

The Virgin Islands Consortium

Mapp Said To Be Preparing Executive Order Ahead Of \$22 Million Government Payroll Obligation

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ST. THOMAS -- A top Government of the Virgin Islands consultant last week told the [Reorg Research Group](#), a respected subscription-based finance publication, that Governor Kenneth Mapp was preparing an executive order that will likely be issued before February 16, ahead of a \$22 million government employee payroll obligation.

Andre Wright of the [Standard International Group](#), a longtime GVI consultant and Public Finance Authority advisor, told Reorg about the administration's weekend meeting that [resulted in an announcement of operation cuts](#) at all government departments and agencies. He said the meeting was also to determine what should be cut and the duration of the actions. Dept. of Finance Commissioner and Public Finance Authority

Executive Director, Valdamier Collens, told The Consortium [about the executive order](#), but Mr. Mapp [denied having any such conversation](#) with Mr. Collens.

"It's premature to give you an answer as to whether or not there will be any reduction in payroll come Feb. 16. It is too early to determine that," Mr. Wright told the subscription-based Reorg. "We have not determined yet because we have not gotten there yet. We are operating in a liquidity crisis, and you need to count day by day."

Along with the cost-cutting measures, Mr. Wright told Reorg that the administration was considering alternate forms of borrowing, including a short-term revenue anticipation note (RAN) transaction against real estate property taxes. "Lenders have been willing to do it," he said, pointing to a 2015 transaction, according to Reorg.

Mr. Wright told the publication that property tax revenue adds up to "about \$50 million to \$60 million a year," and that the size of the deal would depend on "how much they would be willing to give us against that."

He said the government's access to capital was based on its ability to enact new legislation increasing tax revenue that was outlined in the Mapp administration's five-year sin tax measure, as well as its credit rating, market conditions and interest rates. "Those are the things we have to evaluate to determine if and when we have market access," Mr. Wright told Reorg.

Mr. Wright noted that the USVI government generates an average \$1.5 million in revenue daily while its expenditures are an average \$2.3 million daily. However, he said that tax revenue flows are uneven and that a lot will depend on how tax revenue comes in this week.

"We have to protect fire, police, hospitals and other essential services," Mr. Wright said, adding that the goal is to produce a plan that causes the least disruption to government services as possible. He said the team would be meeting with government agency heads in drawing up the plan.

The advisor added that the territory's liquidity crisis "has come upon us over the last few months" and was a direct result of being unable to float a \$200 million bond, following the downgrading of the territory's bond ratings by the [three major U.S. rating firms](#).

Mr. Wright said the Legislature would most likely amend Mr. Mapp's sin tax bill, but predicted its approval by the end of February.

"There is always a negotiation, and we have been working positively in fact with the Senate to come up with a right number. That has not been determined yet," he said, referring to how much the government will have to raise in additional revenue. "It is not being put on the back burner. The Senate has recognized the priority of these measures and the impact they have on our fiscal well being."

According to Reorg, Mr. Wright acknowledged that Puerto Rico's fiscal problems and the passage of the [PROMESA law](#) have likely harmed market perception of the USVI. "The PROMESA backlash is somewhat similar to the financial crisis of 2008. If you are close by or look like the person that is falling, you are painted with the same brush," Wright said. "We think what is happening in Puerto Rico is different," he added, noting that USVI

matching fund and gross receipt bonds are structured so that bondholders get paid first before the government sees any money from the revenue source.

And Mr. Wright also sought to distinguish the territory's financial condition from Puerto Rico's. He said the structure of many Puerto Rico bonds allow revenue that support them to "go directly to the Puerto Rico Treasury and they decided to use the money for other purposes. "We don't have that luxury," he said, referring to the territory's bonds. He said bond funds collected from USVI sources -- rum cover-over and gross receipt taxes -- are sent directly from merchants to New York-based banks that remit revenue to bond trustees.

"There is clearly a distinction to be made between the U.S. Virgin Islands and Puerto Rico," Mr. Wright concluded.

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