

**PREPARED STATEMENT OF  
STEPHAN ADAMS, viNGN, INC. PRESIDENT & CEO  
BEFORE THE SENATE COMMITTEE ON  
BUDGET, APPROPRIATIONS AND FINANCE  
35<sup>TH</sup> LEGISLATURE OF THE VIRGIN ISLANDS  
April 16, 2024**

Good Afternoon Honorable Donna Frett-Greogry, Chairman of the Committee on Budget, Appropriations, and Finance, Honorable Senators, and the listening and viewing audiences. I am Stephan Adams, President, and CEO of viNGN, Inc., with me today, is Ms. Elisa Hodge, our Controller. Thank you for the invitation. I am honored to present to you today.

I would like to begin with an overview of viNGN. viNGN is a public corporation that is a wholly owned subsidiary of the Virgin Islands Public Finance Authority (PFA). It was established on October 8, 2010 and funded by \$67.5 million in federal grants and a \$36.8 million bond approved by the 29<sup>th</sup> Legislature. Our founding mission is to provide wholesale open access middle-mile bandwidth to Internet Service Providers (ISPs) over our pure fiber network.

viNGN is governed by its Articles of Incorporation. We are overseen by an independent Board of Directors comprised of the Honorable Governor Albert Bryan, Jr. as Chairman, Keith O'Neal as Secretary and members Johann Clendinen, Gordon Ackley, Andy Smith, President & CEO of WAPA and me, Stephan Adams. Although WAPA has pole rights equity and a seat on our board, we pay market rates for our electrical and water bills. Only the three private sector board members receive \$350.00 per board meeting. The Board meets quarterly (4 times per year) to receive operational and financial updates and approve any policy changes or expenditures over \$250,000.

The Company's daily operations are managed by 26 highly credentialed and skilled employees at its two locations, one on St. Thomas and at our headquarters on St. Croix. We now own our headquarters building, which we have occupied since the Company's inception.

viNGN's ISP partners include Viya, Broadband VI/Liberty, Alliance Data Services, ADM Wireless, LAN Communications, 1<sup>st</sup> Stop Communications, Omni Systems, High Tide Solutions, Reach Communications, BIT, UVI and WTJX.

The Company is also the recipient of several grants. The major ones are from FEMA and the American Rescue Plan Act (ARPA) administered by the Office of Management and Budget (OMB). Other grants are from National Telecommunications, and Information Administration (NTIA), and the Federal Communications Commission (FCC). A schedule of our grant activity is provided. viNGN does not receive any funds from the central government or the Legislature.

The FEMA and ARPA grants form the basis for the Company's 3-year capital program. The FEMA portfolio is permanent work and resiliency related to damage caused to our infrastructure and buildings after Hurricanes Irma and Maria.

The \$10.8 million ARPA Community Wi-Fi grant award funds free Wi-Fi hotspots in public spaces. Ninety-five has been installed thus far and counting. Senior centers are prioritized. Funds are also being used for core network upgrades from 10 Gbps to 100 Gbps. This will significantly increase our network bandwidth capacity. To date, we have received and expended \$5.4 million of the grant. We are awaiting the final determination of ARPA disbursements for fiscal year 2024.

viNGN was also awarded a \$150,000 Digital Equity and Inclusion planning grant from NTIA to develop the Territory’s Digital Equity plan. This involved extensive community engagement. The DE plan complements the \$27 million Broadband Equity, Access, and Deployment (BEAD) program administered by OMB. BEAD’s focus is to ensure Virgin Islanders have access to affordable, high-speed internet. DE’s focus is on promoting “digital resiliency” and digital skills in the Territory to bridge the digital divide. A draft of the DE plan was published on March 28, 2024 and is available for public comment through April 28, 2024. Anyone can download the plan from viNGN’s website, [www.vingn.com](http://www.vingn.com), which I encourage you all to do.

viNGN has received the follow-up Notice of Funding Opportunity (NOFO) for the \$2.1 million DE capacity grant. We will apply by the July 31, 2024 deadline.

One key strategic viNGN imperative is DiasporaLink. This is our long-term initiative to run undersea cables from the US mainland to the continent of Africa via the US Virgin Islands. This is a matter of national security. The DiasporaLink bill (H.R. 3385) passed the U.S. House of Representatives on March 5, 2024. It now goes to the U.S. Senate for a vote and then to President Biden for signature. The bill will authorize NTIA to conduct a feasibility study on the construction of this critical infrastructure.

I will now provide a brief **Financial Overview**.

### **FISCAL YEAR / KEY ACCOUNTING POLICIES / AUDITS**

viNGN’s fiscal year is October 1 to September 30. This is consistent with the Government of the Virgin Islands and PFA fiscal year.

Grant Revenue is recorded as Non-Operating Revenue because it is not generated directly from our broadband operations. Capital expenditures are recorded as fixed

assets on the Balance Sheet while repairs and maintenance are recorded as operational expenses on our Income Statement.

