The Virgin Islands Consortium

WAPA Close To Securing $85 Million Bond Following Board Approval

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ST. THOMAS -- The governing board of the Virgin Islands Water and Power Authority on Monday approved bond anticipation notes of up to $85 million; Fiscal Year 2016 Electric and Water Systems Audited Financial Statements and the formalizing of agreements with three contractors to assist WAPA in the aftermath of a hurricane or other natural disaster. The board’s unanimous approval of all items came at an emergency meeting held on St. Thomas.

Jean P. Greaux, WAPA's director of corporate communications, told The Consortium late Monday that WAPA has been negotiating with bondholders for the private placement borrowing, but needed approval from the board to complete the process. The sale will be managed by Atlanta-based broker-dealer IFS Securities Inc., according to The Wall Street Journal. It will be open to only select investors and, interestingly, won't carry a rating from any of the major credit rating firms, according to WSJ, citing people familiar with the matter as sources. Mr. Greaux confirmed on Monday that the $85 million bond sale will not be affected by the market because it's a "private placement borrowing."

As noted by WSJ, a successful sale of the $85 million bond would signal that the markets, though jittery, aren't closed to doing business with WAPA, even as Wall Street has twice rejected the government of the Virgin Islands' attempts in the past eight months. The new reality forced the Mapp administration to introduce legislation that levies additional taxes on Virgin Islanders, including new taxes on timeshare unit owners, properties, alcoholic beverages, sugary drinks and tobacco products — the latter three being called sin taxes.

And the borrowing, if approved, would come as WAPA continues to struggle with cash flow and government entities such as the hospitals continue to lag behind on their bills; WAPA said the hospitals owed it over $20 million as of April.

Executive Director Julio A. Rhymer, Sr. said approval of the up to $85 million comes with a maximum maturity of up to three years from date of issuance. "The authority signed a contract with Wartsila North America for the purchase of three new generating units. Financing is required to fund costs associated with the acquisition, construction and installation of these new units to improve efficiency," Mr. Rhymer said.

The new units will foster the implementation of the Integrated Resource Plan and the Authority's Strategic Plan of producing more efficient energy at an affordable price. The three units are the first installment of several additional generators WAPA will bring on line over the next several years to increase efficiency and reliability at its two power plants.

In other action, Mr. Rhymer told the board that additional manpower and other resources are required to supplement the Authority's personnel, to ensure a safe and expedited restoration of electrical service after a hurricane or other natural disaster impacts the Authority's, transmission and distribution systems.

"The agreements with the emergency response contractors will assist WAPA with restoration of service after a windstorm or other natural disaster," Mr. Rhymer said. The board approved WAPA negotiating agreements with three companies: BBC Electrical Services, Inc., Sumter Utilities and Service Electric.

The board also approved 2016 Electric and Water Systems Audited Financial statements allowing WAPA to issue debt and provide financial information to the investment community.

Board members in attendance included chairwoman Elizabeth Armstrong, Vice Chairman Noel Loftus, Commissioner Devin Carrington, Director Marvin Pickerting, Gerald T. Groner, Esq., Cheryl Boynes Jackson and Hubert Turnbull. Commissioner Gustav James and Board Secretary Juanita Young were excused.