

Bond Case Briefs

Municipal Finance Law Since 1971

Puerto Rico Says it Will Miss Some Feb. 1 Debt Payments.

Puerto Rico's government said it will miss some debt payments due on Wednesday, including another payment on general obligation (GO) bonds backed by the U.S. territory's constitution.

In a statement on Wednesday, the Fiscal Agency and Financial Advisory Authority (FAFAA) said the island will miss the GO debt payment; payments owed at Puerto Rico's public finance and infrastructure agencies; and \$279 million owed by its Government Development Bank.

Puerto Rico has been defaulting on debt periodically for more than a year, including on GO debt, and the missed payments were expected.

FAFAA said Puerto Rico will make full payments due Wednesday on so-called COFINA debt, which is backed by sales tax, as well as payments owed by the island's retirement system, water authority, municipal finance authority and industrial development agency.

Puerto Rico is facing \$70 billion in total debt, and nearly half its 3.5 million residents live in poverty. New Governor Ricardo Rossello, sworn in on Jan. 2, on Sunday signed a law to ensure the government continues to provide essential services.

Rossello has said paying debt is also crucial, and has proposed a number of measures to reduce government spending to free up cash for debt payments.

Still, the island likely cannot afford to pay its debt in full, and is in talks with bondholders to restructure.

Reuters

By Nick Brown

Wed Feb 1, 2017 | 1:08pm EST