

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO**



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BY ELECTRONIC MAIL

May 29, 2020

The Honorable Wanda Vázquez Garced
Governor of Puerto Rico

The Honorable Thomas Rivera Schatz
President of the Senate of Puerto Rico

The Honorable Carlos J. Méndez Núñez
Speaker of the House of Representatives of Puerto Rico

Dear Governor Vázquez Garced, President Rivera Schatz, Speaker Méndez Núñez:

We have become aware that Senate Bill 1333 (“SB 1333”) was recently approved by the Senate. SB 1333 proposes to integrate the various laws that govern municipalities into a new Municipal Code, while amplifying the autonomy originally granted to these political subdivisions by Act 81-1991, as amended.

While the Oversight Board is currently reviewing SB 1333 and may have further comments upon completion of its review, the Oversight Board calls your attention to an area of serious concern in connection with SB 1333. Specifically, SB 1333 proposes to designate the Municipal Revenues Collection Center (“CRIM”, by its Spanish acronym) as the agency in charge of establishing debt issuance public policy and regulations for municipalities, a function currently discharged by Fiscal Agency and Financial Advisory Authority (“AAFAF”, by its Spanish acronym).

Pursuant to Act 80-1991, as amended, known as the “Municipal Revenues Collection Center Act”, the CRIM is managed by a Governing Board made up of 11 members, of which nine are mayors representing all the municipalities of Puerto Rico and the remaining two (2) members are the Executive Director of AAFAF and a public official appointed by the Governor. Accordingly, the CRIM Governing Board as so constituted will not be a body independent from the mayors of the 78 municipalities represented therein.

Honorable Wanda Vázquez Garced
Honorable Thomas Rivera Schatz
Honorable Carlos J. Méndez Núñez
May 29, 2020
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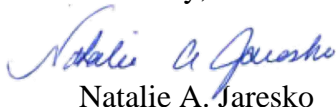
As background, Act 64 of July 3, 1996, the “Municipal Financing Act of 1996”, conferred on the Puerto Rico Government Development Bank, a governmental entity independent from the municipalities, the responsibility and authority to oversee, regulate and manage the financing and debt-issuance transactions of municipalities. After the Government Development Bank ceased operations in 2018, AAFAF assumed this role and was appointed as the fiscal agent and financial advisor for the municipalities. AAFAF is currently the fiscal agent and financial advisor of all of Puerto Rico’s governmental entities, including the municipalities. As such, AAFAF is in a position to maintain a uniform and consistent policy for debt incurrence across government units and to apply its technical knowledge and experienced personnel to determine appropriate financial structures and debt levels.

Moreover, pursuant to the provisions of Section 207 of PROMESA, “...no territorial government may, without the prior approval of the Oversight Board, issue debt or guarantee, exchange, modify, repurchase, redeem, or enter into similar transactions with respect to its debt”. On May 9, 2019, the Oversight Board designated Puerto Rico’s 78 municipalities as Covered Territorial Instrumentalities subject to the requirements of PROMESA. Therefore, all covered entities, including municipalities, must submit for the Oversight Board’s review and approval all debt transactions prior to their effectiveness.

Accordingly, as part of the Oversight Board’s effort to maintain fiscal governance, accountability, and internal controls for the Government of Puerto Rico, including its municipalities, we cannot support this aspect of SB 1333, as designating CRIM as fiscal agent and financial advisor of the municipalities would compromise the independence that such function requires.

The Oversight Board reserves all its rights to nullify and enjoin enforcement of legislation pursuant to PROMESA sections 204(a) and 108(a)(2).

Sincerely,



Natalie A. Jaresko

CC: Mr. Omar Marrero Díaz