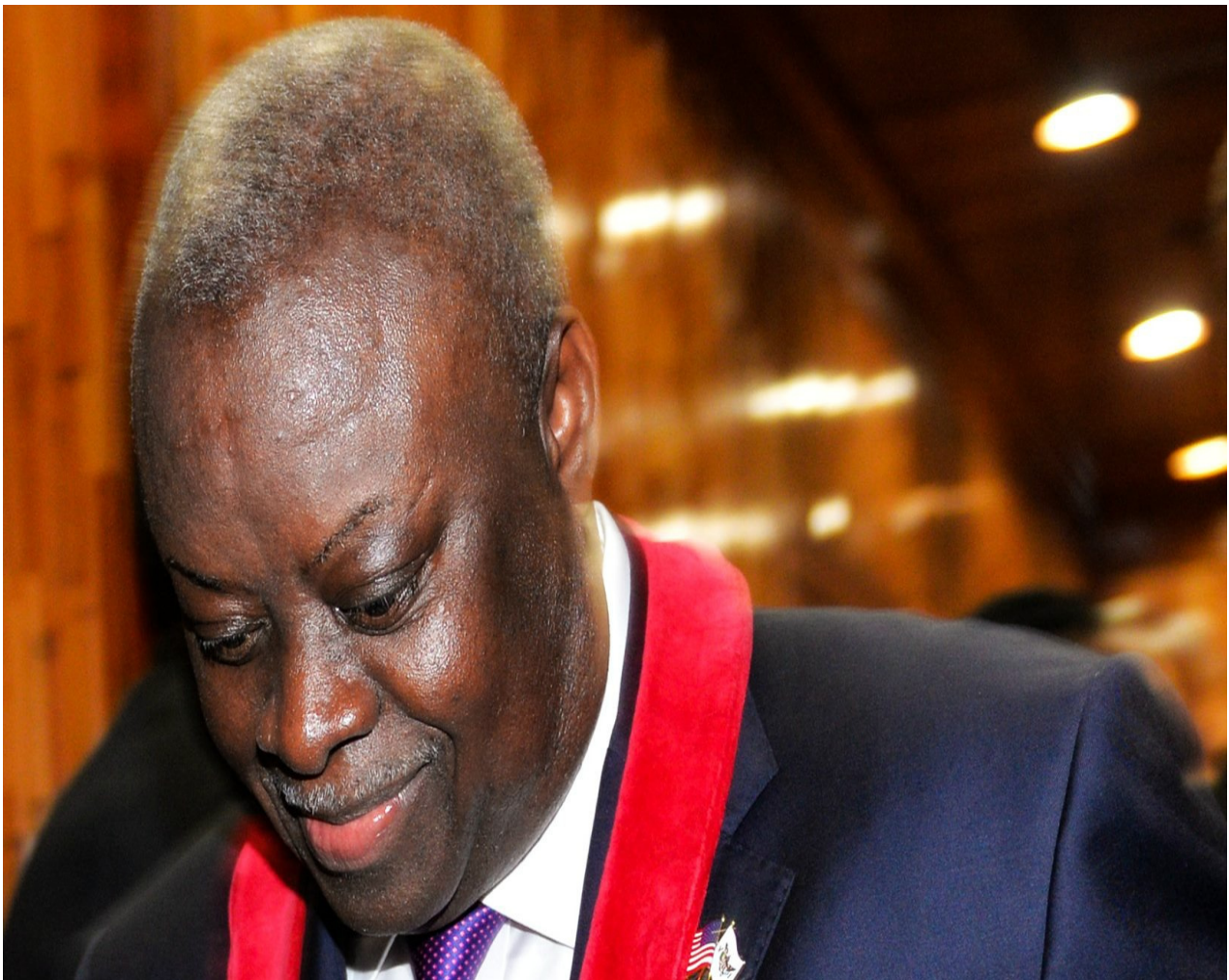


The Virgin Islands Consortium

Finance Commissioner Says Territory In 'Liquidity Crisis;' \$11 Million Shortfall Projected For This Month Without Line Of Credit

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ST. THOMAS -- At a third meeting on Thursday Governor Kenneth Mapp held with members of his administration and the territory's lawmakers -- which was held at Government House here as a third effort by the governor to once more update senators on the dire state of the territory's finances, as well as an attempt to convince lawmakers to pass his sin tax measure or something comparable -- Finance Commissioner Valdamier Collens projected a shortfall of \$60 million by the end of this fiscal year, starting with an \$11 million shortfall at the end of January without a line of credit and working capital from the sale of bonds.

According to Government House, Mr. Collens described the situation as a “liquidity crisis.”

The news [follows the downgrading](#) of the territory's Issuer Default Rating (IDR) and the ratings of the dedicated tax bonds issued by the Public Finance Authority on Tuesday by ratings firm Fitch, with the firm citing its increased concerns about the territory's liquidity following its difficulty in securing market access for a planned working capital borrowing.

At the meeting, Mr. Mapp laid out to senators what must be done if the territory is to avoid serious austerity measures to maintain normal operations, according to Government House. The territory's leader has again set forth his five-year economic growth plan, which he says is urgently required if the government is to convince those who invest in government bonds that the territory is serious about finally balancing its persistent, or structural, operating budget deficit.

The plan now before the Legislature proposes several areas of new or increased taxation, called sin taxes, which Mr. Mapp promotes as a means of getting visitors, primarily, to share the cost of maintaining the territory, while not increasing the cost of living for residents. The bill includes taxes on rum, tobacco, sugary drinks, internet purchases and even taxes on timeshare unit owners. Adoption of the plan's components or other measures which generate the same revenues, Mr. Mapp says, is essential to winning the confidence of the bond market, which has shown an unwillingness to purchase the government's bonds without greater assurances of fiscal responsibility and repayment.

Mr. Mapp, members of his financial team and the consultants all agree that the investors who look to Wall Street for assurances about the soundness of investments are impressed with the promises of the proposed five-year plan. However, they acknowledge that those same investors are not convinced that the local government has the political will to implement its provisions and stay with the plan, according to Government House. Mr. Collens and Standard International Group financial consultant, Andre Wright, who advises the government, noted that even [statutory lien legislation](#), debt service guarantee funds, and an unblemished record of timely debt service payments have failed to attract enough buyers of VI Government bonds to bridge the current deficit. Moreover, First Bank has imposed new conditions on government access to its remaining line of credit, Government House says. The release did not reveal the newly imposed conditions.

According to Government House, while several of the attending members of the Legislature expressed concerns over whether even adoption of the five-year plan would open access to the bond market, and posed other questions for clarification, none openly expressed opposition to its provisions -- nor did any senator disclose a preference for alternative measures. Governor Mapp noted that it was not only the Legislature, but the entire government being faced with the tough choices to raise revenue and decrease spending.