

The Virgin Islands Consortium

Public Finance Authority Launches Website Aimed At Providing Gov't Financial Information, Attracting Investors

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ST. THOMAS -- The Virgin Islands Public Finance Authority (P.F.A.) on Tuesday launched a new, dedicated investor website (www.usvipainvestorrelations.com) that it said was created to better communicate with current and potential bond investors. The website, according to the P.F.A., is intended to provide insight into the credit fundamentals of the territory's economy.

The announcement comes just over a month after Governor Kenneth Mapp announced on local radio that his administration would cut ties with ratings agencies Moody's, Fitch

and S&P. "I'm not taking on the issues of the rating agencies, they will not pretty much have more to write about the territory. We've severed our ties with them; there's no need," Mr. Mapp said [on WSTA 1340 AM in August](#). "We don't have market access, so it makes very little sense for the rating agencies to come telling you every other month you can't borrow no money."

According to the P.F.A., the investor platform is available to bond investors as well as the media and other interested parties. The P.F.A. says the website consolidates the territory's data and documents valuable to bond investors and rating agencies, providing quick and easy access to financial information including information submitted to the Electronic Municipal Market Access (EMMA). The long-term goal is to attract more investors, including retail investors, as well as local banks and wealth managers, in order to increase distribution and diversify the investor base, the P.F.A. said.

Mr. Mapp encouraged potential investors to visit the new site.

"Hurricanes Irma and Maria have certainly had a dramatic impact on the territory and will result in significant challenges as we recover and rebuild. Nevertheless, we want [to] assure the investor community that we will rebuild our infrastructure and address our financial issues. We are committed to being as transparent as possible with the investor community and the public at large," Mr. Mapp said.

But while the new website may serve as one of many tools for serious potential investors, the elephant in the room remains the Mapp administration's decision to sever ties with the three most respected ratings agencies in the United States. That fact will weigh heavily on investors, and the new website greets visitors with the [following disclaimer](#):

"The matters discussed in all notices issued by the U.S. Virgin Islands Public Finance Authority (the "Authority") are for informational purposes only, and holders of its bonds and/or other interested parties should not rely on such information as their sole source of information about matters related thereto. The Authority makes no recommendations and gives no investment advice herein as to such bonds or notes."

The U.S. Virgin Islands has approximately \$2 billion in outstanding bonds primarily in Rum Matching Fund Revenue Bonds (MFR) and Gross Receipt Tax Revenue Bonds (GRT), according to the P.F.A. MFR payments to Virgin Islands bondholders are wired directly from the U.S. Treasury to the Bank of NY Mellon Trust Company, to ensure all bondholders are paid. Matching fund bond payments have already been submitted for 2017 and 2018, and payments are in escrow through 2019, the P.F.A. added.

Still, ratings agencies -- using Puerto Rico as an example, which recently declared bankruptcy and whose finances are controlled by a federal board -- have continually said that there's a strong possibility that the USVI will default on its bonds. "We believe there is a large chance they will default," David Hitchcock, an analyst with Standard & Poor's, told [The New York Times](#).

In part, the ratings agencies argue that the U.S. Virgin Islands hasn't been placed in a stress scenario that would force it to either pay bondholders, or choose to fund essential government services.

For example, if the territory were to arrive at a point of such financial distress that it had to choose between paying public servants — among them teachers, firefighters, police officers, and others — and its bondholders, who would the government choose to pay?

Puerto Rico on many occasions chose to pay its people. The commonwealth of over 3 million now has an oversight board, dubbed Puerto Rico Oversight Management and Economic Stability Act (PROMESA), which was enacted by Congress in 2016. The law shelters Puerto Rico from creditor lawsuits while it seeks to reduce its debt as its financial crisis compounds. Creditors believe the U.S.V.I. would receive the same federal protection as its neighbor — both U.S. territories — if placed in a similar position.

“These security provisions have not been tested in a stress scenario where the government faces a severe lack of funds to provide basic services and we believe they do not protect bondholders in the event that the government is forced to restructure its debt,” [said ratings firm Moody's in January](#).

Yet, the government has consistently reminded that it has a lock-box security structure for U.S.V.I. GRT bonds that provides daily deposits of all collections by the government to a special escrow account held by the Bank of New York. Only after the transfer requirement is met, are excess collections transferred to the government for deposit into the general fund, the P.F.A. said.

As of September 14, the requirement for all GRT Bonds has been fully funded and the full principal and interest payable on October 1, 2017 on the GRT Senior Bonds and Subordinated Notes is fully funded, the P.F.A. said.

In 37 years, the USVI has never been late or missed a payment on its bonds, noted the P.F.A.

The website is powered by BondLink, a Boston-based financial technology company that seeks to provide investor relations solutions to issuers in the municipal bond market, according to the P.F.A.