

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



José B. Carrión III
Chair

Members

*Andrew G. Biggs
Carlos M. García
Arthur J. González
José R. González
Ana J. Matosantos
David A. Skeel, Jr.*

*Natalie A. Jaresko
Executive Director*

BY ELECTRONIC MAIL

June 17, 2020

The Honorable Wanda Vázquez Garced
Governor
Commonwealth of Puerto Rico

Mr. Reinaldo Paniagua Látimer
Executive Director
Center for Municipal Revenue Collection (“CRIM”)

Dear Governor Vázquez Garced and Executive Director Paniagua Látimer:

I write to you today to acknowledge receipt of the proposed FY2021 liquidation schedule in addition to the letter from CRIM dated June 16, 2020, indicating a proposed revised fiscal plan is being prepared now and should be approved by the CRIM Board and submitted to the Oversight Board by June 24, 2020.

This letter will also provide details regarding the anticipated certification of the CRIM fiscal plan and the timeline and expectations for the FY2021 CRIM budget certification process.

FY2021 Liquidation Schedule

The projected property taxes used to develop the liquidation schedule are inconsistent with the forecasted property taxes submitted by the Oversight Board to CRIM on June 4, 2020, pursuant to § 202(b) of PROMESA. Therefore, CRIM must adjust the FY2021 liquidation schedule to reflect the forecasted property taxes submitted by the Oversight Board. This forecast was developed by analyzing historical collections and adjusting for the projected impact of COVID-19 using macroeconomic assumptions in line with the certified 2020 Fiscal Plan for the Commonwealth.

CRIM must communicate the updated liquidation schedule to municipalities. Municipalities will need to revise and update their FY2021 budgets in accordance with this updated forecast.

The Oversight Board has forecasted total real and personal property to be approximately \$691.9 million and \$364.1 million, respectively, for FY2021. Real and personal base taxes are projected

to be approximately \$386.6 million and \$169.2 million, respectively. Real and personal base tax projections by municipality are included in Appendix 1. In comparison, the proposed liquidation schedule submitted for CRIM is projecting \$388.3 million in real base taxes and \$194.7 million in personal base taxes.

The Oversight Board recognizes that there will always be a variance between actual and projected property tax collections, which will be reconciled during the year-end reconciliation process conducted by CRIM. However, any property tax collection forecast must reflect economic reality and include the best available information. Overestimating property taxes would result in CRIM over advancing property taxes to municipalities, which could result in severe liquidity issues to the agency and financial implications to municipalities. Given the highly variable nature and lack of clarity surrounding the impact of COVID, projections have been adjusted. CRIM and the Oversight Board will continue to monitor collections to track and assess performance versus budget to determine if any potential adjustment should be considered during FY2021.

Revised CRIM Fiscal Plan

Since last year, we have engaged with CRIM, the Government and its advisors to develop a proposed fiscal plan for CRIM. Recent key events are summarized below and further detailed in the notice of violation sent on June 4, 2020.

- On February 28, 2020, the Oversight Board received a proposed revised fiscal plan submitted by CRIM, including updates on the ongoing initiatives and proposed revenue-enhancing measures but did not include updated property tax revenue projections.
- On June 4, 2020 the Board issued a notice of violation, pursuant to Section 201(c)(3)(B), listing the primary points of noncompliance.
- The Oversight Board's notice to the Governor described the violations identified and provided CRIM until 5:00 pm AST on June 9, 2020, as the deadline for submitting a revised proposed fiscal plan, including all financial models.
- The Governor failed to submit to the Oversight Board a proposed revised fiscal plan for CRIM attempting to address the identified violations in the prior proposed plan.
- Upon such failure to submit a proposed revised fiscal plan, the Oversight Board, pursuant to Section 201(d)(2) of PROMESA, is in the process of developing a fiscal plan for CRIM that would satisfy the requirements of PROMESA set forth in Section 201(b) thereof.

CRIM Fiscal Plan certification and FY2021 Budget certification timeline

To advance this process, pursuant to Sections 201(a) and 202(a) of PROMESA, please find below the schedule for the process leading to the certification of the fiscal plan ("2020 Fiscal Plan") and budget ("FY21 Budget") for CRIM.

Hon. Vázquez Garced
Mr. Paniagua Látimer
June 17, 2020
Page 3 of 5

The following timeline for certification of the 2020 Fiscal Plan is herewith set forth:

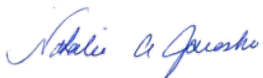
- In light of the submission of the proposed revised fiscal plan for CRIM on February 28, 2020, the notice of violation dated June 4, 2020, and no further submission of a proposed revised fiscal plan for CRIM having been made by the due date of June 9, 2020, the Oversight Board expects to certify a CRIM fiscal plan according to Sections 201(d)(2) and 201(e)(2) of PROMESA, on or before June 22, 2020.

