



Status of the Airports and Seaports of the United States Virgin Islands

Presented to the Legislature of the U.S. Virgin Islands
Committee on Economic Development and Agriculture

The Honorable Senator Allison L. DeGazon
Chairperson



Mr. Damian Cartwright
Acting Executive Director
Virgin Islands Port Authority

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Good morning Honorable Senator Allison L. DeGazon, Chairperson of the Committee on Economic Development and Agriculture, all distinguished Senators of the 33rd Legislature of the US Virgin Islands, all legislative staff and members of the community present at this hearing, and to our listening and viewing audience.

I am Damian Cartwright, the Acting Executive Director and Director of Engineering for the Virgin Islands Port Authority (herein after referred to as VIPA). I thank you for the invitation to testify before your Committee to present a synopsis of our port restoration progress. I will also provide details of future port projects; discuss the status of our Fiscal Year 2019 Budget; and answer questions concerning our operations, management of our real estate portfolio, and incentives to improve the territory's travel industry.

Before I begin my presentation, allow me to introduce my staff. Accompanying me are:

- Acting Assistant Executive Director and St. Thomas/St. John Marine Manager Angelo Raimondi;
- Financial Analyst Humphrey Caswell;
- St. Croix Marine Manager Mervyn Constantine;
- Legal Counsel Attorney Catherine Hendry;
- Chief Financial Officer Anna Penn;
- Director of Human Resources Diane Richardson; and
- Property Manager Deborah Washington.

About the Virgin Islands Port Authority

For the benefit of the listening public, please allow me to summarize our mandate. VIPA is an autonomous, self-sustaining agency that manages the two airports and 14 public seaports in the U.S. Virgin Islands (USVI). Development of the territory's port infrastructure is one of our primary responsibilities. Our objective is to facilitate travel, commerce and aid in fostering tourism and economic growth by providing modern and safe port facilities.

Our ports are crucial to the economic activity of the territory, particularly due to our geographic location. Ports support social and economic activities, trade, and our largest gross domestic product: tourism. Operation, construction and maintenance jobs at our ports provide hundreds of employment opportunities for residents. They also simultaneously stimulate our economy by providing revenue for the Government of the V.I. (GVI) via income and gross receipt taxes.

[Funding Port Operations](#)

VIPA does not receive an annual allotment from the GVI. The major source of the Authority's operating revenues are customer and rental fees charged to users of our airport and marine facilities. Other funding sources include federal grants; federally-approved Passenger Facility Charges (PFCs) added to airline tickets; and allotments for a specific project provided via legislation from the GVI.

[Rebuilding our Facilities Post September 2017 Hurricanes](#)

The hurricanes of September 2017 critically damaged the USVI and its port infrastructure. The vast extent of the damages affected VIPA financially and delayed the progress of our capital improvement program. Most of our facilities are located on or near the coastlines, and as a result they were subjected to the direct force of Category 5 winds, rains and seawater. VIPA sustained over \$85 million in hurricane-related damages to 119 properties. Despite the damages, most ports were reopened shortly after both storms to enable emergency personnel and supplies to arrive timely into the territory. Commercial travel and commerce within the USVI resumed in record time.

[Rebuilding Process – Construction Manager at Risk](#)

Rebuilding VIPA's air and seaports has taken precedence over other activities at the VIPA since the storms. VIPA's Board of Governors competitively selected Lemartec, Inc. in November 2017 as the Construction Manager at Risk for the restoration work of its damaged properties. The process for restoration projects is as follows:

1. An assessment of the project area is completed by Lemartec, Inc.;
2. An assessment is completed by VIPA's insurance company;
3. Task orders are approved by the insurance company and VIPA's Board; then
4. The restoration project begins.

Lemartec has engaged the services of local contractors as part of our efforts to employ our resident workforce. VIPA wants to ensure that a portion of the monies used to rebuild our ports stay in the territory and benefit our economy. However, we have had challenges in securing skilled labor and experienced shipping delays for construction materials that significantly slowed the progress of some of our restoration projects.

