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Update: Bryan Tells the Consortium $1 Billion Bond Deal is Back on the Market

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Update: Governor Bryan after 11:00 a.m. today told the Consortium that the government's $943.6 million bond offering was placed back on the market this morning. The deal was pulled in part because potential investors were seeking a higher interest rate than the 3.75 percent set by an amendment to the debt refinancing bill during a Committee of the Whole last week. Asked whether the administration would seek a deal with the capped 3.75 interest rate, or if any changes were made, Mr. Bryan at time of the update to this story (12 noon), had not responded. According to Reorg, a global provider of financial intelligence sources, the administration's bond counsel held the view that the cap established in the law does not have to apply to the transaction. Reorg further stated that the Senate's legal counsel was of the view that the cap applies.

Original Story: The Bryan administration has pulled the $943.6 million debt refinancing deal from the market, citing a lawsuit filed in the Superior Court of the Virgin Islands Tuesday by the Government Retirees United for Fairness (GRUFF) and Hugh Clarke, according to the Bond Buyer, a subscription-based publication for members of the municipal bond industry.

But according to Reorg, a global provider of financial intelligence, the deal was removed from the market because investors were seeking a higher interest rate than the 3.75 percent cap established through a last-minute amended at the Thursday hearing where the latest version of the bill was approved. Governor Bryan signed the measure into law Saturday.

According to Reorg, sources said the government's bond counsel held the view that the cap established in the law does not have to apply to the transaction. Reorg further stated that the Senate's legal counsel was of the view that the cap applies.

Calls placed to Gov't House Communications Director, Richard Motta, and Governor Bryan were not immediately returned. Talk in political circles suggest the administration intends on pushing through an amendment during a session scheduled for today.

Senators, many of whom were skeptical of the bill, sought to put more controls in place, and Senator Marvin Blyden moved an amendment during the Thursday hearing to set the cap at 3.7 percent. The amendment also renders the entire law null if the deal is not completed by Sept. 30.

The original legislation reads, “The interest rate or rates, or variable rate or rates changing from time to time, to be paid semi-annually, all as provided in or determined pursuant to, authorization under the Resolution.” But the amended measure states: “The interest rate not to exceed 3.75 percent at par to be paid semi-annually, all as provided in or determined pursuant to, authorization under the Resolution.”

Relative to the lawsuit filed by GRUFF, which was first reported by the Bond Buyer, Mr. Bryan, Senate President Novelle Francis, the government of the Virgin Islands and the V.I. Legislature are listed as defendants.

The lawsuit sought a temporary restraining order against the debt refinancing plan to halt the sale, but as of 3:00 p.m. Thursday, according to the Bond Buyer, there was no such order.

The Bryan administration has not announced to the public its decision to pull the bond from the market.

Richard Tortora, president of Capital Markets Advisors, told the Bond Buyer that the debt refinancing deal was receiving a "very good response" from the market. However, Mr. Tortora did not mention to the Bond Buyer that potential investors were seeking higher interest rates.

Higher interest rates would mean even higher dissavings in the last 10 years of the 20-year agreement. Currently, dissavings are projected to be roughly $300 million at the 3.7 percent interest rate.

Mr. Tortora said he hoped to know of a new date for pricing the bonds within a day or two, but he said he wasn’t sure and was only “speculating," according to the Bond Buyer.

The administration is hoping to close the sale before the government's 2021 fiscal year commences on October 1.

The pensioners claim in the suit that the government's approval of the bonds had "irregularities and violations" in following of the Virgin Islands constitution, according the Bond Buyer.

The bond received a BBB rating from Kroll Bond Rating Agency, which is a stable outlook. However, no other ratings agencies are rating the deal.

The deal creates a special purpose vehicle and gives control of the Internal Revenue Matching Fund to the SPV in an effort to win a favorable credit rating to shop the bond market — something the local government has been unable to do with its junk-status credit rating.

The law gives Mr. Bryan the authority to enter into a 20-year contract to refinance the territory's Internal Revenue Matching Fund, or rum cover-over funds, in what the administration says will yield a lower interest rate and allow the government to re-enter the bond market. In the first three years, the agreement would see the government receiving $85 million, $150 million of which will be monies from the territory's Debt Service Reserve Fund that was part of a fail-safe system, called a lockbox, that previously could have only been used to pay the territory's obligations if, for example, a calamity were to strike and affect the territory's normal means of meeting its debt obligations.

Voting Yes on Thursday were Senators Allison DeGazon, Donna Frett-Gregory, Alicia Barnes, Myron Jackson, Stedmann Hodge, Athneil Thomas, Steven Payne, and Marvin Blyden.

Voting No were Senators Kurt Vialet, Janelle Sarauw, Javan James, Kenneth Gittens, Dwayne DeGraff and Okland Benta.

Senate President Novelle Francis was absent and was off island at the time dealing with a family medical emergency.