The following timeline for certification of the FY21 Budget is herewith set forth:

- June 4, 2020 – Pursuant to Section 202(b) of PROMESA, the Oversight Board sends the Governor and CRIM a forecast of revenues for fiscal year 2021 for CRIM.
- June 24, 2020 - Pursuant to Section 202(c)(1) of PROMESA, the Governor and CRIM submit a proposed FY21 Budget for CRIM which will include municipal level distributions (“FY2021 liquidation schedule”) and details of the CRIM operating budget, aligned with their 5% admin fee.
- June 26, 2020 – Pursuant to Section 202(c)(1) of PROMESA, the Oversight Board (i) approves the Budget or (ii) shall send the Governor and CRIM a notice of violation, if it determines that the proposed FY21 Budget is not compliant with the 2020 Fiscal Plan.
- June 29, 2020 – Pursuant to Section 202(c)(1)(B)(ii) of PROMESA, if necessary, the Governor will resubmit a revised FY21 Budget.
- June 30, 2020 - Pursuant to Section 202(e) of PROMESA, the Oversight Board expects to certify the CRIM FY21 Budget.

The Oversight Board looks forward to working together to develop a timely and compliant 2020 Fiscal Plan and FY21 Budget for CRIM. Please reference the June 4, 2020 letter, update revenues and communicate to municipalities as required by PROMESA. The Oversight Board will make itself available to discuss the projected revenues at CRIM’s request.

Sincerely,



Natalie A. Jaresko

CC: Mr. Omar Marrero Díaz
Hon. Javier Carrasquillo Cruz

Appendix 1: CRIM Fiscal Plan Projected Real and Personal Taxes

(Dollars in thousands)	A	B	C	A+B+C=D	E	F	G	E+F+G=H	D+H=I
Municipality	Base Real Property	CAE Real Property	GO Real Property	Total Real Property	Base Personal Property	CAE Personal Property	GO Personal Property	Total Personal Property	Total Property
Total	\$386,578	\$236,669	\$68,676	\$691,922	\$169,185	\$149,023	\$45,926	\$364,134	\$1,056,057
Adjuntas	752	195	134	1,081	124	49	34	207	1,287
Aguada	2,483	856	441	3,781	686	361	186	1,233	5,013
Aguadilla	5,613	3,387	997	9,997	2,575	1,355	698	4,629	14,625
Aguas Buenas	1,285	776	228	2,289	182	167	49	398	2,687
Aibonito	1,360	586	241	2,188	481	317	130	928	3,116
Añasco	2,123	1,043	377	3,544	830	623	225	1,678	5,222
Arecibo	7,482	6,192	1,329	15,002	2,576	2,373	698	5,648	20,649
Arroyo	948	572	168	1,689	369	340	100	808	2,498
Barceloneta	3,428	2,069	609	6,106	2,427	2,235	658	5,320	11,426
Barranquitas	855	369	152	1,375	456	300	124	879	2,255
Bayamón	24,179	11,464	4,294	39,936	15,843	11,465	4,294	31,603	71,539
Cabo Rojo	6,294	3,527	1,118	10,938	1,107	582	300	1,989	12,927
Caguas	16,637	10,039	2,954	29,631	9,347	8,609	2,534	20,490	50,121
Camuy	1,612	973	286	2,871	456	240	124	820	3,691
Canóvanas	3,895	2,351	692	6,938	1,146	1,056	311	2,513	9,451
Carolina	26,210	20,336	4,655	51,201	10,721	12,696	2,906	26,324	77,524
Cataño	3,604	2,175	640	6,418	6,083	5,603	1,649	13,335	19,753
Cayey	4,709	3,044	836	8,589	2,970	2,931	805	6,707	15,296
Ceiba	1,090	470	194	1,753	163	58	48	269	2,022
Ciales	807	487	143	1,438	118	109	32	258	1,696
Cidra	3,195	3,030	567	6,792	1,626	2,354	441	4,421	11,213
Coamo	1,821	1,099	323	3,244	462	426	125	1,013	4,257
Comerio	544	211	97	851	159	94	43	296	1,148
Corozal	1,306	675	232	2,213	494	390	134	1,018	3,231
Culebra	534	184	95	814	46	24	12	83	896
Dorado	8,157	5,274	1,449	14,880	1,916	2,017	519	4,453	19,333
Fajardo	5,369	3,240	953	9,562	1,969	1,036	534	3,538	13,100
Florida	402	242	71	715	96	88	26	210	925
Guánica	955	618	170	1,743	186	184	50	420	2,163
Guayama	5,349	2,997	950	9,296	1,885	1,612	511	4,008	13,305
Guayanilla	871	601	155	1,626	173	182	47	402	2,029
Guaynabo	27,768	15,560	4,931	48,259	12,592	10,770	3,413	26,775	75,034
Gurabo	4,327	3,730	768	8,826	1,246	984	338	2,567	11,394
Hatillo	2,777	1,258	518	4,553	3,006	2,135	879	6,020	10,573
Hormigueros	1,332	689	236	2,257	776	613	210	1,600	3,856
Humacao	8,612	2,970	1,529	13,111	3,377	1,777	915	6,069	19,180
Isabela	3,513	1,514	624	5,651	1,201	790	326	2,316	7,967
Jayuya	599	129	106	835	231	76	63	369	1,204
Juana Díaz	2,490	1,073	442	4,005	854	787	232	1,872	5,878
Juncos	3,034	2,354	539	5,928	944	1,118	256	2,318	8,246
Lajas	1,827	1,732	324	3,883	267	387	72	727	4,610
Lares	1,366	765	242	2,373	314	268	85	667	3,040
Las Marías	486	113	86	685	66	23	18	107	792
Las Piedras	2,534	1,529	450	4,514	949	499	257	1,705	6,219

