

The Virgin Islands Consortium

Bryan Calls Senate Into Session a Third Time for Debt Refinancing Plan

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Ernice Gilbert **December 22, 2020**



Governor Albert Bryan has called the Senate into special session on December 29, marking the third time the territory's leader is summoning lawmakers to either approve or reject his debt refinancing plan. Lawmakers on Dec. 8 [voted against](#) the governor's proposal, which had favored no interest rate cap nor a deadline to accomplish a deal. This action came after the Senate [approved a previous plan on Sept. 17](#), which [failed to secure a deal](#) on the bond market later the same month.

This time, however, the measure will be drastically different: it no longer seeks to dissolve the Debt Service Reserve Fund, nor does it seek to skip debt service payments in the early years to receive a cash haul of \$250 million and face escalated payments

later in the 20-year agreement. This time, Mr. Bryan said the measure is seeking a simple refinancing to take advantage of the low interest rates currently available on the market.

"Before, what we did is we borrowed the money in a way that would give us the money to put into G.E.R.S. upfront so that we would stop the bleeding a little bit in terms of the monies that were being used," Mr. Bryan said. "What we did this time is we didn't do that, we just took the lower interest rates, lowered the quarterly payments, and saved money across the board, which ends up to be \$282 million-\$300 million that we would save over the 20 years."

Though the governor maintains the funds would be used to undergird the beleaguered pension system, there was no such language in the actual bill, and Mr. Bryan had also spoken about other priorities for the funds.

The latest proposal appears to be a straightforward refinancing effort. "We didn't do anything fancy, we just sent it as a straight refinancing and we'll see what the Legislature has to say," he said. "Essentially in the first 10 years we save anywhere from \$15 million - \$20 million a year, and in the last 10 [years] we save about \$5 million - \$8 million each year."

The governor said the refinancing won't do much to save the pension system, whose unfunded liability tops \$4 billion. However, the potential savings should still be enough to pursue refinancing.

"Immediately our payment goes down from over \$100 million a year to about \$80 million. It's immediate savings but we just don't have these lump sum cash in order to put into the G.E.R.S. system, so this doesn't help the G.E.R.S. at all," the governor said.

Mr. Bryan said the Senate does not seem to have appetite for his prior proposal. Indeed, lawmakers shared many concerns with the first offering, including the ballooning effect of the deal, with some senators in previous hearings describing the contract as predatory. According to the failed agreement, in the first three years, the government would have paid no debt service, which explains why \$85 million was possible every year for three years. But the agreement would have seen payments escalating from year 10, with the government seeing hundreds of millions of dollars in dissavings thereafter.

"All [the senators] seem pretty okay with refinancing; their problem was the debt service increasing in the last ten years, so we give it to them another way because we can't afford to let this opportunity pass us by," Mr. Bryan told the Consortium Monday when asked about the plan during the Q&A segment of his press briefing. "I mean it'd be stupid for us to keep paying the high interest payment and not take advantage of the lower payment. It's like your bank calls you and offers you two percent when you were paying three [percent], and you're saying no."

Relative to timing and waiting on the 34th Legislature to address the matter, Mr. Bryan said there was no time waste. "Personally we don't have another three months. We don't know what the rates are going to look like; no one's coming to save us so we're trying to get it done now," he said.

Another concern is that the incoming Legislature may not be as favorable to Mr. Bryan as the 33rd, as many of the senators who have supported his plan — Allison DeGazon, Alicia Barnes, Athneil Thomas and Stedmann Hodge, Jr. — will not be part of the incoming body.

Nathan Simmonds, director of finance and administration at the Public Finance Authority (PFA), revealed during a Senate hearing that the agreement would cost the government \$12 million to pay the firms involved in putting the \$1.2 billion debt refinancing deal together. The firms' payment were contingent on the agreement being approved in the Senate and successful on the bond market.