



TESTIMONY ON BILL NO. 36-0238

COMMITTEE ON BUDGET, APPROPRIATIONS AND FINANCE

36th LEGISLATURE OF THE VIRGIN ISLANDS

TUESDAY, APRIL 21, 2026

EARLE B. OTTLEY LEGISLATIVE HALL

ST. THOMAS, U.S.V.I.

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BY:

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VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY

## **Introduction**

Good day, Senator Novelle E. Francis, Chairman of the Committee on Budget, Appropriations and Finance, other committee members present, all other senators in attendance today, fellow testifiers, all those seated in the Senate chambers, and those in the listening and viewing audience. My name is Denise Rhymer, and I serve as Staff Counsel at the Virgin Islands Public Finance Authority and will be presenting the testimony on behalf of Mr. Nathan Simmonds, the Director of Finance and Administration. Mr. Chair, thank you for the opportunity to appear before you today to offer this testimony on **Bill No. 36-0238** (“the Bill”). At the outset, the Virgin Islands Public Finance Authority (“the Authority”) does not oppose this legislation.

## **Purpose of the Legislation**

Bill No. 36-0238 proposes to amend existing law to redirect any net proceeds derived from the sale of a hotel development project that was financed through tax-exempt bonds issued by the Virgin Islands Hotel Development Financing Corporation. Specifically, the Bill would require that such net proceeds, which under current law are payable to the Government of the Virgin Islands (“GVI”), instead be transmitted to the Government Employees’ Retirement System of the Virgin Islands (“GERS”).

As drafted, the Bill would apply both in circumstances where a hotel development is sold either before or after the bonds reach maturity. The Authority recognizes the importance of identifying meaningful funding mechanisms to strengthen GERS and acknowledge the Legislature’s consideration of this policy as a means of providing financial support to GERS.

## **Act No. 9063**

By way of background, Act No. 9063 established the Virgin Islands Hotel Development Financing Corporation (VIHDFC) as a wholly owned subsidiary of the Authority for the primary purpose of supporting the development, acquisition, operation and financing of hotel projects

within the Territory through the issuance of tax-exempt and taxable bonds. Under Act No. 9063, bonds issued by VIHDFC are subject to several important structural safeguards: (1) The bonds are not general obligations of the VIHDFC, the VIPFA, or the GVI; (2) The bonds do not constitute a pledge of the full faith and credit of the GVI; and (3) The bonds are payable solely from revenues generated by the financed hotel project. Consequently, the financial risk associated with these transactions rests with the borrower and the project itself - not with the Government. In exchange, borrowers are required to comply with a comprehensive set of obligations, including but not limited to: (1) Full repayment of bond principal, interest, and related expenses, (2) Maintaining the property in first-class condition; (3) Providing regular unaudited and audited financial statements; (4) Complying with all applicable federal tax law and SEC disclosure requirements; and (5) Preserving the tax-exempt status of the bonds.

Under the current provisions of Act No. 9063, once all bonds are repaid, ownership of the hotel development project transfers to the GVI. Similarly, if the bonds are redeemed prior to maturity or the hotel is sold before the bonds are fully retired, any net sale proceeds are payable to the GVI.

Bill No. 36-0238 would modify this framework by requiring that such net proceeds be redirected to the GERS, rather than the GVI.

### **Westin and Morningstar Buoy Haus Hotel Development**

To provide a practical example of how this legislation may apply, I would like to briefly reference the Westin and Morningstar Buoy Haus Hotel project.

In January 2026, the VIHDFC successfully closed a \$448.6 million Series 2025 bond issuance to finance the acquisition of the Westin and Morningstar Buoy Haus hotel project, formerly known as the Marriot Frenchman's Reef Hotel. The bond proceeds were loaned to CFC-FR, LLC, a nonprofit organization formed for the purpose of acquiring and operating the hotel.

Consistent with Act No. 9063, the bonds are payable solely from the project revenues. Once the debt associated with this financing is fully retired, ownership of the hotel – and any net proceeds realized – would, under current law, transfer to the GVI. Should Bill No. 36-0238 become law, those net proceeds would instead be directed to the GERS.

### **Conclusion**

Mr. Chair and members of the Committee, thank you again for the opportunity to provide this testimony on Bill No. 36-0238. The Authority remains committed to working collaboratively with the Legislature and the Administration to support public finance initiatives that advance the Territory's economic development while also addressing long-standing fiscal obligations. We stand ready to provide any additional information or answer any questions you or your colleagues may have regarding this testimony.