(Dollars in thousands)	A	B	C	A+B+C=D	E	F	G	E+F+G=H	D+H=I
Municipality	Base Real Property	CAE Real Property	GO Real Property	Total Real Property	Base Personal Property	CAE Personal Property	GO Personal Property	Total Personal Property	Total Property
Total	\$386,578	\$236,669	\$68,676	\$691,922	\$169,185	\$149,023	\$45,926	\$364,134	\$1,056,057
Loíza	1,499	1,267	266	3,032	154	199	42	395	3,427
Luquillo	2,224	959	395	3,578	465	245	126	836	4,414
Manatí	4,217	1,999	749	6,965	2,213	1,601	600	4,414	11,378
Maricao	293	177	52	521	113	30	31	174	695
Maunabo	563	291	100	955	64	34	17	116	1,071
Mayagüez	10,547	6,819	1,873	19,240	5,616	5,542	1,522	12,680	31,919
Moca	1,954	927	347	3,228	629	290	171	1,089	4,317
Morovis	1,094	754	194	2,042	366	216	99	681	2,723
Naguabo	1,588	822	282	2,692	351	157	95	604	3,296
Naranjito	1,192	617	212	2,021	517	408	140	1,065	3,085
Orocovis	959	198	170	1,328	188	59	51	298	1,626
Patillas	884	533	157	1,574	164	151	44	359	1,933
Peñuelas	2,276	687	404	3,367	583	268	158	1,009	4,376
Ponce	15,923	15,100	2,828	33,851	10,129	9,330	2,746	22,204	56,055
Quebradillas	1,448	499	257	2,205	353	186	96	635	2,840
Rincón	1,777	1,226	316	3,319	241	253	65	559	3,878
Río Grande	6,158	3,716	1,094	10,967	1,201	632	325	2,158	13,126
Sabana Grande	1,140	688	202	2,030	337	310	91	738	2,768
Salinas	1,429	862	254	2,546	469	432	127	1,028	3,573
San Germán	2,312	1,295	411	4,017	946	685	257	1,888	5,905
San Juan	85,013	51,301	15,097	151,411	35,555	32,748	9,637	77,940	229,351
San Lorenzo	1,893	1,110	336	3,339	925	827	251	2,003	5,342
San Sebastián	2,926	1,135	520	4,581	864	568	234	1,666	6,247
Santa Isabel	1,155	796	205	2,157	1,020	1,073	276	2,370	4,526
Toa Alta	4,285	3,325	761	8,370	643	592	174	1,410	9,781
Toa Baja	6,168	5,317	1,095	12,580	4,688	6,169	1,271	12,128	24,708
Trujillo Alto	6,444	4,166	1,144	11,754	1,531	1,511	415	3,457	15,212
Utuado	1,307	451	232	1,989	285	150	77	512	2,501
Vega Alta	3,708	1,183	659	5,550	1,141	556	309	2,007	7,556
Vega Baja	3,798	2,292	674	6,763	2,092	1,927	567	4,585	11,349
Vieques	883	609	157	1,649	93	98	25	216	1,865
Villalba	814	386	145	1,345	250	230	68	547	1,892
Yabucoa	1,714	1,182	304	3,201	420	442	114	976	4,177
Yauco	2,458	1,483	436	4,377	1,085	999	294	2,379	6,756