

BILL NO. 31-0148

Thirty-first Legislature of the Virgin Islands

July 8, 2015

An Act to authorize the Government of the Virgin Islands, acting through the Virgin Islands Public Finance Authority, to issue real property tax revenue anticipation notes in fiscal year 2015, and in fiscal year thereafter, for working capital purposes

PROPOSED BY: Senator Neville A. James by Request of the Governor

1 **WHEREAS**, the Virgin Islands continues to experience the effects of the 2008 recession
2 and closure of the HOVENSA refinery, which had a negative effect on commerce, tourism and
3 revenues of the United States Virgin Islands; and

4 **WHEREAS**, the Government of the Virgin Islands expects to issue real property tax bills
5 for fiscal year 2015 in August 2015; and

6 **WHEREAS**, the Tax Assessor estimates the real property tax bills for 2015 tax year will
7 generate appropriately \$50,000,000 of revenues within 12 months of issuance of such real
8 property tax bills ;and

9 **WHEREAS**, given the delayed collection of such 2015 Real Property Tax Receipts,
10 there is a projected shortfall in anticipated revenues for fiscal year 2015; and

1 **WHEREAS**, due to the historic variability in timing of the issuance of real property tax
2 bills and the collection of such tax receipts, the money in the General Fund of the Government
3 may be insufficient to cover operating expenses and other important financial obligations of the
4 Government on a timely basis; and

5 **WHEREAS**, certain financial flexibility of the Government is necessary to fulfill payroll
6 obligations, meet vendor payments, and sustain working capital for the operating expenses of the
7 Government to meet existing obligations in anticipation of the receipt of such real property tax
8 receipts; and

9 **WHEREAS**, additional financial flexibility would enable the Governor in fiscal year
10 2015, and thereafter to manage Government revenues and funds more effectively in timely
11 satisfaction of Government obligations; and

12 **WHEREAS**, such financial flexibility would better address the timing of the issuance of
13 real property tax bills and the collection of the 2015 Real Property Tax Receipts in fiscal year
14 2015 and real property tax receipts in subsequent fiscal years; Now, Therefore,

15 ***Be it enacted by the Legislature of the Virgin Islands:***

16 **SECTION 1.** (a) The Governor of the Virgin Islands, acting through the Virgin Islands
17 Public Finance Authority, may in anticipation of collection of fiscal year 2015 Real Property Tax
18 Bills, and real property tax receipts in subsequent fiscal years, to enter into any loan, note, bond
19 or other indebtedness not inconsistent with section 8 of the Revised Organic Act of the Virgin
20 Islands, to cover the projected shortfalls in revenue collection in fiscal year 2015, or any future
21 fiscal year, to pay only those fixed, mandatory operating costs, including payroll, utilities, rents,
22 ongoing essential contract obligations and other fixed mandatory operating costs authorized in
23 the current final Budget Bill and the act making appropriations for the operation of the

1 Government for such fiscal year. Nothing in this subsection may be construed as authorizing any
2 department or agency of the Government to use loan funds to incur any obligation not authorized
3 by any final Budget Bill or the act making appropriations for the operation of the Government of
4 such fiscal year.

5 (b) The Governor, through the Virgin Islands Public Finance Authority, may issue
6 revenue anticipation notes and to lend the proceeds of the borrowing to the Government of the
7 Virgin Islands to pay operating costs of the Government and to enter into all necessary and
8 appropriate agreements to carry this subsection, on such terms and conditions as the Virgin
9 Islands Public Finance Authority and the Government of the Virgin Islands agree are necessary
10 or appropriate and are not inconsistent with this section and the Revised Organic Act of the
11 Virgin Islands.

12 **SECTION 2.** (a) The real property revenue anticipation notes must be repaid from the
13 respective fiscal year's real property tax receipts, as authorized under subsection 1(a) and may be
14 further secured by and paid from either:

15 (1) the General Fund, as a general obligation of the Government;

16 (2) proceeds of the Gross Receipts Taxes, including any penalties and interest
17 charges, paid to the Virgin Islands Bureau of Internal Revenue for deposit into the
18 General Fund of the Government, pursuant to 33 Virgin Islands Code, chapter 3, section
19 43, excluding the first \$250,000 of the tax collected during the fiscal year required to be
20 deposited into the Moderate Income Housing Fund, pursuant to title 33 Virgin Islands
21 Code, chapter 111, section 3027(a)(3), in excess of the amount of such revenues required
22 to be remitted as security for the payment of bonds or notes, issued or to be issued under

1 the Senior Indenture and Tax Increment Revenue Bond Indenture, that are secured by
2 such Gross Receipts Taxes.

3 (3) Matching Fund Revenues to be collected by the Government of the Virgin
4 Islands pursuant to section 28(b) of the Revised Organic Act of the Virgin Islands,
5 subject to the prior lien of the bonds and notes issued pursuant to the Indenture of Trust,
6 dated as of May 2, 1998, as amended and supplemented.

7 (b) The interest on the notes authorized herein may not exceed a maximum interest
8 rate of 9% and the maximum principal amount for such notes for fiscal year 2015 may not
9 exceed \$50,000,000 in any future fiscal year, may not exceed 80% of the estimated real property
10 tax collections for such fiscal year, as determined by the Tax Assessor, plus, in each case, the
11 principal amount of notes required to finance any required reserves and costs of issuance
12 associated with the issuance of any such debt. The notes must mature no later than 24 months
13 following the issuance of any such note.

14 **SECTION 2.** The Government of the Virgin Islands, acting through the Virgin Islands
15 Public Finance Authority, may:

16 (1) subject to section 2 subsection (b) of this Act, negotiate the final terms
17 of any borrowing authorized herein, which may be procured pursuant to the terms of a
18 multi-year credit facility;

19 (2) execute and deliver all documents and agreements necessary or advisable
20 in connection with any borrowing authorized herein; and

21 (3) pay all expenses associated with the issuance of any note authorized in this
22 section.

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Bill Summary

This bill authorized the Government of the Virgin Islands, acting through the Virgin Islands Public Finance Authority, to issue real property tax revenues anticipation notes in fiscal year 2015, and in any fiscal year thereafter, for working capital purposes. The purpose of the bill is to counteract the historic variability in the timing of receiving the revenues from issuing real property tax bills to ensure the Government's access to these revenues to meet payroll obligations, vendor payments, issuance of tax refunds, and sustain working capital for the Government's operating expense.

**BR15-0824/June 18, 2015/Not Reviewed
G31-0002**