Airport Facilities

[The Cyril E. King Airport, St. Thomas \(CEKA\)](#)

Prior to the hurricanes last year, VIPA was exploring options in tandem with the GVI to renovate and expand the CEKA Terminal on St. Thomas. The 30-year-old terminal is severely under capacity and is in dire need of upgrades. Due to storm damages, VIPA's immediate priority is to restore the terminal to its pre-storm conditions. However, the need to expand and modernize our terminal still exists. VIPA has employed the services of its aviation consultant, Kimley-Horn and Associates, to prepare a design for the CEKA Terminal Expansion Project, which will include jet bridges, new parking garage facilities and a potential water taxi pier that will have a direct connection to the terminal to provide transportation services for travelers destined for the British Virgin Islands (BVI).

Restoration work at CEKA is being performed in conjunction with our plans to expand the terminal.

The CEKA Terminal roof replacement is now 92% completed. Other ongoing projects include:

- renovation of the ticketing lobby area restrooms, which began on February 8th;
- expansion and renovation of the main pre-clearance hold room restrooms scheduled to begin within the next two weeks;
- drywall, painting and other aesthetic repairs throughout the terminal;
- improvements to the external lighting system;

- flooring replacement that began on February 28th;
- air conditioning system maintenance is ongoing to include the installation of two brand new 400-ton chiller units. The new chillers recently arrived on island and are onsite at the airport.
- Repairs to the CEKA Air Cargo Facility will begin within the next six weeks, pending the arrival of material.

[The Henry E. Rohlsen Airport, St. Croix \(HERA\)](#)

The HERA Terminal roof repairs are currently 60% completed with a scheduled substantial completion date of April 30, 2019. The interior drywall and painting work are ongoing and scheduled to be completed within the next six weeks. A new 40,000-square-foot cargo warehouse is currently being designed to replace the damaged facility at HERA. Bid advertisement is scheduled for April of this year. We are also pleased to report that the new Aircraft Rescue and Fire Station on St. Croix has been completely repaired and is fully operational.

[U.S. Department of Commerce-Economic Development Administration Grant Award](#)

VIPA is the recipient of two grants from the U.S. Department of Commerce-Economic Development Administration (USDOC-EDA) totaling \$27 million to improve the territory's airports. The first grant will fund Phase 1 of the CEKA Terminal Expansion Project by building a \$20-million-dollar Parking and Transportation Center. Currently, the design for this Phase is 60% completed and scheduled for bid advertisement by May of this year. Construction is anticipated to span a period of 18 to 24 months.

This project involves:

- Constructing a four-level parking garage with about 700 parking spaces; and
- Providing a dedicated location for ground transportation and car rental operations. By removing these services from the terminal, this will give us much needed real estate to expand.

Phase One of the HERA Terminal Expansion Project will be funded by the second grant from the USDOC-EDA in the amount of \$7 million to begin upgrades, which include:

- Enclosing 5,500 square feet of walkway space to increase seating capacity in the lounge;
- Refurbishing the existing passenger lounge space and restrooms;
- Enclosing the 1,100 square-foot open-air garden with a new roof structure to provide additional concession space; and
- Upgrading the mechanical systems for the additional air-conditioned area.

This phase is scheduled for bid advertisement in September of this year. Construction is also anticipated to span a period of 18 to 24 months.

[Federal Aviation Administration \(FAA\) Fines](#)

VIPA continues to implement improvements to the airfield operations at both airports to address FAA Part 139 compliance issues. Our progress to date includes the following:

- VIPA has hired a consultant to provide annual recurrent Part 139 training for airfield operations staff;
- VIPA has entered into a three-year contract with Oshkosh, the Airport Rescue Fire Fighter (ARFF) fleet manufacturer, to provide bi-annual performance and maintenance inspections;
- VIPA has hired a Chief Territorial ASE-Certified Mechanic knowledgeable in performing onsite repairs of airfield equipment, including the ARFF fleet.
- VIPA is currently working on a Memorandum of Understanding with Aerostar at the Luis Muñoz Marín International Airport in San Juan. This will allow VIPA to benefit from access to resources of a much larger Part 139 operation nearby. Such benefits may include emergency procurement of parts and materials along with training opportunities.
- VIPA executed a new contract with the US Department of Agriculture (USDA), which resulted in a USDA-trained wildlife technician being onsite at each airport.

