



# Legislature of the Virgin Islands

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## POST AUDIT DIVISION

April 4, 2023

### MEMORANDUM:

**TO:** Honorable Donna A. Frett-Gregory  
Chairperson, Committee on Budget, Appropriations and Finance  
35<sup>th</sup> Legislature of the Virgin Islands

**FROM:** Post Audit Division

**SUBJECT:** **Bill No. 35-0070** – An Act authorizing the Governor to utilize monies from public funds of the Virgin Islands to create working capital to provide funds for any purpose for which the Government is authorized to use and expend monies, including but not limited to, current expenses, capital expenditures, and discharge of any obligations of the Government for the next three fiscal years, beginning with 2023 and to issue a line of credit in the maximum amount of \$150,000,000 and issue tax anticipation notes to provide funding for authorized governmental operations

### BILL SUMMARY

Bill No. 35-0070 seeks to authorize the Governor to procure a working Line of Credit (LOC). The bill authorizes the Governor to utilize public government funds to create working capital to provide funds for any purpose for which the government is authorized to use and expend monies, including but not limited to, current expenses, capital expenditures, and discharge of any obligations of the government for the next three fiscal years, beginning with 2023 and to issue a revenue anticipation note in the maximum amount of \$150,000,000 to provide funding for authorized government operations.

### RECOMMENDATION/CONCLUSION

The Post Audit Division performed an analysis of **Bill No. 35-0070** and discovered that there are ambiguities surrounding how it will affect the present operating position of the government. As of February 7, 2023, the Legislature appropriated **\$995,152,306** for Fiscal Year 2023. What we don't know is how a Line of Credit will affect the government's ability to accommodate appropriations that are signed into law. As well as how will the Line of Credit affect future appropriation considerations. In addition, it appears that **Bill No. 35-0070** is requesting the Legislature to relinquish a significant portion of its fiscal fiduciary responsibility, since it does not specifically identify the funding sources, amounts to be used

from each funding sources and what projects would be funded by the Line of Credit. The measure makes numerous references to the Gross Receipts Tax revenue as a source of pledge. However, the Gross Receipts Tax is already obligated to meet bond liabilities to the tune of approximately \$58,685,789 in Fiscal Year 2023 as described in *Exhibit I*. The exhibit also shows the Gross Receipts Bond Obligations for Fiscal Year 2024 (\$62,011,982) and 2025 (\$62,017,276). What is not clear from the Bill is how a Line of Credit obligation will affect future budgetary positions.

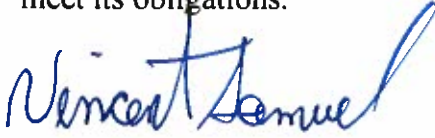
Table #1 Bonds Description	Original Principal Amount/Face Value	Outstanding Balance as of 2/28/23	Maturity Date	Interest Rate
<b>General Obligations Debt (Gross Receipt Taxes)</b>				
GRT Series 2006	\$219,490,000	\$137,075,000	10/1/2029	3.500%-5.000%
GRT Series 2012A (Working Capital)	\$197,065,000	\$117,170,000	10/1/2032	2.250%-5.000%
GRT Series 2012B (Broadband/viNGN)	\$31,740,000	\$13,445,000	10/1/2027	5.250%
GRT Series 2012C (Capital Projects)	\$35,115,000	\$19,260,000	10/1/2042	3.000%-5.000%
GRT Series 2014A (Working Capital)	\$49,640,000	\$35,435,000	10/1/2034	5.000%
GRT Series 2014C (Capital Projects & Refunding)	\$247,050,000	\$201,805,000	10/1/2044	4.500%-5.000%
GRT Series 2014D (Broadband/viNGN)	\$5,765,000	\$4,100,000	10/1/2033	6.029%
<b>Total</b>	<b>\$785,865,000</b>	<b>\$528,290,000</b>		

Table #2 Bonds FY 2023	Principal Payments for FY 2023	Interest Payments for FY 2023	Debt Service for FY 2023
<b>General Obligations Debt (Gross Receipt Taxes)</b>			
GRT Series 2006	\$16,895,000	\$7,112,813	\$24,007,813
GRT Series 2012A (Working Capital)	\$1,430,000	\$5,887,100	\$7,317,100
GRT Series 2012B (Broadband/viNGN)	\$2,290,000	\$765,975	\$3,055,975
GRT Series 2012C (Capital Projects)	\$1,955,000	\$1,011,875	\$2,966,875
GRT Series 2014A (Working Capital)	\$2,100,000	\$1,824,250	\$3,924,250
GRT Series 2014C (Capital Projects & Refunding)	\$6,705,000	\$10,198,900	\$16,903,900
GRT Series 2014D (Broadband/viNGN)	\$255,000	\$254,876	\$509,876
<b>Total Payment</b>	<b>\$31,630,000</b>	<b>\$27,055,789</b>	<b>\$58,685,789</b>

Table #3 Bonds FY 2024	Principal Payments for FY 2024	Interest Payments for FY 2024	Debt Service for FY 2024
<b>General Obligations Debt (Gross Receipt Taxes)</b>			
GRT Series 2006	\$17,515,000	\$6,252,563	\$23,767,563
GRT Series 2012A (Working Capital)	\$6,780,000	\$5,689,000	\$12,469,000
GRT Series 2012B (Broadband/viNGN)	\$2,415,000	\$642,469	\$3,057,469
GRT Series 2012C (Capital Projects)	\$430,000	\$952,250	\$1,382,250
GRT Series 2014A (Working Capital)	\$2,210,000	\$1,716,500	\$3,926,500
GRT Series 2014C (Capital Projects & Refunding)	\$7,045,000	\$9,855,150	\$16,900,150
GRT Series 2014D (Broadband/viNGN)	\$270,000	\$239,050	\$509,050
<b>Total Payment</b>	<b>\$36,665,000</b>	<b>\$25,346,982</b>	<b>\$62,011,982</b>

Table #4 Bonds FY 2025	Principal Payments for FY 2025	Interest Payments for FY 2025	Debt Service for FY 2025
<b>General Obligations Debt (Gross Receipt Taxes)</b>			
GRT Series 2006	\$18,165,000	\$5,360,563	\$23,525,563
GRT Series 2012A (Working Capital)	\$7,395,000	\$5,334,625	\$12,729,625
GRT Series 2012B (Broadband/viNGN)	\$2,545,000	\$512,269	\$3,057,269
GRT Series 2012C (Capital Projects)	\$455,000	\$930,125	\$1,385,125
GRT Series 2014A (Working Capital)	\$2,325,000	\$1,603,125	\$3,928,125
GRT Series 2014C (Capital Projects & Refunding)	\$7,385,000	\$9,494,400	\$16,879,400
GRT Series 2014D (Broadband/viNGN)	\$290,000	\$222,169	\$512,169
<b>Total Payment</b>	<b>\$38,560,000</b>	<b>\$23,457,276</b>	<b>\$62,017,276</b>

In addition, **Bill No. 35-0070**, will allow the Executive Branch to use any funding source and never address the replenishment of those sources. It is quite possible the operating budget for Fiscal Year 2023 will be affected by the Line of Credit and there is no mention of a strategy that will be implemented to address possible budgetary shortfalls. Finally, **Bill No. 35-0070**, will affect the cash position of the government since repayment will require the use of cash to meet its obligations.



Vincent Samuel  
Post Auditor

