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Puerto Rico Oversight Board Plan Sees Biggest Budget Surplus.

- **Panel projects \$6.7 billion through 2023 before debt is paid**
- **Rising forecasts have fueled a rally in the island's bonds**

The turnaround plan from Puerto Rico's federal overseers projects the island will have a surplus of \$6.7 billion over the next six years before debt payments after it takes steps to cut spending and revive the economy, about \$400 million more than Governor Ricardo Rossello estimated earlier this month.

The projections mark the latest boost to the estimates for the financial recovery of the territory, which is receiving an influx of federal aid and insurance money to help rebuild from Hurricane Maria. Rossello previously raised his forecasts three times in as many months, triggering a rally in the island's debt that's caused some prices to double since December.

The panel, which was given power by Congress to impose measures on the territory's government, is set Thursday to approve the multi-year turnaround plan for the bankrupt island, Jose Carrion, the board's chairman, said in a statement. It includes an average 10 percent cut in pension benefits for certain retirees, reduces spending for schools and municipalities and takes steps to foster faster economic growth.

"We now urge the government to move decisively on implementation of these necessary reforms upon certification of the proposed new fiscal plans," Carrion said. "Only with bold structural reforms, reinvestment in the people of Puerto Rico, and necessary fiscal measures can Puerto Rico avoid ongoing deterioration of its economy and ensure the fiscal ability to provide services to the residents and businesses of the island."

The board's pension changes require legislative approval. Rossello has said reducing pension payments places an undue burden on public workers and retirees. The board maintains that there needs to be shared sacrifice, given that Puerto Rico's largest retirement system has run out of cash and relies on the government's operating budget to pay retirees.

The fiscal plan projects a surplus, before debt payments, every year through fiscal 2023 as some \$62 billion of federal aid and insurance money from Hurricane Maria help lift an economy that's shrunk in the past decade. Rossello has revised the fiscal plan four times this year to include the affects of Hurricane Maria, which struck in September, and to incorporate the board's recommendations.

Puerto Rico's estimated surplus is still short of what it needs to make payments on its \$74 billion debt. Annual shortfalls total \$8.8 billion over the next six years if the commonwealth paid principal and interest to bondholders, according to the plan. Puerto Rico hasn't been making those payments as it goes through its bankruptcy process.

But the latest figures are far more optimistic than those made soon after Hurricane Maria, when Rossello was still anticipating large shortfalls even after turnaround efforts were made. General

obligations with an 8 percent coupon and maturing in 2035 traded Wednesday for an average of 41.6 cents on the dollar, up from a record-low 20.75 cents on Dec. 5, data compiled by Bloomberg show.

The board plans to meet in San Juan on Thursday to certify fiscal plans for Puerto Rico and the island's public electricity and water utilities. Another meeting is set for Friday to approve fiscal plans for the University of Puerto Rico and other government agencies.

Congress created the federal board in 2016 to address Puerto Rico's debt crisis and help the island end a history of borrowing to cover budget gaps.

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By Michelle Kaske

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