VIPA has communicated the implementation of the above measures to the FAA and requested leniency in assessing the civil penalty. The FAA has now requested that VIPA propose a settlement offer to resolve the outstanding obligation. VIPA intends to submit the settlement offer in April 2019 after review and approval by our Governing Board.

[Airline Service to the Territory and Incentives](#)

VIPA has received complaints from the public regarding high ticket prices. Unfortunately, VIPA has no control over the prices set by the airlines, which are based on supply and demand. What we can

do is encourage competitive prices by offering incentives to attract new routes and airlines to the territory. On February 21, 2018, VIPA's Board renewed an existing airline incentive that waives fees for a period of one year. During the incentive period, 100% of landing fees are waived and terminal parking, arrival and departure user fees are reduced by 50%. Airlines providing new or increased service to HERA and airlines offering service during non-peak hours to CEKA would qualify for the incentive. As per federal law, the incentive is non-exclusive and can be applied for by any airline that meets the criteria. The current incentive expires November 30, 2020.

Marine - Cruise Ship Ports

[The Austin "Babe" Monsanto Marine Terminal, Crown Bay, St. Thomas](#)

VIPA is currently performing a Masterplan Redevelopment Study of the Crown Bay and Sub-Base District. VIPA has held public charrettes, table top presentations with the Florida-Caribbean Cruise Association (FCCA) and conducted community and cruise passenger surveys to develop a comprehensive and sustainable vision for the Crown Bay and Sub-Base District.

VIPA has also submitted a joint permit application to Coastal Zone Management Commission (CZM) and the Army Corp of Engineers to dredge the north berth at Crown Bay to accommodate Quantum-class vessels. This project has a funding commitment from the U.S. Community Development Block Grant-Housing and Urban Development (CDBG-HUD).

[The Ann E. Abramson Marine Facility, Frederiksted, St. Croix](#)

The cruise lines have recently expressed an interest to berth the larger Quantum-class vessels at the Ann Abramson Pier on St. Croix. Since this facility was not originally designed to accommodate these larger ships, VIPA has authorized its marine consultant to undertake a feasibility study to determine what modifications would have to be made along with the associated cost to berth these vessels.

Marine - Ferry and Cargo Seaports

[The Victor Sewer Marine Facility, Cruz Bay, St. John \("The Creek"\)](#)

The new U.S. Customs and Border Protection (CBP) building in Cruz Bay is currently under construction. The new facility is a concrete and masonry structure designed to meet the International Building Codes (IBC) revised in 2018. Substantial completion is scheduled for September 2019.

[The Urman V. Fredericks Marine Terminal, Red Hook, St. Thomas \(UVF Terminal\)](#)

The two-story parking garage is approximately 90% completed and expected to open in May of this year. This project was delayed due to the impacts of Hurricanes Irma and Maria in addition to design modifications and upgrades undertaken to meet the new IBC 2018 building code.

[The Edward Wilmoth Blyden IV Marine Terminal, Charlotte Amalie St. Thomas](#)

VIPA has brought this busy ferry terminal into compliance with the Americans with Disabilities Act by installing an elevator. Additional improvements are currently being designed to repair structural elements and interior and exterior site lighting for this facility. These improvements are scheduled to be advertised for bid by June of this year.

[The West Indian Company, Ltd. \(WICO\) Dock, St. Thomas](#)

The Ports of the V.I. Committee have collectively decided that additional berthing capacity in the Charlotte Amalie Harbor should occur at Long Bay Landing.

VIPA and WICO are also co-applicants on the permit to dredge the Charlotte Amalie Harbor, specifically the WICO channel and turning basin to accommodate Oasis-class vessels. A CZM decision hearing is scheduled for March 14, 2019 at 6 p.m. This project has a funding commitment from the CDBG-HUD.

