The Virgin Islands Consortium

V.I. Bonds Downgrade Calls For Fiscal Restraint To Avoid Puerto Rico-Like Outcome, Millin Young Says

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ST. THOMAS -- Senate Vice President Janette Millin Young said on Thursday that the second downgrade of Virgin Islands bonds in recent weeks is just cause for additional fiscal restraint to avoid a predicament similar to what our neighbors in Puerto Rico are experiencing.

In June, Moody's Investor Services downgraded the rating of the U.S. Virgin Islands' four liens of Matching Fund Revenue Bonds issued through the Public Finance Authority. The rating action affects approximately $1.24 billion in outstanding debt.

In April, Fitch Rating downgraded the Water and Power Authority's revenue bonds and placed their bonds on a negative watch. Moody's Investors Services also downgraded the Virgin Islands Water and Power Authority's electric system revenue bond rating to Ba2 from Baa3 and the electric system subordinated revenue bond rating to Ba3 from Ba1, or junk status bonds.

"My earlier statement about the fiscal year 2017 budget being unrealistic and too optimistic was not made lightly. News of the downgrade in bond rating by Moody's is not surprising given the submittal of a $110 million budget deficit. We must all be concerned what these downgrades represent for the territory and its residents," Mrs. Millin Young said. "Borrowing at this time would prove difficult. It's like a consumer with a poor credit rating having a difficult time borrowing money. And, if they can get a loan, it is at much higher interest rates. Higher interest rates mean W.A.P.A. rates would go up, leaving less tax money for public services."

The senator noted that it was well known that the fiscal conditions of the Virgin Islands were extremely poor at the beginning of the Mapp administration based on the governor's statement in his first State of the territory address.

"I will continue to ask the tough questions and to question the sustainability of recent raises and proposed administration spending increases. The public has a right to know, and, more importantly, we need answers to the following questions -- whether the fiscal year 2017 budget is based on accurate verifiable numbers; does the administration have a workable plan to resolve G.E.R.S. [the Government Employees Retirement System]; will the administration pay its debts to W.A.P.A. immediately, and have the rum producers, Diageo and/or Cruzan, reduced their production levels?"

"While it may be too early to say what my colleagues and I will do concerning raising emergency funds as has been alluded to in the request for refinancing bonds, we need a frank and honest dialog with the Governor's Financial Team. We are seeing a repeat of the fiscal crisis that has hit our sister territory of Puerto Rico coming directly to us. We must do everything in our power to avoid a fiscal catastrophe," Millin Young concluded.