

DEPARTMENT OF PUBLIC WORKS
UNITED STATES VIRGIN ISLANDS

COMMITTEE OF THE WHOLE

GARVEE BOND ISSUANCE

FOR USVI TRANSPORTATION PROJECTS

November 20, 2024

dpw.vi.gov

Good day, Senate President Novelle Francis, Chairperson of the Committee of the Whole; committee members; all other senators in attendance today; all those seated in the Senate chambers; and those in the listening and viewing audience. I am Derek Gabriel, the Commissioner of the Virgin Islands Department of Public Works (DPW). With me today are DPW Federal Highway Program Manager Jomo McClean and DPW Deputy Commissioner of Transportation Karole Ovesen-McGregor. I am also joined by Nathan Simmonds, Director of Finance and Administration, Virgin Islands Public Finance Authority; Attorney Kye Walker of The Walker Legal Group, General Counsel to the Authority; and Attorney Miles Plaskett, a Partner with Duane Morris, LLP, who's serving as bond counsel for this transaction. We also have appearing virtually, Attorney Lorelei Farrington, staff counsel, and Cherrie Wallace-Cole, bond proceeds manager with the Authority; David Paul, President of Fiscal Strategies, who serves as financial advisor to the Authority, and Adam Lorbert of Ramirez and Company, serving as senior underwriter on this transaction.

Thank you for the opportunity to provide an overview of the proposed allocation of the upcoming \$156 million GARVEE bond issuance.

My testimony will highlight the projects we are proposing for the issuance, the benefits and anticipated economic impacts supported by these funds, and proposed repayment details for the issuance. Before we dive into the specifics, I believe it is essential to discuss the truly transformational nature of the transportation package being presented today. As Governor Bryan said in his transmittal letter, this package will probably be this decade's most significant economic initiative undertaken by the U.S. Virgin Islands. Outside of the direct economic stimulus it will provide through jobs, material sales, taxes, and indirect economic multipliers, these projects, particularly Veterans Drive - Phase 2A and the St. Croix – St. Thomas ferry, will positively change the Territory for the foreseeable future.

Both projects are highlighted in DPW's 2040 USVI Transportation Master Plan and the Territorial Transportation Improvement Plan. They have also been identified as foundational pieces of our shift toward a true multi-modal transportation system. Speaking plainly, our actions today will spark the change we have all discussed that we want to see for future generations.

Understanding GARVEE Bonds

A **Grant Anticipation Revenue Vehicle (GARVEE)** bond is a financial tool that allows governments to secure upfront funding for federally-qualified critical transportation projects. This debt instrument is backed by anticipated Federal Aid grants, received annually specifically to fund transportation infrastructure. GARVEE bonds enable the expedited development of essential projects by leveraging future federal grants, ensuring that projects can begin immediately rather than waiting for yearly funding allotments.

Summary of the 2015 GARVEE Bond Issuance

In 2015, a GARVEE issuance provided \$91 million, which funded a series of transportation improvement projects across the U.S. Virgin Islands. The projects included:

- **\$40 million** - Veterans Drive, Route 30
- **\$8.5 million** - Sion Valley Road
- **\$16 million** - Melvin Evans Highway
- **\$12.5 million** – Ethel McIntosh Drive (Mahogany Road)
- **\$3 million** - Christiansted Roads
- **\$6 million** - Frederiksted Roads
- **\$5 million** - Spring Gut Road

These projects significantly improved transportation infrastructure, enhancing safety, accessibility, and traffic flow within our territory.

Proposed \$156 Million GARVEE Bond Issuance

The new \$156 million GARVEE issuance proposal will cover critical infrastructure and public transportation projects. The funds are allocated as follows:

- **\$54 Million** – Refinance existing GARVEE bonds to realize present value savings.
- **\$20 Million** – Fabrication of a St. Croix – St. Thomas Ferry, providing a crucial link between the islands and addressing interisland connectivity needs
- **\$48 Million** – Veterans Drive Project - Phase 2A, to continue improvements and expand the current roadway and pedestrian infrastructure
- **\$28 Million** – Additional Federal-aid eligible road improvement projects on St. Croix.
- **\$6 Million** – Deposit to Debt Service Reserve Fund and issuance costs.

St. Croix – St. Thomas Ferry: Project Description

The proposed ferry vessel is being developed conceptually as a high-speed, 202-passenger ferry capable of carrying 12 – 16 passenger vehicles along route 753M. The fast ferry is conceptually designed to complete the journey in 90 minutes or less per federal regulations to be classified as public transportation. A joint-agency task force, including the V.I. Port Authority, Office of the Governor, DPW, and other key stakeholders, will decide whether to amend the route or add infrastructure to accommodate a rear-loading ferry.