[The Gallows Bay Marine Facility, Christiansted, St. Croix](#)

We are transforming the Gallows Bay Marine Facility into a passenger and luxury vessel seaport. The construction of a dual-purpose passenger facility is currently underway and will be completed by June of this year. The dredging of the Schooner Bay Channel, however, has been stalled because VIPA is still awaiting approval of the permit submitted to the U.S. Army Corps of Engineers. This project also has a funding commitment from the CDBG-HUD.

[The Gordon A. Finch Molasses Pier, Krause Lagoon, St. Croix.](#)

The first phase of the Molasses Pier Cargo Terminal Project, which included the water-side improvements, has been delayed due to the awarded contractor's inability to secure a local business license. VIPA was prepared to issue a Notice to Proceed in March 2018; however, we have resolved to rebid the project by the end of this month. VIPA received \$10.67 million via the Transportation Investment Generating Economic Recovery (TIGER) discretionary grant funds for these improvements and was approved for an extension to expend the funds. The local funding match is \$2.6 million.

[The Wilfred "Bomba" Allick Port and Transshipment Center, Krause Lagoon, St. Croix](#)

A cargo warehouse with a marine office is being designed to replace the building that was destroyed by the storms. Construction is expected to begin later this year. VIPA is currently repaving portions of the operational area, and reviewing bids received this month to repair the roll on/roll off ramp at this facility.

[The Svend Aage Ovesen Seaplane Facility, Christiansted. St. Croix](#)

VIPA is reviewing bids received this month to stabilize the deteriorated bulkhead at the seaplane facility in Christiansted. This project is partially funded by a federal EDA Grant of \$1.8M.

Other Commercial Properties

VIPA Administrative and Purchasing Buildings, Lindbergh Bay, St. Thomas

The administrative building staff has relocated to Building A, 161-A Crown Bay Center until June 2019 while the facility is being renovated. A new purchasing building is currently being designed to replace the damaged structure adjacent to CEKA. This project will be advertised for bid by May of this year.

Lindbergh Bay Family Park, Lindbergh Bay Beach, St. Thomas

New equipment has been selected for the Lindbergh Bay Park on St. Thomas and VIPA plans to reopen the park this summer.

Finance and Property Management

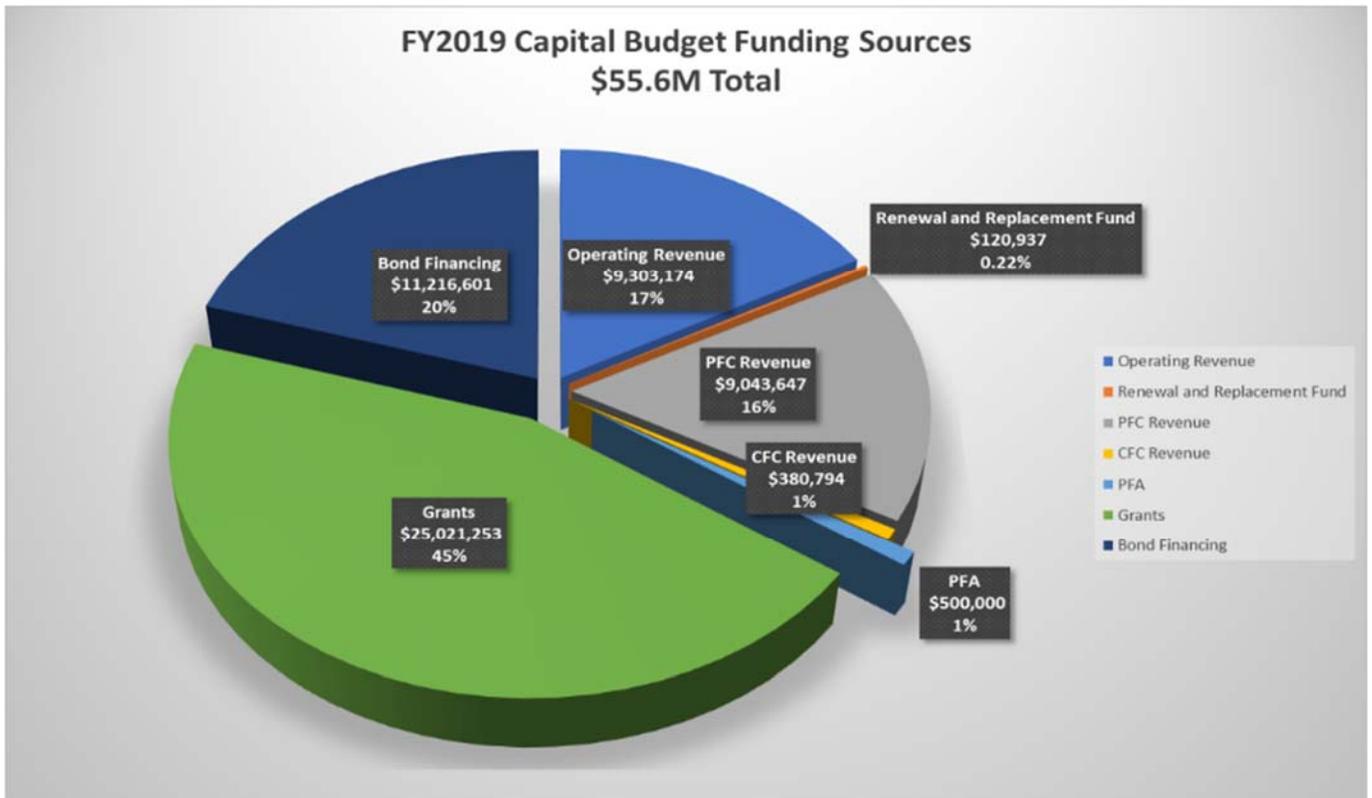
Fiscal Year 2019 Annual Operating Budget vs Actuals

