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Bryan Seeks to Reintroduce Debt Refinancing Plan to Bond Market After Presidential Election

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Ernice Gilbert October 14, 2020

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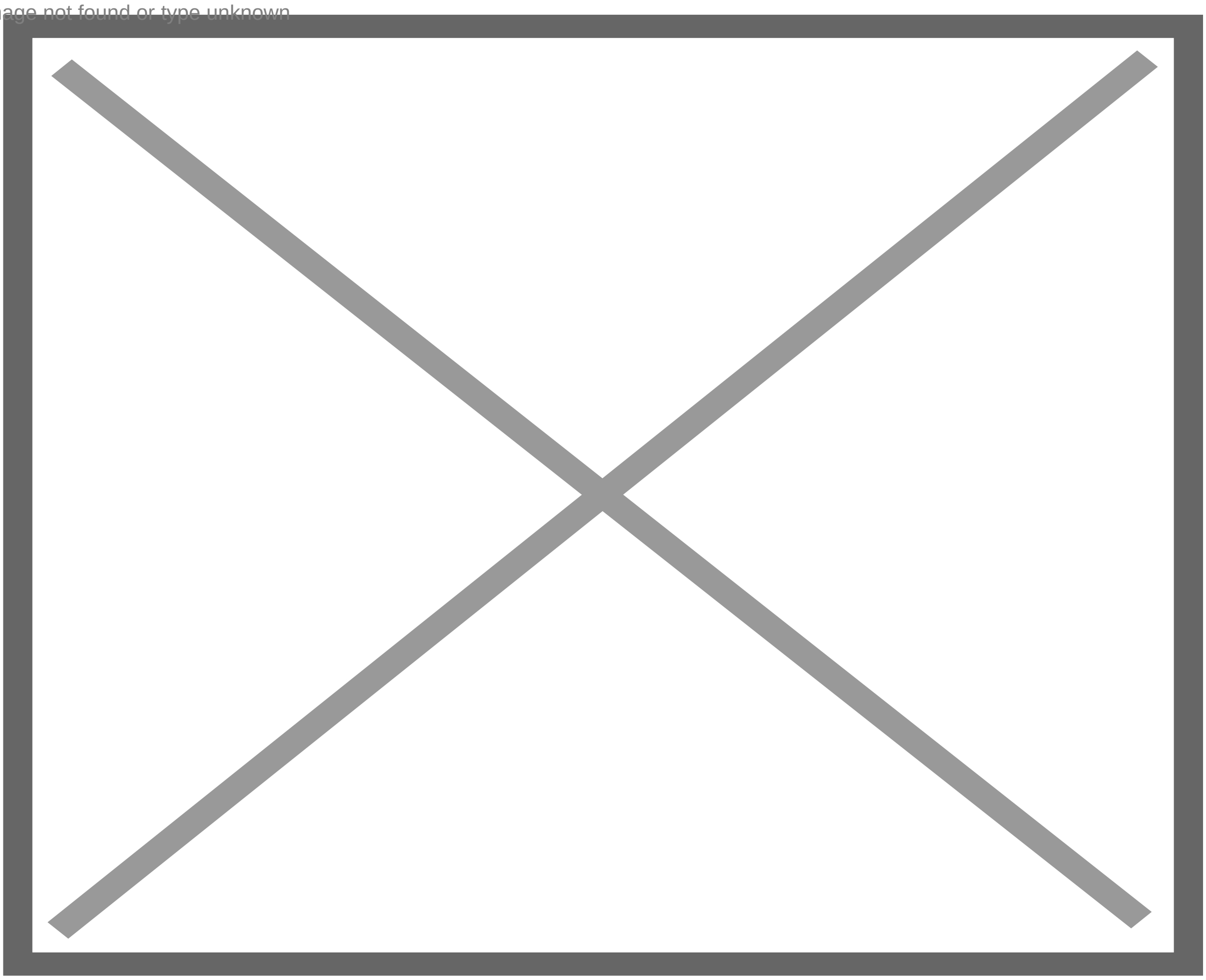

Governor Bryan sat for an interview with the Consortium's Ernice Gilbert in May 2019.
By. REEMY-REEMZ PHOTOGRAPHY & VIDEOGRAPHY FOR VI CONSORTIUM

Governor Albert Bryan said he would submit legislation to the Senate that seeks to reintroduce his debt refinancing plan which recently failed to secure a buyer, but that he would wait until after the presidential election before going back to the market. The announcement came in response to a question posed by the Consortium during Mr. Bryan's Covid-19 response update held on Tuesday.

