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There's a New Muni-Debt Crisis Brewing in Another U.S. Territory.

- **Moody's cuts Virgin Islands power agency bonds deep into junk**
- **Governor at odds with U.S. Representative over scale of crisis**

An economically struggling U.S. territory. A government-run electricity provider facing potential insolvency. A debate among public officials about whether debts are too burdensome to pay.

That's the situation in the U.S. Virgin Islands, where the power agency is contending with a financial squeeze that echoes what happened in Puerto Rico in the run up to that government's record-setting bankruptcy.

The uncertainty led Moody's Investors Service on Sept. 23 to downgrade the most senior Virgin Islands Water and Power Authority bonds to eight steps below investment grade, indicating a high likelihood of default. Subordinate debt due in 2031 last traded at an average of 92 cents on the dollar, above the 65% to 80% recovery that Moody's rating suggests investors are likely to receive.

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