The Virgin Islands Port Authority earned operating revenues totaling \$21.3M as of the end of February. Total operating revenues are 1% above the expected total period target of 43% (\$20.9M). Aviation revenues collected year-to-date through February 2019 amounted to \$7.3M (or 40%) of the \$18.3M projected for FY19. Marine revenues collected year-to-date ending in February 2019 totaled \$14M (or 45%) of the \$30.4M projected for FY19. Year-to-date operating expenses paid total \$15.4M (or 32%) of the \$48.2M budgeted; which represents total expenditures that is -10% below the current period's target.

The FY19 capital budget for VIPA included \$55.6 million in funded projects. More than \$46.3M (or 83%) of the FY19 budgeted capital outlay is funded through restricted funds such as bonds, grants, passenger and customer facility charges, renewal and replacement funds and the V.I. Public Finance Authority. Seventeen percent (\$9.3M) of the total capital budget is collected operating revenues and will provide additional funds for prioritized projects and grant and bond matches.

Chart - FY 2019 Operating Budget Versus Expenditures as of Feb. 28, 2019

FY19 Operating Budget v. Actuals As of February 28, 2019					
Revenue/Expense Account	FY19 Annual Budget	YTD Feb-19 Actuals	Ann. Budget vs. YTD Actuals	February Target	Over/ (Under) Target
Aircraft Fees	2,810,112	1,275,825	45%	40%	5%
Aviation Rental Income	6,211,887	2,276,571	37%	40%	-3%
Aviation Commission & Fees	9,237,409	3,732,520	40%	40%	0%
Aviation Revenues	18,259,408	7,284,916	40%	40%	0%
Marine Fees	24,544,885	11,748,741	48%	45%	3%
Marine Rental Income	5,731,002	2,196,808	38%	45%	-7%
Marine Commission & Fees	119,646	57,394	48%	45%	3%
Marine Revenues	30,395,533	14,002,943	46%	45%	1%
Total Revenues	48,654,941	21,287,859	44%	43%	1%
Payroll Expenses	27,372,327	8,047,868	29%	42%	-(13%)
Maintenance Expenses	2,551,000	804,400	32%	42%	-(10%)
Materials & Supplies	1,322,300	383,076	29%	42%	-(13%)
Utilities	6,156,449	2,653,674	43%	42%	1%
Professional & Other Services	4,959,000	1,804,178	36%	42%	-(6%)
Insurance	4,027,506	1,449,954	36%	42%	-(6%)
Other Expenses	1,210,500	6,290	1%	42%	-(41%)
Travel Expenses	594,500	219,226	37%	42%	-(5%)
Total Expenses	48,193,582	15,368,666	32%	42%	-(10%)



Vacant Commercial Space and Properties

VIPA has several vacant spaces available for lease at its airport terminals. Request for Proposals are being prepared for the vacant terminal spaces.

