

The Virgin Islands Consortium

Senate Delays Action On Borrowing Measure

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ST. THOMAS -- Senate President Neville James said the reason for a near 3-hour delay of Friday's Senate session at the Earl B. Ottley Legislative Hall here, was because 31st Legislature senators caucused for 2.5 hours discussing "the territory's condition with respect to our borrowing, the current status of our Government Employees' Retirement System, and the condition of our infrastructure here in the Virgin Islands."

In the end, Mr. James said, senators decided that a capital projects bill proposed by Governor Kenneth Mapp for infrastructure improvements would have to wait. The Senate president did not say when lawmakers would take up the bill, but with the General Election looming, taking up another borrowing measure at a time when the territory's already heavily indebted, and at a time when its bonds are rated as junk, could be a risky

move for senators seeking reelection.

"The members of the Legislature are of the opinion that we are not comfortable at this point with giving authorization for any additional borrowing as of today," Mr. James said. "We've also made a decision that we will continue to meet because we have been meeting -- first of all by district and then collectively -- as to how we go about taking action with respect to our needs here in the Virgin Islands, but more importantly, restoring confidence in you, our constituents and our employers. And at this point, we don't believe that the territory is confident that acting today as it relates to giving authorization for additional borrowing is where it should be."

The governor [in June](#) submitted a \$260 million capital projects measure to the Senate, confident that, after Senate hearings, the bill would go through. But in July, [Moody's downgraded \\$1.24 billion of the territory's rum cover-over-backed bonds](#), an event that has greatly affected the terms of borrowing. [Also in July](#), Finance Commissioner and Public Finance Authority Executive Director Valdamier Collens said that the Moody's downgrade "significantly affects" the proposed \$55 million debt restructuring that was included in Governor Kenneth Mapp's fiscal year 2017 budget.

"It affects it because of the downgrade — which, as you know, is primarily a result of the PROMESA [Puerto Rico Oversight, Management and Economic Stability Act] and what's going on in Puerto Rico. What happens is now the cost of capital and interest rates yields have now spread a bit more wider," Mr. Collens said.

Moody's, however, said that the downgrade came as a result of the government's challenged financial position, which has increased the possibility that it will use the matching fund revenue credit for new deficit financings. It says while the legal structure of the matching fund bonds is stronger than the government's unsecured general credit quality, this has not been tested in a stress scenario, and warrants a closer alignment of the matching fund bonds with the government's credit as its finances weaken.

Mr. James later pivoted to G.E.R.S., telling retirees who had gathered at the Legislature for the hearing that the 31st Legislature was not in support of a 30 percent reduction in retirees' annuities, [as G.E.R.S. suggested it would be forced to do](#) if there was no infusion of cash in 2017. "We want to make that clear," Mr. James said. "And while the management and the board members of the Government Employees' Retirement System continue to throw things out in the public to create actions and reactions, the Legislature is not in concert with that practice."