

The seal of the Office of Management and Budget, U.S. Virgin Islands Government, is a circular emblem. It features a central shield with a blue field containing a white eagle with wings spread, perched on a shield with vertical red and white stripes. The shield is flanked by green olive branches and arrows. The shield is set against a blue background with white clouds. The entire seal is encircled by a yellow ring with the text "OFFICE OF MANAGEMENT AND BUDGET" at the top and "GOVERNMENT OF THE U.S. VIRGIN ISLANDS" at the bottom. A horizontal line is drawn across the middle of the seal.

The Committee on Budget, Appropriations and Finance

Virgin Islands Insurance Guaranty Fund

Presented by

Director Julio A. Rhymer Sr.

Good morning the Honorable Senator Novelle E. Francis Jr, Chairman of the Committee on Budget Appropriations and Finance, member of the Committee on Budget Appropriations and Finance, other members of the 36th Legislature and the viewing and listening audience.

I am Julio A. Rhymer Sr., Director of the Office of Management and Budget.

Introduction

I am here to provide testimony on bill number 36-0210, a bill proposing to appropriate the sum of \$4,000,000 from the Virgin Islands Insurance Guaranty Fund to the Virgin Islands Water and Power Authority for the repair, replacement, and operation of streetlights throughout the Territory. First, I would like to acknowledge the critical importance of streetlights throughout the territory but have to respectfully oppose the use of the Insurance Guarantee fund for the purposes proposed by the bill. Currently, streetlights are paid through property taxes. Every year by statute four percent of property taxes are paid to the Virgin Islands Water and Power Authority. Based on the current collections, the Authority receives approximately \$2.4 million dollars annually to pay for the maintenance and repairs of streetlights. In order to address streetlight, we should avoid a constant one-time quick fix for the Authority. In order to properly address street lighting in the territory there must be a strategy to address the funding mechanism.

First, the purpose of the Insurance Guarantee Fund was established to ensure the financial stability of the Virgin Islands Guarantee Association which is responsible for the payment of obligations of insolvent insurers. These funds are vital in event of a natural disaster occurs in the Virgin Islands. Therefore, despite the fund having excess cash above the required \$50 million dollars, the prudent and financially responsible use of these funds are not to be a one time fix but an investment with a long-term return such as placing the funds in an investment vehicle such as a money market fund. This will allow fund growth and bolster it into the future in case of an natural disaster.

Senators, as you are aware, the values of properties in the territories have risen drastically since the 2017 storms, hence, the cost of insurance have risen to match the rising values of properties. Therefore, the proposed use of these funds with the risk of a natural disaster should be avoided.

Recommendation

While the funding of replacement and installation of streetlights are important to the territory, we must look at the full picture not just the one time immediate fix. There must be the following:

- Determine the true cost of maintenance and repairs of streetlights annually.
- Comprehensive look at funding mechanism to repair and maintain the streetlight on annual basis.
- Avoid and resist the request for streetlight funded by the Government that are truly private lighting that add cost to the Authority

These recommendations will allow the Authority to truly be compensated for street lighting along with maintaining the safe and security of the community.

Conclusion

In summary, while the restoration and maintenance of streetlights are essential for public safety and quality of life, the proposed use of the Virgin Islands Insurance Guaranty Fund for this purpose is not financially prudent. These funds serve as a critical safeguard against insurer insolvency and natural disasters, and their integrity must be preserved. Instead of the one-time allocation, a sustainable funding strategy should be developed- one that accurately reflects annual maintenance costs, ensures proper allocation of property tax revenues, and prevents unnecessary expenditures on private lighting. By focusing on long-term solutions and responsible financial management, we can protect the territory's financial stability while addressing its infrastructure needs.