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'Hurry Dog Eat Raw Meat': Senators Reject Bryan's Debt Refinancing Deal Again

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The 33rd Legislature on Tuesday convened in session on Governor Albert Bryan's debt refinancing bill, the third time Mr. Bryan had summoned lawmakers to reject or approve a plan the governor contends would save the Gov't of the Virgin Islands money in light of low interest rates on the market. But lawmakers essentially rejected the plan, with Senate President Novelle Francis stating that the government should move in a more prudent fashion as it seeks to refinance. Additionally, a new revelation from the company the Bryan administration has used to rate the bonds dissuaded lawmakers even further.

Following testimony from Bryan administration officials and the private stakeholders, the Senate went into recess, and when they returned hours later, a motion by Senator Marvin Blyden to send the measure to the Committee on Finance was supported unanimously by lawmakers — even

those who in the past had consistently favored the governor's plan.

A main culprit of the overwhelming rejection was the revelation that Kroll Bond Rating Agency Inc., the rating agency the Bryan administration used to rate the Internal Revenue Matching Fund bond that would be part of the special purpose vehicle for 20 years, was recently charged by the U.S. Securities and Exchange Commission on two matters relating to the rating of commercial mortgage-backed securities (CMBS), and of collateralized loan obligation combination notes (CLO Combo Notes). Kroll agreed to pay the S.E.C. more than \$2 million to settle the charges.

According to the order pertaining to CMBS ratings, Kroll allowed analysts to make adjustments that had material effects on the final ratings but did not require any analytical method for determining when and how those adjustments should be made. The charges were [published in September](#) by the News File Corporation, a newswire firm offering broad access to media houses such as Thomson Reuters, Bloomberg, Dow Jones and Yahoo! Finance.

According to the S.E.C.'s order relating to CLO Combo Notes, Kroll's policies and procedures were not adequately designed to ensure that it rated CLO Combo Notes in accordance with the terms of those securities.

Senators voting to hold the measure in committee were:

- Alicia Barnes: Yes
- Oakland Benta: Yes
- Marvin Blyden: Yes
- Allision DeGazon: Yes
- Dwayne DeGraff: Yes
- Novelle Francis: Yes
- Donna Frett-Gregory: Yes
- Kenneth Gittens: Yes
- Stedmann Hodge: Yes
- Myron Jackson: Yes
- Javan James: Yes
- Steven Payne: Yes
- Janelle Sarauw: Absent
- Athneil Thomas: Yes
- Kurt Vialet: Yes

The administration had made changes to the bill in an effort to allay some of the lawmakers' concerns. The measure was no longer backloaded in a way that would have seen the territory realizing a cash haul of \$250 million in the first three years of the would-be 20-year agreement by deferring payments to the latter years. Instead, the administration said on Tuesday modest savings would have been realized each year in the latest version of the bill. It also came with an interest rate cap of 4.5 percent, compared to the no cap [sought during the last session](#).

But the bill still sought to create the special purpose vehicle to whose control the Internal Revenue Matching Fund would have been turned over; it still sought no timeline relative to when the governor could close a deal, and the measure would still dissolve the territory's \$150 million Debt Service Reserve Fund.

'Hurry Dog Eat Raw Meat'

Senator Francis was the only one who spoke after the vote, stating that while the government should refinance, it must be cautious and diligent in the way it goes about the process, stating, "Hurry dog eat raw meat," a nod to former USVI Governor Alexander Anthony Farrelly, who led the territory from 1987-1995.

"This bill does not satisfy the very important threshold of comprehensive financial accountability and requires further analysis and amendments in order to best protect the people and the future of the Virgin Islands," Mr. Francis said. "As a legislator I have seen how important ratings by the three top rating entities are, something that the territory is currently lacking."

He added, "We are concerned about the new findings relative to Kroll as outlined by the Securities and Exchange Commission in reference to methods utilized for commercial mortgage-backed securities and of collateralized loan obligation combination notes, which led to civil penalties of over \$1 million — which certainly merits further investigation and analysis.

"I am carefully reminded by something that former Governor Farrelly would always say: 'hurry dog eat raw meat.' This is not about being risk averse; this is about considering all angles in legislation that has far-reaching impacts for the present and future of this territory."