

The Virgin Islands Consortium

USVI Garvee Bonds Outlook Revised to Stable From Negative by Standard and Poor's

Business / **Published On December 17, 2019 06:56 AM /**

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The Standard and Poor's Global Ratings revised its outlook to stable from negative and affirmed its 'A' rating on the Virgin Islands Public Finance Authority's (PFA) outstanding grant anticipation revenue (GARVEE) bonds.

The GARVEE bonds [were secured in December, 2015](#) and provided \$91 million of proceeds for critical highway infrastructure projects, including \$40 million allocated to Veterans Drive Highway on St. Thomas and \$51 million directed to fund key initiatives on St. Croix, one of which is the Melvin Evans Highway.

Back then, Standards & Poor's rating services assigned an "A" rating with a stable outlook for the bonds — at the time the highest rating of any bonding program offered by the PFA. The latest revision, [made public on December 12](#), followed a negative outlook that was assigned to the GARVEE bonds following Hurricanes Irma and Maria, which devastated the territory in 2017.

"The outlook revision reflects our assessment of the availability of VIPFA's Transportation Trust Fund revenue given the severe weather-related impacts on the territory in recent years," said S&P Global Ratings credit analyst Kevin Archer.

"Following the immediate impact of severe weather events in September 2017, the PFA projected Transportation Trust Fund (TTF) revenue would decline materially in fiscal 2018 and noted the potential for further declines in this revenue or a diversion to other, more critical needs of the VIPFA. However, the pledged TTF revenue was not affected as originally forecast, and the additional certainty to the availability of this revenue has stabilized our view of the credit profile," Standard and Poor's said.

In September, U.S. rating agency Moody's gave the territory's important Caa3 issuer rating [a stable outlook](#), which Moody's said reflected "recent improvement in the government's liquidity and near-term financial position driven by the receipt of disaster assistance and loans from the U.S government, a surge in tax revenues associated with local reconstruction activities, and an increase in concession fees from the Limetree (formerly Hovensa) refinery facility."

Governor Albert Bryan seized on the latest revision to hail his administration's policies as yielding positive results. "This rating from S&P Global is a clear indication of the success of the Bryan/Roach Administration's pledge to stabilize the territory's economy and restore trust in the government," Mr. Bryan said, according to Government House. "While this is a very positive signal from the bond markets, this is just the beginning and my Administration will continue to work toward fiscal stability."

The administration [recently reestablished](#) ties with the rating agencies after the firms [were cut off from the territory](#) by Governor Kenneth Mapp.

"The Caa3 issuer rating reflects a small and highly concentrated economy, government finances that have been severely strained, a very poorly funded pension system that is rapidly depleting its asset base, financial reporting and other governance challenges, and the government's loss of capital markets access since 2017. Despite some recent improvement in the government's liquidity and near-term financial position, the rating incorporates the risk that the reemergence of a significant structural deficit, combined with the expected insolvency of the Government Employees' Retirement System, will lead the government to restructure its debt," Moody's said in September.

The GARVEE bonds are a result of a measure sponsored by former Senator Nereida Rivera-O'Reilly (bill no. 31-0073) which sees the \$16 million in highway funds that the territory receives annually from the federal government, being used as a security for the \$91 million loan.