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Puerto Rico Utility May Pay Contractors Before Debt, Filing Says.

Puerto Rico's main water utility may not have enough money to repay certain bonds if it needs to redirect funds to pay contractors, according to a filing on the Municipal Securities Rulemaking Board's website.

The Puerto Rico Aqueduct and Sewer Authority's board on Feb. 16 approved an alternative plan to divert money to pay contractors if the agency fails to obtain another source of funding by June 30, according to the March 4 filing posted on MSRB's website, called EMMA. Prasa wants to create a new entity that would sell \$750 million of debt backed by dedicated revenue, called a securitization bond, to finance capital projects and repay outside workers and businesses. Island lawmakers are working on legislation that would allow the transaction.

Without the bond sale, Prasa may need to use its available cash to pay contractors rather than make monthly interest and principal payments on certain debt, including state revolving fund loans, rural development bonds and a note held by the Puerto Rico Public Finance Corp, according to the EMMA notice.

"Such insufficiency will reduce the amount available to pay the interest accrual and principal accrual on certain commonwealth guaranteed indebtedness and commonwealth supported indebtedness," according to the filing.

Bonds that still would have sufficient funds for repayment include Prasa's 2008 Series A and Series B revenue bonds guaranteed by the commonwealth, according to the notice.

Prasa had \$4.7 billion of debt as of Sept. 30. The bonds carry junk ratings from the three largest credit-rating companies.

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