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Puerto Rico Bond Plan Said to Outline Debt Service Affordability.

A long-awaited plan that addresses Puerto Rico's $72 billion debt load will include projections of how much debt-service the island can pay over the next five years, according to a person with direct knowledge of the proposal.

Governor Alejandro Garcia Padilla is set to receive from his top officials and outside restructuring advisers on Tuesday what is being called by his administration as an economic recovery and debt-adjustment plan, or the Working Group plan. The governor plans to release the proposal publicly on Wednesday, Victor Suarez, his chief of staff, said in a statement.

That report will include annual revenue and expenditure projections for the next five years after taking into account proposed spending reductions and measures to boost revenue collection rates, according to the person, who asked for anonymity because the discussions are private.

Those calculations won't include annual principal and interest costs, so the gap between estimated revenue and anticipated spending, what the report will call a "primary surplus," will indicate how much Puerto Rico can afford to pay for debt service every year, the person said. The person declined to say what the primary surplus would be.

"This is really just the beginning of a new stage, but this stage still could last years," said Matt Fabian, a partner at Concord, Massachusetts-based Municipal Market Analytics. "You have different sets of buyers, all with different expectations for their recovery and all with different willingness to negotiate on price."

Barbara Morgan, who represents the Government Development Bank at SKDKnickerbocker in New York, said Monday that the bank didn't have a comment at this time. Betsy Nazario, a spokeswoman in San Juan for the GDB, and Jesus Manuel Ortiz, a spokesman in San Juan for the governor, didn't immediately respond to e-mails.

In a statement e-mailed to reporters Tuesday, Suarez said Garcia Padilla will be presented with the plan during the afternoon and has instructed his advisers to make it public Wednesday.

"This plan is an indispensable element to put Puerto Rico on track toward economic growth, to face fiscal challenges and bring back social well being for Puerto Ricans," he said.

The commonwealth and its agencies pay about $4 billion each year in debt service, not including principal and interest costs for the Electric Power Authority and the Aqueduct and Sewer Authority, the person said. A Puerto Rico agency, the Public Finance Corp., missed a Sept. 1 interest payment, according to a filing with the Municipal Securities Rulemaking Board. It's the second skipped payment for the agency after failing to pay $58 million of principal and interest Aug. 3 because lawmakers didn't allocate the funds in a budget crunch.

Garcia Padilla in June directed his administration to evaluate the island's obligations and said the commonwealth was unable to repay all of its debt on time and in full and would seek to delay debt payments “for a number of years.”

The Working Group plan follows a Sept. 1 tentative agreement the Electric Power Authority reached with some of its bondholders that would offer investors 85 percent of the value of the bonds they hold through a debt exchange.

Puerto Rico bonds rallied last week following the tentative agreement struck with holders of about 35 percent of the electric debt. General obligations with an 8 percent coupon and maturing July 2035 traded Friday at an average price of 76 cents on the dollar, up from a record-low 66.6 cents on June 30, according to data compiled by Bloomberg. It was the highest since June 26, the last trading day before Garcia Padilla said the commonwealth’s debt was unpayable and directed officials to work on a plan to ease debt payments.

Commonwealth securities gained 3.95 percent last week, the biggest advance for the period since October 2008, according to S&P Dow Jones Indices. Puerto Rico debt has still dropped in value this year, losing 7.2 percent through Sept. 4 compared with a one percent gain for the broader municipal-bond market.

A Puerto Rico restructuring would be the largest in the $3.6 trillion municipal-bond market, surpassing Detroit’s record bankruptcy filing in July 2013 that involved about $8 billion of bonded debt. Along with $72 billion of debt, Puerto Rico’s largest pension fund has only 0.7 percent of assets to cover $30.2 billion of projected costs, according to financial documents. It’s the worst-funded among U.S. state retirement plans and stands to deplete its assets by 2020, according to Moody’s Investors Service.

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by Michelle Kaske

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