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Puerto Rico's Bankruptcy Fees Seen Hitting \$1.6 Billion.

- **Oversight Board provides fee update in annual report**
- **Through July 2022, professional fees stand at \$1.2 billion**

Fees and expenses related to the restructuring of Puerto Rico's debt — exacerbated by natural disasters and the pandemic — are forecast to reach \$1.6 billion by fiscal year 2026, cementing the island's status as the most expensive municipal bankruptcy in US history.

"Uncertainty stemming from the series of recent natural disasters and the ongoing Covid-19 pandemic has resulted in an extended restructuring process contributing to the overall estimate," the Puerto Rico Financial Oversight and Management Board, or FOMB, which is shepherding the island through bankruptcy, said in its annual report released late Sunday.

Prior to Puerto Rico, Detroit held the title of the largest municipal bankruptcy. According to board figures, Detroit's bankruptcy process took 17 months and cost \$178 million, while Puerto Rico's lasted nearly five years and was stalled by hurricanes, earthquakes and the global pandemic.

While the US commonwealth emerged from bankruptcy earlier this year, litigation fees and costs related to implementing the deal continue, the board said. There's also more debt to churn through. Puerto Rico's Electric Power Authority is seeking to reduce \$9 billion through its bankruptcy while its Highways and Transportation Authority is restructuring \$4 billion.

The FOMB's forecast, which runs from fiscal year 2018 through fiscal year 2026, includes fees and expenses for the Unsecured Creditors' Committee, the Retiree Committee, the government of Puerto Rico and the Oversight Board. Through July 2022 professional fees and expenses have tallied some \$1.2 billion, the board said. Of that, some \$660 million belongs to the board and special claims committees, and \$373 million will go to the government of Puerto Rico.

When the US territory of 3.2 million people went into bankruptcy in 2017, the government and its agencies had some \$74 billion in debt. During the bankruptcy process it restructured more than half of that debt, including cutting \$22 billion of bonds tied to the commonwealth down to \$7.4 billion.

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By Jim Wyss

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— *With assistance by Michelle Kaske*