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Board Extends Power to Cover Puerto Rico's 78 Municipalities.

SAN JUAN, Puerto Rico — A federal control board that oversees Puerto Rico's finances voted on Thursday to extend its power and bring all of the U.S. territory's 78 municipalities under its supervision for the first time.

The board announced that it also will require fiscal plans and budgets from 10 of those municipalities as well as from a government agency that collects property taxes as part of a pilot program to help boost the island's economy amid a 12-year recession.

"This is absolutely not a takeover of anything," said board chairman José Carrión. "We all know that the municipalities are facing challenges."

The board expects to help implement measures to reduce spending, increase a tax collection rate from 68% to 85%, hire more property appraisers and reduce the number of property exemptions, among other things. Board members said the Center for Collection of Municipal Revenue is missing more than 300,000 properties from its registry and needs another 150 appraisers.

The municipalities targeted for the pilot program are: Aibonito, Barranquitas, Camuy, Cidra, Comerío, Isabela, Orocovis, Quebradillas, San Sebastián and Villalba.

They are located in the island's central and northwestern regions.

"If we don't start having a conversation with them...they're going to be facing a critical situation in the future," said board member José González.

Board members said it's too early to say whether the program will be extended.

The board also approved a new fiscal plan that allocates more funding to Puerto Rico's health, education and public safety sectors but contains austerity measures rejected by the local government, including a 10% cut to professional services expenses. It previously announced cuts to a public pension system facing nearly \$50 billion in unfunded liabilities.

Raúl Maldonado, Puerto Rico's chief financial officer, said the measures place an unfair burden on the island's workers and retirees.

"They cannot implement more austerity," he said. "This would only deepen people's suffering."

The board, which Congress created after Puerto Rico announced in 2015 that it was unable to pay its debts following decades of corruption and mismanagement, is helping restructure a portion of the island's more than \$70 billion public debt as part of a bankruptcy-like process.

During Thursday's public hearing, the board lowered its predicted surplus and economic growth for Puerto Rico in the near future.

It said Puerto Rico has not implemented several reforms and that the U.S. government has been slow in disbursing a total of \$83 billion expected in disaster recovery funds aimed at helping the island rebuild from Hurricane Maria, a Category 4 storm that hit in September 2017 and caused more than an estimated \$100 billion in damage.

The latest plan calls for an \$11,500 salary increase over two years for Puerto Rico police officers, plus \$33 million to provide them with Social Security, which they currently do not receive. In addition, the plan includes a \$500 annual salary increase for all firefighters, an overall \$14 million wage increase for all teachers and directors, a \$1.4 billion increase for Puerto Rico's health care system, and \$4.5 million to hire 95 employees to help decrease a backlog of cases at the island's struggling forensics science agency.

The board expects Puerto Rico to have a \$13.7 billion surplus by 2024 and economic growth of 4% for fiscal year 2019 and 1.5% the following year.

The meeting comes nearly a week after the board reached a deal with bondholders to restructure the \$9 billion debt held by Puerto Rico's Electric Power Authority. The deal means customers will pay an additional amount of more than \$130 a year in 2021 and nearly \$220 by 2043, according to an analysis by the Institute for Energy Economics and Financial Analysis.

By The Associated Press

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