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Bryan Calls Senate Into Session Seeking Approval of Refinancing Plan Without Rum Companies Coming Before Legislature, and With Seemingly Disapproval From U.S. Treasury

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U.S. currency. **By. VI CONSORTIUM**

Governor Albert Bryan has called the Senate into session on Thursday seeking approval of his debt refinancing plan that seeks to use $150 million in reserve funding while ceding control of the Internal Revenue Matching Fund (IRMF), also called rum cover-over funds, in pursuit of lower interest rates in a refinancing deal the administration has said would save the government millions of dollars.

But the latest bill that Mr. Bryan provided to the Senate for approval, a copy of which was obtained by the Consortium, was gutted by the administration to remove crucial controls the Senate had placed in the previous version of the measure that Mr. Bryan had signed into law. Those controls required the administration, after going to the bond market to sell its plan and find a buyer, to return to the Senate where senators would peruse the agreement and vote it up or down. It also called for the rum companies on St. Croix — namely Diageo and Cruzan Rum — to come before the Legislature as their current contracts with the government would be affected by Mr. Bryan's new deal.

Mr. Bryan's latest measure removes all those controls, meaning if senators voted to approve the latest bill, whatever agreement that Mr. Bryan forges with whichever firm he is able to convince into an agreement, would also serve as final ratification.

By law, before altering a major contract with the government of the Virgin Islands, parties involved must face the Senate. For example, when the Limetree Bay Terminals agreement was put together during the Mapp administration, Limetree officials had said there was potential that refining could be a possibility in the future. As part of the agreement, lawmakers included language in the measure that said if Limetree were to deem oil refining a viable business and wanted to pursue it, the company would need to face the Senate for approval before proceeding, as such a move would essentially alter the previous storage terminal contract.

Limetree revisited the Senate and the expansion into oil refining was approved in July 2018.

But Mr. Bryan's latest measure, seen here, calls for the Senate to forego that immense responsibility and relinquish it to the governor and his team. The USVI and its people — save Mr. Bryan and those who are part of the deal — would go into this contract essentially blindfolded, not knowing how the rum agreements would be altered.

Another crucial aspect of the latest bill is that it appears the U.S. government has rejected the administration's plan to cede control of the IRMF — which came to $273 million this year — to the special purpose vehicle. In the latest bill (removals marked in red and additions in blue), the administration removed language that called on the U.S. Department of Interior to pay rum cover-over funds directly into the deposit account of this special purpose vehicle the administration seeks to create.

It also removed language on page 7 that said "the U.S. Treasure shall first have confirmed in writing that it will recognize the letters of instruction to be delivered pursuant to section 1403 (h) and other directions from the Corporation regarding the Matching Fund Receipts and will deposit Matching Fund Receipts directly into the Deposit account."

The new language now reads, "Prior to the sale, the U.S. Treasury shall first have acknowledged in writing that it will deposit Matching Funds Receipts directly into the GVI Restricted Account."

So instead of the U.S. Treasury providing the funds directly to the special purpose vehicle, those monies would be sent to what the administration is calling a Restricted Account owned by the government. This restricted account would then send the funds to the special purpose vehicle. In essence, it appears Treasury is saying it will not remit rum cover-over funds to any entity except the Government of the Virgin Islands.

Additionally, portions of the bill that called on the U.S. Dept. of Interior to take the following actions as part of the agreement, were removed — pointing to even greater evidence that Treasure is not in accord with the measure:

~~(1) recognize the Corporation as the owner of the Matching Fund Receipts to be paid during the Transfer Period for all purposes,~~

~~(2) accept delivery of requests for adjustment from the Corporation relating to the Matching Fund Receipts, and~~

~~(3) cause to be promptly transferred to the Deposit Account any and all payments of the Matching Fund Receipts received in error during the Transfer Period.~~

And nothing has changed in the measure relative to the dissolving of the territory's Debt Service Reserve Fund, which includes $150 million in the IRMF, to be used as part of the $255 million the administration has said would be created over the next three years as part of the debt refinancing. Simply put, Governor Bryan's plan — widely promoted as a means to find new monies to meet a number of obligations, most pointedly undergirding the Gov't Employees' Retirement System by refinancing the IRMF debt service — does not create $255 million over the next three years. Instead, the measure dissolves the fail-safe reserve that currently holds $150 million in the IRMF, and includes those funds as part of the $255 million.

Mr. Bryan doesn't seem to have an issue with dissolving the fund. "So what you're telling me, the bank gives you back your $30,000 they're holding for the car and you don't want it? You want your bank to hold your money and not make interest on it? That don't make any sense," he said. He then said his aim is to save the Government Employees' Retirement System. "My point here is not to show how smart I am, my point is to save the G.E.R.S.," the governor said in response to a Consortium question on August 31.

What also hasn't changed is the deal's structure that sees the territory realizing a net change in cashflow of negative $5 million in the 11th year; another projected $13 million in the 12th year, and in the 15th year it climbs to about $60 million in negative cashflow — a ballooning effect after modest savings upfront. The agreement lasts for 20 years.

"As the deal is currently structured, we envision dissavings starting in year 11," said Capital Markets Advisors President Richard Tortora during a hearing late August. Capital Market Advisors serves as the financial advisor to the V.I. Public Finance Authority. Mr. Tortora said through the agreement, the SPV would reserve the right to refinance the bonds, however he said refinancing would be dependent on market conditions.

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