Our Financial Statements include a Statement of Revenue and Expenses (Income Statement) and a Statement of Net Position (Balance Sheet). The Statement of Revenue and Expenses includes the calculation of Earnings Before Interest, Taxes, Depreciation, and Amortization (EBIDTA) which measures corporate profitability.

viNGN is audited by BDO. The last audit completed was for the fiscal year 2021. viNGN's audit can be found publicly on the PFA website. The fiscal year 2022 audit is in progress and is scheduled to be completed by May 31, 2024. Preparation work has begun on the fiscal year 2023 audit with our CPA consultants, Benham & Hodge.

## **REVENUE**

In 2023, Operating Revenues were \$5.0 million and are projected to be \$4.9 million in 2024. In 2023, certain ISPs discontinued services while others acquired new services, resulting in a net revenue decline. Other revenue opportunities include Cloud Services and monetization of Wi-Fi, after the grant period of performance. Cloud Services generated \$119,000 in fiscal year 2023 and \$98,000 thus far in fiscal year 2024.

viNGN's core pricing structure has not changed since it was established. Consequently, we are in the process of conducting a comprehensive pricing review. Our goal is to be able to offer more competitive pricing for our ISP partners.

## **EXPENSES**

viNGN Operating expenses consist primarily of salaries and benefits, utilities, insurance, building rent, legal fees, operating maintenance and depreciation and

amortization. Total Operating Expenses for 2023 were \$10.2 million and are projected to be \$10.6 million in 2024. The increase is attributed to the annualized impact of salary increases awarded in fiscal year 2023. Salary increases were awarded to all employees based on merit, industry standards and retention of talent. The previous salary increase was in 2016 at 3 %. The CEO's compensation is determined by the Board of Directors and is governed by a Non-Disclosure Agreement (NDA).

### **KEY AREAS OF CONCERN**

The existence of viNGN as an on-going concern is not currently in question. However, a key area of concern is its \$36.8 million bond. By PFA resolution, this bond is to be treated as a loan that can be converted to equity at the PFA's election. This matter has been discussed at several PFA and viNGN board meetings. To date the interest rate has not been determined and an amortization schedule has not been established. Based on our current financial standing, viNGN does not have and does not foresee the ability to repay the \$36.8 million loan without assistance. viNGN has made a case for the bond to be forgiven. PFA has directed us to explore federal grant opportunities to cover this debt.

Another concern is the impact of the \$84.5 million USVI Connect grant that was awarded to Broadband VI/Liberty to connect every home and business to the Internet. This award prevents any other public or private entity from obtaining federal grants for infrastructure project due to federal duplication rules. Consequently, millions of infrastructure broadband dollars are not available to viNGN until 2030 which is the end of the USVI Connect performance period.

This concludes my opening remarks. Thank you for your attention to my testimony. Ms. Hodge and I look forward to addressing any questions you have.

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## Federal Grants Projects Summary and Financial Statements

# Federal Grants Projects Summary

No	ID	Agency	Project Type	Island	Period of Performance	% Comp	FEMA/OMB Obligated Costs	FEMA 90% Federal Share	Expended/ Invoiced	Requested Reimbursement	Reimbursement Received
a	b	c	d	e	f	g	h	i	j	k	l
1	PW 89405	FEMA	Communications Infrastructure - Hurricane Repairs	STT	12/31/2025*	80%	\$ 1,013,945	\$ 912,550	\$ 908,494	\$ 908,494	\$ 275,534
2	PW 89402	FEMA	Communications Infrastructure - Hurricane Repairs	STX	12/31/2025	95%	3,467,210	3,120,489	1,440,012	1,424,494	502,483
3	PW 70673	FEMA	Communications Infrastructure - Hurricane Repairs	STJ	4/30/2026*	25%	4,663,026	4,196,723	248,187	0	0
4	PW 79411	FEMA	Communications Infrastructure - Hurricane Repairs	WTR	6/30/2024	95%	94,729	85,256	106,256	0	85,256
5	PW 79073	FEMA	FAPs (Repairs & Contents) - St. Thomas	STT	6/30/2024	90%	155,763	140,187	145,593	145,593	0
6	PW 78643	FEMA	FAPs (Repairs & Contents) - St. John	STJ	12/31/2024	5%	13,031	11,728	0	0	0
7	PW 79117	FEMA	Fiber Optic Landing Sites - St. Thomas	STT	11/2/2025	5%	2,273,082	2,045,774	0	0	0
8	PW 78269	FEMA	Fiber Optic Landing Sites - St. Croix	STX	12/30/2026*	10%	1,873,755	1,686,876	0	0	0
9	PW 78244	FEMA	FAPs (Repairs & Contents) - St. Croix	STX	12/31/2024	65%	72,709	65,438	48,975	0	0
10		FEMA	FEMA Hurricane 404 Mitigation Phase 1 & Phase 2	USVI	3/30/2027	25%	7,117,829	7,117,829	433,000	283,000	283,000
<b>Sub-Total FEMA</b>							<b>\$ 20,745,079</b>	<b>\$ 19,382,850</b>	<b>\$ 3,330,516</b>	<b>\$ 2,761,580</b>	<b>\$ 1,146,273</b>
11	SLFRP3818	OMB-ARPA	Community Wi-Fi - Communications, Network, Hardware	USVI	9/30/2025	100%	\$ 3,176,071	\$ 3,101,940	\$ 3,091,524	\$ 3,101,940	\$ 3,101,940
12	SLFRP3818	OMB-ARPA	Community Wi-Fi - Equipment & Build Costs	USVI	9/30/2025	50%	1,602,850	1,602,850	886,647	886,647	620,854
13	SLFRP3818	OMB-ARPA	Community Wi-Fi - Bandwidth	USVI	9/30/2025	50%	6,000,000	1,756,667	1,756,667	1,756,667	1,666,667
<b>Sub-Total OMB/DOI</b>							<b>\$ 10,778,921</b>	<b>\$ 6,461,457</b>	<b>\$ 5,734,838</b>	<b>\$ 5,745,253</b>	<b>\$ 5,389,461</b>
14	ACOGP2340006-00	FCC	Affordability Connectivity Program (ACP) Outreach	USVI	4/30/2024*	25%	\$ 250,000	\$ 250,000	\$ 34,132	\$ 34,132	\$ -
15	78-30-DP146	NTIA	Digital Equity (Planning Grant)	USVI	5/31/2024	85%	150,000	150,000	79,531	96,552	150,000
<b>Sub-Total Other (FCC &amp; NTIA)</b>							<b>\$ 400,000</b>	<b>\$ 400,000</b>	<b>\$ 113,663</b>	<b>\$ 130,684</b>	<b>\$ 150,000</b>
<b>GRAND TOTAL</b>							<b>\$ 31,924,000</b>	<b>\$ 26,244,307</b>	<b>\$ 9,179,017</b>	<b>\$ 8,637,517</b>	<b>\$ 6,685,734</b>