Since 2021, DPW has made significant strides in developing our ferry boat program, including acquiring USDOT approval for our ferryboat plan, hiring dedicated staff, engaging with and involving key stakeholders such as the Virgin Islands Port Authority (VIPA), and executing operating and stipulation agreements with Varlack Ventures and Transportation Services and providing ridership data. Between local and federal subsidies, ferry operators under the franchise agreements are now eligible to receive almost 1 million dollars. The growth of DPW's overall ferryboat program was evidenced when two FTA grant awards provided the funding needed for a third, larger ferry for the Cruz Bay – Red Hook route. The Spirit of 1733 is currently being fabricated and anticipated to be in service in the first quarter of 2025. Now is the perfect time to seize this opportunity to continue to invest in the program in an unprecedented way.

St. Croix – St. Thomas Ferry: Denied Funding Attempt

It is essential to note previous efforts to secure alternative federal funding for a St. Croix—St. Thomas ferry have all been denied, including TIGER Grant applications in 2015 and 2016, a BUILD Grant application in 2018, and multiple RAISE Grant applications in 2021, 2022, and 2023. Therefore, this \$156 million GARVEE issuance is critical and possibly the only way forward to make Route 753M a viable part of the public transportation system. Since 2021, I have personally spoken to various program and department representatives from the U.S. Department of Transportation, who have unilaterally stated funding for this ferry is highly unlikely as most ferry operations nationally are privately owned and operated. Most competitive grants offered by the Department of Transportation have a high cost-benefit ratio skewed towards surface transportation – bridges, highways, roads, and railroads – making it virtually impossible to secure federal funds for a ferry for this route.

Benefits of the St. Croix – St. Thomas Ferry

The proposed ferry project between St. Croix and St. Thomas, as well as other infrastructure improvements, will have broad economic and social impacts:

- **Employment Opportunities** – Project development will create jobs, support the local workforce, and further economic stability.
- **Affordable and Sustainable Transportation** – The interisland ferry will offer residents an affordable travel alternative.
- **Community and Tourism Development** – Enhanced transportation infrastructure will facilitate interscholastic travel, support tourism, and improve local commerce and mobility.
- **ADA Accessibility Benefits**—The ferry will meet all current ADA standards.

Timeline for delivery of ferry

Upon the successful issuance of the bonds, the vessel can be delivered to the territory within fourteen to eighteen months of contract execution.

Veterans Drive Improvements Project – Phase 2A: Project Description

Part of the larger Charlotte Amalie Waterfront Revitalization Project, this Veterans Drive Improvements Project phase will feature a series of transportation infrastructure and pedestrian improvements along St. Thomas’s primary east-to-west corridor, Veterans Drive - Route 30. It will increase automobile, pedestrian, and cyclist capacity; reduce congestion; enhance the pedestrian experience with new safety and aesthetic features; and strengthen the resiliency of this critical transportation route with contemporary construction techniques and drainage features.

Currently, Veterans Drive dissects the area between Fort Christian and the Legislature Building. The proposed improvements will transform this area into a single and homogeneous area, creating a walkable space between the two historically significant buildings. The realignment will also reduce damage to Fort Christian by reducing vibration from vehicles traveling close to the fort.

The project includes widening the two-lane sections and creating a new four-lane section around the Legislature peninsula. The lane widths will increase to AASHTO standards and improve safety by separating auto traffic from pedestrians. The proposed improvements include an expansive

promenade ranging from 20 to 40 feet. The promenade will hug the harbor, providing a full view of the ocean and access to the pocket parks.

Veterans Drive Improvements Project – Phase 2A: Urgency and Economic Impact

This project, partly funded through the **RAISE Grant** program, represents a critical infrastructure initiative aimed at improving transportation and safety, enhancing resilience against climate events, promoting healthier lifestyles through outdoor activities and spaces, and fostering economic growth. This project will add to the continued revitalization of Downtown Charlotte Amalie, combining with other initiatives to bring life back to the historic downtown district. In August 2022, the U.S. Department of Transportation awarded \$25 million in RAISE Grant funding for this project, contingent upon matching funds from the Virgin Islands government. Failure to secure these matching funds will result in the reallocation of the RAISE grant to other projects elsewhere in the United States.

Also, with the sheer number of recent storm-related damages on the East Coast, industry analysts are predicting exponential increases in construction costs moving forward. Delaying this project any further will undoubtedly negatively impact its price.

Benefits of the Veterans Drive Improvement Project – Phase 2A

The Veterans Drive Improvements Project will deliver numerous benefits for the territory, including:

- Increased resiliency of the roadway to flooding and storm surges
- Enhanced evacuation capacity and expedited recovery efforts in emergencies
- Improved vehicular and pedestrian mobility and safety, especially for those without access to private vehicles
- Reduced greenhouse gas emissions, environmental pollutants, and urban heat through shade trees along promenades and sidewalks
- Additional economic and social benefits, including improved access for tourists and residents, increased ADA accessibility, and reduced environmental impact
- Enhancements to pedestrian areas will reduce emissions and the urban heat island effect, improving the quality of life for all residents.
- Continuing our push towards a multi-modal transportation system and Complete Streets compliance.