Terminal Vacant Space

CEKA:	<ul style="list-style-type: none"> The former Duty-Free location in preclearance and mainland baggage claim area. Former FSI Islander Holdings LLC/USVI Sotheby's location in the baggage claim area. The entire second of the CEKA Terminal was damaged and is not leased. Airline counter space is available.
HERA	<ul style="list-style-type: none"> The former Rita's Café area is vacant, but VIPA has an interested party willing to lease. The International Building (also known as "The White Elephant"). Airline counter space is available.

VIPA Tenant Accounts and Collection Procedures

The following is a summary of our tenant accounts:

Tenants by Location	# of Tenants
Aviation – STT	59
Marine - STT & STJ	67
Crown Bay Center	35
Aviation – STX	32
Marine – STX	9
Bournefield (Residential Units)	28
Total	230

Arrearages by Location	# of Tenants	Total Amounts Owed
Aviation – STT	23	1,211,771.16
Marine – STT & STJ	31	656,978.24
Crown Bay Center	10	1,408,111.86
Aviation – STX	10	675,907.62
Marine – STX	3	68,728.03
Residential	9	19,795.26
Total	86	\$4,041,292.17

Our Property Management Department adheres to our internal policy for collections, payment plans, and leasing procedures. Our monthly collection procedures are:

- Telephone calls and e-mails to delinquent tenants,
- Certified demand letters and Notices of Default are sent to the tenants' president/manager,
- The Legal Department executes Notices to Quit for hand-delivery and certified U.S. mail, and
- Our final step is to commence legal action.

Human Resources

VIPA has a combined staff of 326 employees – 205 on St. Thomas; eight on St. John and 113 on St. Croix. We also have 28 open vacancies that we are currently attempting to fill as follows: 15 on St. Thomas; one on St. John and 12 on St. Croix.

Our most critical vacancy currently is the position of the Executive Director. The former Executive Director, David W. Mapp Sr, retired on January 31, 2019. The position had been advertised prior to his departure and was re-advertised on February 27th with a deadline of March 13th to apply.

We have realized a need to educate and train our employees, particularly in the field of customer service. Our Human Resources Director will be working with the Department of Tourism to implement training for all our employees. Likewise, training for our employees that are a requirement to meet federal guidelines is adhered to on an annual basis. We have also provided training opportunities for our management and administrative staff. At VIPA we continue to invest in and support our employees' professional development. As we celebrate 50 years of connecting the USVI to the world via the air and sea, our employees remain our most valuable asset.

Summary

Before I conclude I would like to thank my staff for their continued hard work, support and innovation. I would also like to thank the traveling public and our community for their patience as we strive to rebuild our facilities stronger to better serve the needs of our community and travelers. The process is not always easy, and in some instances, it has been a learning experience for all of us as the territory has never experienced this level of disaster before. However, we would like the public to

know that we are working diligently to provide safe and comfortable facilities to make their entrance and departure experiences as pleasant as possible. Updates about our progress are broadcasted on our local radio stations, posted on our website at www.viport.com, and the public is invited to follow VIPA on our Facebook, Twitter and LinkedIn social media pages.

Thank you, Senator DeGazon, for the opportunity to share the accomplishments of the Virgin Islands Port Authority with this body, our stakeholders and our community. My colleagues and I are available to answer any questions that you may have.

Sincerely,



Damian Cartwright
Acting Executive Director/Director of Engineering
Virgin Islands Port Authority

cc: VIPA Board of Governors