\*FEMA Time Extension pending approval; ACP subject to Congress reauthorization

# Statement of Revenue and Expenses

	FY2021 (Audited)	FY2022 (Unaudited)	FY2023 (Unaudited)	FY2024 (Projections)
Operating Revenue	\$4,054,172	\$4,643,590	\$4,964,961	\$4,868,434
Operating Expenses	9,196,055	9,412,712	10,195,128	10,635,877
Operating Income (Loss)	-5,141,883	-4,769,122	-5,230,167	-5,767,442
Non Operating Income/(Expense)				
Federal Grants	598,829	906,105	5,983,972	3,094,731
Other Income/(Expense)	0	-4,263	-42,682	-200,000
Insurance Proceeds	0	0	0	0
Interest Income	2,984	2,758	7,612	5,000
Total Non Operating Income/(Expense)	601,813	904,600	5,948,902	2,899,731
Change in Net Assets	-4,540,070	-3,864,522	718,735	-2,867,712
Notes:				
Operating Income (Loss)	-5,141,883	-4,769,122	-5,230,167	-5,767,442
Add Back for Depr & Amort	4,176,608	4,285,521	4,078,255	4,290,900
EBITDA	-965,275	-483,601	-1,151,911	-1,476,543



# Statement of Net Position

ASSETS	FY2021 (Audited)	FY2022 (Unaudited)	FY2023 (Unaudited)
<b>Current Assets:</b>			
Cash	\$ 551,858	\$ 3,297,351	\$ 206,215
Federal Grant Receivable	324,522	557,382	418,397
Operating Receivables, net	522,013	371,233	416,461
Other Receivables	0	0	150,702
Prepaid Expenses and other curr. assets	277,413	378,477	215,220
<b>Total Current Assets</b>	<b>1,675,806</b>	<b>4,604,443</b>	<b>1,406,995</b>
<b>Capital Assets</b>			
Property Plant and Equipment, Net	29,868,884	27,174,600	24,100,883
Leasehold Improvement	506,935	506,935	527,951
Construction in Progress	3,658,225	2,957,127	8,017,205
IRU	20,973,568	20,973,568	20,973,568
<b>Total Capital Assets</b>	<b>55,007,612</b>	<b>51,612,231</b>	<b>53,619,607</b>
<b>Total Assets</b>	<b>56,683,418</b>	<b>56,216,674</b>	<b>55,026,602</b>
<b>Current Liabilities:</b>			
Unearned Revenue	\$0	\$662,240	\$662,240
Deferred Revenue - Grant	\$0	2,694,730	33,964
AP, accrued exp. and other current liab.	404,428	441,070	743,030
<b>Total Current Liabilities</b>	<b>404,428</b>	<b>3,798,041</b>	<b>1,439,234</b>
Loan payable to Merchants Commercial Bank	0	0	450,000
Loan payable to Public Finance Authority	36,804,453	36,804,453	36,804,453
<b>Total Liabilities</b>	<b>37,208,881</b>	<b>40,602,494</b>	<b>38,693,687</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt	18,203,159	14,807,778	16,365,154
Unrestricted	1,271,378	806,402	-32,239
<b>Total Net Position</b>	<b>19,474,537</b>	<b>15,614,180</b>	<b>16,332,915</b>
<b>Total Liabilities + Net Position</b>	<b>56,683,418</b>	<b>56,216,674</b>	<b>55,026,602</b>