Timeline for completion of Veterans Drive Improvements Project – Phase 2A

This project has short—and long-term milestones to meet to ensure that funding is used efficiently and the project is completed on time.

- **RAISE Grant Funding Obligated** – The RAISE Grant funds were officially obligated as of September 2024. This obligates the Virgin Islands to utilize these funds in a timely and effective manner according to federal guidelines.
- **Target Construction Start** – In alignment with this timeline, we aim to commence construction in **2025**. Beginning at this time will allow for a manageable work schedule, providing room for adjustments if unforeseen delays or challenges arise.
- **Project Completion Deadline**—The Veterans Drive Improvements Project – Phase 2A is scheduled to be completed by September 2027.
- **Expenditure Deadline** – According to the grant requirements, all RAISE Grant funds must be fully expended by **2031**. This deadline provides a timeline for financial planning and ensures accountability in using federal funds.

With this body's approval, the department, in conjunction with the Eastern Federal Lands Highway Division (EFLHD), which will be managing the project, will be able to meet its goal of putting this project out to bid by December 2024. Meeting that deadline will ensure we can meet other dependent project milestones. The goal is to maintain a transparent, proactive approach to meeting these targets, maximizing the benefits of federal support, and ensuring that the Veterans Drive Improvements Project – Phase 2A advances as a timely, impactful investment in the future of the Virgin Islands.

Federal Highway Infrastructure Projects for St. Croix

To address infrastructure needs equitably across the territory, the proposed \$28 million in additional federal highway infrastructure projects has been allocated specifically for the district of St. Croix. This funding ensures parity and allows for the continued improvement of the island's roadways and related infrastructure.

While we leave it to the Legislature to identify and prioritize the remaining projects for St. Croix, we would like to propose the following areas:

- Completion of the East Scenic Drive - From Claremont to Frangipani Road
- Resurfacing of Sydney Lee Road (North Shore Road) to La Valle
- Resurfacing of Southshore Road and Creation of a Bike Path
- Mon Bijou Road - From the Candido Guadelupe Housing Community Intersection to Cane Bay Beach

Avoiding Duplication of Funding

As the Legislature considers additional projects to be included in this allocation, we urge you to review the FEMA-funded federal road projects carefully. FEMA funding already addresses most of the remaining federal routes through the Unified Paving initiative, and avoiding duplication will ensure that this \$28 million is directed to unmet needs and maximizes the impact of the investment. This approach will allow for a comprehensive and coordinated effort to improve St. Croix’s transportation infrastructure.

Financial Strategy and Debt Service

The financial strategy for this GARVEE issuance aligns with responsible debt management practices, including a refinancing component that will realize present value savings. The total funding package amounts to \$156 million, including \$146 million in bond par amount and \$10 million in original issue premium. The current annual debt service is approximately \$7.5 million, with 9 years remaining on the existing 2015 GARVEE bonds. The new issuance is expected to carry an approximate annual debt service of \$12 million for the next 18 years. The refinancing will also provide present value savings, further supporting our commitment to fiscal responsibility while investing in vital infrastructure for future generations.

Funding Sources

The funding sources for the GARVEE program are set forth below:

GARVEE Bond Par Amount	\$146 Million
Original Issue Premium	\$ 10 Million
Total Bond Proceeds	\$156 Million

Financial Timeline

We expect to immediately commence negotiation of a Memorandum of Understanding with the Federal Highway Administration to obtain approval for the qualified projects and anticipate selling the GARVEE bonds in May 2025 with a closing in early June 2025. The June 2025 closing is timed to coincide with the first call date of the Series 2015 GARVEE bonds.

Conclusion

In conclusion, the proposed \$156 million GARVEE bond issuance gives us a chance to jump-start the generational infrastructure projects discussed today and demonstrate local investment in the continued growth of the ferryboat program. With timely legislative support, we can avoid the risk of losing federal grant funding, address rising project costs, and ensure that our community's infrastructure needs are met in a way that fosters growth, safety, and resilience.

This package, particularly the St. Croix—St. Thomas Ferry and Veterans Drive Improvements Project, has the ability to shape the future of the U.S. Virgin Islands. It will directly enhance and improve our quality of life, shape how we do business, and how we connect communities. That is indeed the purpose. As leaders, we are rarely given the opportunity to implement transformational change like this. After all, that's the purpose of public service.

Senators, I urge you to seize this opportunity to be bold and great on behalf of our deserving residents. These projects have been discussed for over five decades; today, you can bring them to fruition. Thank you for your time, consideration, and attention. Our team stands ready and available to answer any questions you may have.