THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE
Charlotte Amalie, V.I. 00802
340-774-0001

April 19, 2016

Hon. Neville James
Senate President
31st Legislature of the Virgin Islands
Legislature of the Virgin Islands
Capitol Building
St. Thomas, U.S. Virgin Islands 00802

Re: Governor's Recommended Bill to provide for an appropriation from the General Fund to the Juan F. Luis Hospital and Medical Center and the Roy Lester Schneider Hospital to reduce their past due obligations to the Virgin Islands Water and Power Authority

Dear Mr. President:

Enclosed is a bill I am proposing to the 31st Legislature of the Virgin Islands for action. The Government has recently entered into a settlement and received $8,100,000.00 arising from its litigation entitled *Virgin Islands Public Finance Authority, et ano v. Buchanan Ingersoll & Rooney, PC, et al,* No. 14-CV-83 (District Court of the Virgin Islands—St. Thomas Division). The proceeds from this settlement are new money to the treasury of the Virgin Islands.

Because of the dire cash constraints of the VI Water & Power Authority ("VI WAPA"), my bill proposes that the 31st Legislature appropriate the sum of four million dollars each to the Governor Juan F. Luis Hospital and Medical Center and the Roy Lester Schneider Hospital to pay down their past due obligations to VI WAPA.

As the only two public hospitals in the Territory, these two institutions continue to need the annual financial assistance of the central government in meeting a number of their obligations. While we can debate the extent of this need, let's suffice it to say that the need is real. Currently, both hospitals owe the VI WAPA over $20 million collectively: the Governor Juan F. Luis Hospital and Medical Center owes $12,085,850.64, and the Roy Lester Schneider Hospital owes $8,832,392.00.

It is public knowledge that the VI Water and Power Authority is struggling for cash. Recently, Fitch lowered the investment grade ratings on its bonded indebtedness for the large amounts of money owed to it primarily by the hospitals and the VI Waste Management Authority.

In addition, Moody's has the VI WAPA on downgrade review. The VI WAPA requires an operating reserve of $10 million to $15 million dollars and 30 days' cash on hand, which amounts to $26.4 million dollars. Currently the VI WAPA averages 5-10 days' cash on hand. To that end, this proposed bill requires urgent action by the Legislature to aid VI WAPA so it can have sufficient cash on hand to continuously purchase fuel. This infusion will translate into the VI Water and Power Authority being able to ensure stable and dependable power to the people of the Virgin Islands.

While these sums I am proposing to be appropriated to our hospitals is not a wholesale fix to all issues facing our Territory's hospitals, it is one of several steps I will be proposing to the senate this year. For the record, additional cash infusion to aid our hospitals is needed, and I will submit a plan for such aid in the near future. I want to underscore that this aid does not relieve the hospitals management teams from taking the necessary actions to achieve sound financial policies and better business practices.

I had intended to call the legislature into special session to consider this most important matter. However, you have advised me that the Senate is expected to convene into formal session this week; so I am asking that the body take this matter into consideration, given its import. To facilitate senate action, I have asked the following officials to be available and provide necessary testimony on the availability of the funds, the financial condition of the VI WAPA, and the debt and financial obligations of the Territory's hospitals:

1. Hon. Valdamier Collens, Commissioner of Finance;
2. Hon. Nellon Bowry, Director, Office of Management and Budget;
3. Julio Rhymer, Acting Executive Director, V.I. Water and Power Authority;
4. Mr. Ken Okolo, CEO, Juan F. Luis Hospital and Medical Center; and
5. Dr. Bernard A. Wheatley, CEO, Roy Lester Schneider Hospital

I thank you and the Members of the Legislature for your willingness to consider the urgency of this matter. If you need any additional information or persons to appear before the legislature, please advise me so I can make it happen.

Sincerely,

Kenneth E. Mapp
Governor

BILL NO. 31- _____

THIRTY-FIRST LEGISLATURE OF THE VIRGIN ISLANDS OF THE UNITED STATES OF AMERICA

REGULAR SESSION

2016

An Act to provide funding for the payment of past due electrical bills to the Virgin Islands Water and Power Authority on behalf of the Juan F. Luis Hospital and Medical Center and the Roy Lester Schneider Hospital.

PROPOSED BY THE GOVERNOR

WHEREAS, the Juan F. Luis Hospital and Medical Center is an autonomous agency of the Government of the Virgin Islands and is the sole public hospital servicing the medical needs of the residents of the island of St. Croix;

WHEREAS, the Roy Lester Schneider Hospital is an autonomous agency of the Government of the Virgin Islands and is the sole public hospital servicing the medical needs of the residents of the islands of St. Thomas and St. John;

WHEREAS, the Juan F. Luis Hospital and Medical Center has an outstanding debt to the Virgin Islands Water and Power Authority ("WAPA") in the amount of $12,085.64;

WHEREAS, the Roy Lester Schneider Hospital has an outstanding debt to the Virgin Islands Water and Power Authority ("WAPA") in the amount of $8,832,392.00;

WHEREAS, in order to effectively provide services to the people of the Territory, both hospitals must reduce their debt to the WAPA;

WHEREAS, it is necessary for the Government of the Virgin Islands to assist both hospitals in reducing their debt to the WAPA;

WHEREAS, the Virgin Islands Public Finance Authority and the Government of the Virgin Islands has resolved certain litigation through a settlement agreement for the sum of eight million one hundred thousand dollars and zero cents ($8,100,000.00); ***Now, Therefore,***

Be It Enacted By The Legislature Of The Virgin Islands:

SECTION 1. The sum of eight million one hundred thousand dollars and zero cents ($8,100,000.00) shall be deposited into the General Fund of the Virgin Islands of the United States from the settlement award in Virgin Islands Public Finance Authority and Government of the Virgin Islands v. Buchanan Ingersoll, *et, al*;

SECTION 2. The sum of four million dollars and zero cents ($4,000,000.00) is appropriated from the General Fund of the Government of the Virgin Islands to the Juan F. Luis Hospital and Medical Center to be used to pay the Virgin Islands Water and Power Authority for past due obligations;

SECTION 3. The sum of four million dollars and zero cents ($4,000,000.00) is appropriated from the General Fund of the Virgin Islands to the Roy Lester Schneider Hospital to be used to pay the Virgin Islands Water and Power Authority for past due obligations; and

SECTION 4. That the Office of Management and Budget shall make an allotment for each of the payments directed herein for the specified purposes;

SECTION 5. That the Commissioner of Finance shall make the one-time payment of the sums appropriated to the hospitals and allotted by the Office of Management and Budget for the purposes stated herein, directly to the Virgin Islands Water and Power Authority on behalf of the hospitals.

SECTION 6. That Section 10 of Act No. 7508 is hereby repealed.

BILL SUMMARY

This bill appropriates funds from the General Fund of the Virgin Islands to make payment to the Virgin Islands Water and Power Authority to reduce past due obligations. The bill appropriates the sum of $4,000,000.00 to the Juan F. Luis Hospital and Medical Center and the sum of $4,000,000.00 to the Roy Lester Schneider Hospital. The bill also mandates the

Office of Management and Budget to make an allotment of the funds appropriated for herein for the specific purposes stated herein. The bill further provides that the Commissioner of Finance shall make the payment to the Virgin Islands Water and Power Authority on behalf of the hospitals. Finally, the bill repeals Section 10 of Act No. 7508, which mandates that proceeds from the litigation be used to retire bonds.