant, obligating the Territory to continue the development and completion of the roadway. The project forms part of the government's ongoing efforts to improve transportation connectivity and roadway safety in one of the Territory's most densely traveled corridors.

Historically, this project has received incremental funding through multiple legislative acts:

- Act No. 7453 (2012), funded by proceeds from the Series 2012 Gross Receipts Taxes Revenue Bonds, appropriated \$1,000,000 to complete Phase I of the project; and
- Act No. 8465 (2021) appropriated \$2,000,000 from the Community Facility Trust Account to the Department of Public Works for the continuation of construction.

Bill No. 36-0196 proposes an additional \$2,000,000 appropriation for the completion of the Leonardo “Nardo” Trotman Drive, focusing on the final expansion phase. This phase is expected to include the finishing of drainage systems, lane widening, sidewalk installation, and final road surfacing.

As presented, the measure is expected to have a positive economic impact. The demolition of the Addelita Cancryn Junior High School and the planned dredging projects will expand port capacity, increase vessel traffic, and generate additional local revenue, while the completion of the Leonardo “Nardo” Trotman Drive will enhance transportation efficiency and spur commercial and residential development in the surrounding areas of St. Thomas.

### **SUMMARY**

Bill No. 36-0196 presents a strategic opportunity to redirect excess Debt Service Reserve Funds toward critical infrastructure projects that enhance the Territory’s maritime operations, transportation systems, and overall economic development. The selected initiatives align with the Government’s capital improvement priorities and are appropriately classified as one-time expenditures consistent with the use of non-recurring revenue sources.

However, the Post Audit Division recommends that legislative approval of this measure be conditioned upon the establishment of quarterly fiscal reporting mechanisms by both the Virgin Islands Port Authority and the Department of Public Works. These reports should be submitted to the *Chairman of the Committee on Budget, Appropriations and Finance* and include detailed updates on project status, contract execution, fund utilization, and implementation timelines to ensure transparency, accountability, and efficient deployment of appropriated funds within the fiscal year.

When executed prudently and supported by structured reporting and oversight, this measure has the potential to advance infrastructure modernization, strengthen economic resilience, and reflect sound fiscal stewardship in the management of surplus public funds.

A handwritten signature in blue ink, appearing to read 'Theodora Philip', with a stylized flourish at the end.

Theodora Philip, DBA  
Post Auditor