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Three Years After Mapp Severed Ties With Rating Agencies, Bryan Administration Reestablishes Relationship With First Investor Call

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Gov. Albert Bryan and his key lieutenants spent Monday morning walking risk-taking Wall Street investors through the details of the Virgin Islands' recovery and rise from Hurricanes Irma and Maria.

“We re-introduced ourselves to the market,” Mr. Bryan said at the weekly Government House press briefing, this week on St. Thomas.

The V.I. Public Finance Authority-Investor Presentation 2019 live webinar provided investors reassurance that post-storm tourism is ticking upward and other signs of resilience are taking hold.

“The recovery is moving along, but never fast enough for me,” the governor said. “We thought it was important that after almost three years of not reporting to the investor market, that we re-establish ourselves.”

Normally, an investor call between a government and investors would not have made news, but former Governor Kenneth Mapp in August 2017 [revealed that he had cut ties with the three top U.S. rating agencies](#) -- Moody's, Fitch and Standard and Poor's.

“I’m not taking on the issues of the rating agencies, they will not pretty much have more to write about the territory. We’ve severed our ties with them; there’s no need,” Mr. Mapp said on WSTA 1340 AM. “We don’t have market access, so it makes very little sense for the rating agencies to come telling you every other month you can’t borrow no money.”

At the time, the territory did not have access to the bond market after well over a decade of borrowing by prior administrations to bridge what was an annual structural deficit of roughly \$100 million. Because of this, the former governor had to resort to austerity and creative measures to keep the government afloat.

“The market is very clear and concise in its message to the people of the Virgin Islands and to the government of the Virgin Islands: Don’t tell me, show me. Don’t speak to me about fiscal balance, show me that you can attain fiscal balance, so that’s what we will do,” Mr. Mapp said. The governor likened the situation to one’s credit score, noting that if it’s at or below 600, the chances of getting a loan become slim. “If the government’s credit score at this point is at 600, well we don’t need you to keep telling us that,” Mr. Mapp said, pointing his fighting words to the ratings agencies.

But the former governor was roundly criticized for the move, which many believe further deteriorated the V.I. government's relationship with the bond market.

On Monday, the current administration pitched the following to investors:

Cash Position

- Hospitals and other central government agencies paid off past due water and power utility balances of more than \$30 million.
- As of September, WAPA had \$7.9 million in cash and line of credit.
- According to the presentation to investors, “... the Authority expects Public Services Commission approval of its Base Rate Petition in December ...”
- The authority recently received approval for an extension of its Bank Lines of Credit with First Bank and Banco Popular.

Credit Picture

- In September, Moody’s affirmed the Territory’s Caa3 issuer rating, as well as ratings given four liens of Matching Fund Revenue Bonds.
- Amount of Outstanding Bonds: \$1.72 Billion.
- Days Cash on Hand with Insurance Proceeds: 27-30 Days.
- Days Cash on Hand without Insurance Proceeds: 20-23 Days.

The Government Employee Retirement System (GERS)

GERS had a net pension liability of \$4.17 billion as of October 1, 2018. Only 15.6% was funded as of that date.

- According to actuaries, pension fund insolvency is around the corner – expected by 2023.
- The central government says it continues to make all statutorily required contributions. GERS also receives \$10 million annually from the Internal Revenue Matching Fund, \$4 million as a direct contribution and \$6 million for employee payments.

Limetree Bay

- Limetree Bay reports that they have invested \$1.6 billion to date at the St. Croix facility to date.
- The crucial refinery start-up is expected to begin in January 2020.
- Limetree Bay says more than 4,000 construction jobs have been generated, though it is unclear how many of those jobs are local hires.
- At least 600 full-time jobs are expected after full start-up
- According to the V.I. Public Finance Authority, annual payments to the Government of the Virgin Islands in the amount of \$22.5 million are anticipated. The payments cannot be less than \$14 million or more than \$70 million

Mr. Bryan said the territory's financial team spelled out to the bond investors where “ ... our recovery, where our liabilities and pitfalls lie, as well as what are the opportunities.”

The 30-minute Investor Presentation can be viewed at www.usvipfainvestorrelations.com