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Puerto Rico Oversight Board to Take Local Governments Under Its Wing.

SAN JUAN — Puerto Rico's financial oversight board on Thursday unexpectedly added the island's towns and cities to its mandate, a move that it said was aimed at trying to help them avoid insolvency.

To date, the federally created board has only focused on the central government of the U.S. territory, which filed for bankruptcy in 2017 as it sought to restructure about \$120 billion of debt and pension obligations.

Board officials said the move was not aimed at eliminating local governments or pushing them into bankruptcy.

"This is absolutely not a takeover of anything," José Carrión, the board's chairman, told reporters, adding that the purpose was to help cities improve their finances and services.

However, Christian Sobrino, Governor Ricardo Rosselló's representative on the board, questioned if the board had the capacity to fully oversee municipal governments.

"I would not recommend designating all 78 municipalities as covered entities. But that is the board's prerogative," Sobrino said.

"The board lacks the personnel and resources. It is a lot of work," he added.

The board said it will launch a pilot program with 10 local governments.

The 10 will be required to submit fiscal plans by June 7 that include spending cuts, efficiency measures like shared services, as well as programs to improve revenue collection and boost economic development. Central government subsidies to municipalities are expected to be phased out by 2024.

Luis Hernandez, mayor of Villalba, one of the municipalities in the pilot program, said board officials had told the mayors that they would provide technical resources to help.

"The board understood that towns are the ones that directly provide services to citizens. They vowed to help us," Hernandez said.

The board also certified a new fiscal plan for the island that shows a surplus of about \$20 billion in the next 30 years, and includes revised macroeconomic, revenue and expense data. The plan also revises economic growth estimates resulting from structural changes that the government has not fully implemented.

"You can't expect economic growth until (structural reform) is actually implemented," said Natalie Jaresko, the board's executive director.

By Reuters

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(Reporting by Luis Valentin Ortiz in San Juan and Karen Pierog in Chicago; Editing by Matthew Lewis and Rosalba O'Brien)

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