The Virgin Islands Consortium

Securitization Corporation Capitalized Interest Fund Performing Better Than Anticipated, Board Hears

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The Capitalized Interest Account held by the Matching Fund Special Purpose Securitization Corporation (MFSPSC) has performed better than expected over the past year, mainly due to interest rate hikes.

The MFSCPC was created in 2021 with a goal of refinancing and restructuring a significant portion of the debt of the Government of the Virgin Islands at current market interest rates to free up critically needed revenues to stabilize the Government Employees Retirement System.

That’s what the MFSPSC Board heard from the representative of Causey, Demgen & Moore (CD&M), the firm tasked with managing the capitalized interest funds.

According to William Glasso of Causey Demgen & Moore, the firm had suggested purchasing higher-yielding securities and managing the funds by “constantly reinvesting balances.”

“At the time we thought that the benefit would be in the 2.50 [percent] to 2.55 range. Currently our yield is about 2.75. That’s because rates have come up from where those short term balances are, so we’ve been able to invest short term monies at a significantly higher rate than what we were anticipating,” Glasso told board members.

That higher rate has resulted in almost $1 million in additional revenue, said Glasso. “From a standpoint of gross return, a direct portfolio would have generated about $4 million at the time if we were to have just bought treasuries,” he explained. “Back in December we were in the $4,850,000 range, and after the last investments since December, current anticipated earnings are $4,950,000 so, about an additional $950,000 over that treasury portfolio.”

Additional returns are expected, Glasso told the MFSPSC Board, once rates do not drop over the course of the next year.. “Based off of the continuous cash flows and potential reinvestments, we would approximate another $400,000 to $500,000 in earnings on top of where we are today,” Glasso said. “We’re quite pleased that with the increase in rates that this approach has yielded additional benefit.”

After the presentation from Causey Demgen & Moore, the Board approved several motions, including one to reimburse the Public Finance Authority (PFA) for expenses totaling just over $47,000 made on behalf of MFSPSC. These expenses include costs for board meetings, legal fees, and accounting services.

Also approved were motions to obtain liability insurance for the corporation and its board of directors in the sum of $1 million. For this, MFSPSC will pay $4,135 as its annual premium.

The MFSPSC Board of Directors also decided to adopt the PFA’s policies for financial management, and its procurement rules. The issuance of credit cards for corporation directors was deemed not to be necessary at this time, and thus was removed from the policy manual. Similarly, policies for the issuance of debt were removed and reserved, as the Legislature first needs to approve new bond offerings from the corporation.

The next meeting of the MFSCPC Board of Directors is scheduled for June 21.