"We really wanted to do this before the election. It doesn't look like that's going to happen now, but we want to make sure we get this done while the interest rates are low. It's a real wild card here, waiting until after the presidential election because we don't know how the market will react to that and it may drive the rates higher. But I want people to understand we're intent on doing this because there are no other answers," the governor said.

Mr. Bryan said the agreement "is the same for the most part," with the only major difference being the recent debt service payment of $85 million the territory made to bondholders as part of its annual covenant were funds the government would have kept. According to the agreement, in the first three years, the government pays no debt service. But the agreement sees payments escalating from year 10, with the government seeing hundreds of millions of dollars in dissavings thereafter.

"The savings are the same, the interest rates are the same, but the way that we structured it finically is a little bit different," Mr. Bryan said. "But understand that we will be saving the same amount of money; we're just structuring it to get that cash infusion for the first ten years." Savings to the USVI for the agreement's lifetime of 20 years amounts to $44 million.

Mr. Bryan pulled the bond sale from the market late September after failing to secure investors. Multiple publications covering the bond market said the failure was due to the deal's capped interest rate of 3.75 percent. At the time, the governor said his administration would continue to seek funding opportunities.

Also on Tuesday, the governor took a swipe at the five senators who voted against the agreement – Senators Kurt Vialet, Janelle Sarauw, Javan James, Kenneth Gittens, Dwayne DeGraff and Okland Benta — stating that his plan was the only viable option to save the Government Employees' Retirement System.

But the law that authorized the governor to refinance the territory's debt does not explicitly mention funding for G.E.R.S. And G.E.R.S.'s actuary, Segal Consulting, said during a board meeting in August that the $255 million the Bryan administration says will be made available over the next three years as part of the agreement, would only add two years of life to beleaguered retirement system — and that's if all the funds were provided to G.E.R.S.

"If those five senators are saying we don't need to pay into the retirement system, you know, convince the public and if the public wants to get on board with that, that's fine too," Mr. Bryan said. "But we're saying we have the opportunity to refinance, let's take out some cash and put some longevity into the system and spare our seniors. If the five of them think that's a bad thing to do, I think the voting this November should show that."

For the record, the five senators who voted against the measure were not against funding the retirement system, they simply believed the Bryan plan would do more harm than good.

Under the current setup, the territory pays $5 million in debt service in 2034, according to Senator Kurt Vialet, speaking during a September hearing. Under the new plan, the USVI would be pay $63 million while seeing dissavings of $58.1 million in the same year. According to a chart provided by the administration, dissavings in the last ten years of the agreement totals $297 million.

"The deal is structurally wrong," said Mr. Vialet. "The dissavings in the last ten years is $300 million. What they're doing now is they are paying zero debt service this year, next year and the year after and it passes on to the latter years."

In essence, under the plan, during Governor Bryan's remaining first term in office the territory pays no debt service while receiving $85 million every year for the next three years for a total of $255 million, according to the chart. Thereafter, beginning in 2034 until 2039, the structure sees the escalation of dissavings from $14 million to $63 million for a total of roughly $297 million in dissavings. All this even as the government makes annual debt service payments from 2024 to 2039 amounting to roughly $1 billion.

The Public Finance Authority in September authorized contracts of more than $8 million to pay the underwriters and advisors who were instrumental in crafting the Bryan deal. During last weeks's PFA meeting, Mr. Bryan said those agreements would remain in place.