

FY2021-2025 Fiscal Plan for the Municipality of Isabela

As certified by the Financial Oversight and Management Board for
Puerto Rico on June 29, 2020

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List of Acronyms and Key Terms

AAFAF	Puerto Rico Fiscal Agency and Financial Advisory Authority (Spanish acronym)
ASES	Puerto Rico Health Insurance Administration (Spanish acronym)
CAFR	Comprehensive Annual Financial Report
CAGR	Compound Annual Growth Rate
CDBG	Community Development Block Grant
COFIM	La Corporación de Financiamiento Municipal
COFINA	Puerto Rico Sales Tax Financing Corporation (Spanish acronym)
COR3	Central Office for Recovery, Reconstruction, and Resiliency
DB	Defined Benefit pension plan
DC	Defined Contribution pension plan
DDEC	Puerto Rico Department of Economic Development Commerce (Spanish acronym)
DOH	Department of Health
ERS	Employee Retirement System
FAM	Municipal Administration Fund
Federal Government	The U.S. Federal Government
FEMA	Federal Emergency Management Agency
FMAP	Federal Medical Assistance Percentage
FOMB	Financial Oversight and Management Board for Puerto Rico
FQHC	Federally Qualified Health Center
FYTD	Fiscal-Year-To-Date
GAO	US Government Accountability Office
GDB	Government Development Bank for Puerto Rico
GDP	Gross Domestic Product
GF	General Fund
GNP	Gross National Product
Government	Government of Puerto Rico
Governor	Governor Wanda Vázquez Garced
Hacienda	Puerto Rico Department of Treasury
HHS	US Department of Health and Human Services
HUD	US Department of Housing and Urban Development
Hurricanes	Hurricane Irma and Hurricane Maria
IPR	Invest Puerto Rico
Island	Puerto Rico
KPIs	Key Performance Indicators
MMIS	Medicaid Management Information System
OMB	Office of Management and Budget
P3	Public Private Partnerships
P3 Authority	Public Private Partnership Authority
PA	Public Assistance
Parties	AAFAF and the Government
PBA	Public Buildings Authority
PMPM	Per Member Per Month
PRASA	Puerto Rico Aqueduct and Sewer Authority
PRDE	Puerto Rico Department of Education
PREB	Puerto Rico Energy Bureau
PREMA	Puerto Rico Emergency Management Agency
PREPA	Puerto Rico Electric and Power Authority
PRHFA (or HFA)	Puerto Rico Housing Finance Authority
PRHTA (or HTA)	Puerto Rico Highway and Transportation Authority
PRIDCO	Puerto Rico Industrial Development Company
PROMESA	Puerto Rico Oversight, Management and Economic Stability Act
PRTC	Puerto Rico Tourism Corporation
RFQP	Request for Proposal
SR	Structural Reform
SUT	Sales and Use Tax
SIFC	State Insurance Fund Corporation
TANF	Temporary Assistance for Needy Families
UPR	University of Puerto Rico
WIOA	Workforce Innovation and Opportunity Act

Disclaimer

The Financial Oversight and Management Board for Puerto Rico (the “FOMB,” or “Oversight Board”) has formulated this 2021-2025 Municipal Fiscal Plan based on, among other things, information obtained from the respective Municipality, the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”), and other Puerto Rico Government Agencies (together, the “Government”).

This document does not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation or review services in accordance with standards established by the American Institute of Certified Public Accountants or any other organization. Accordingly, the Oversight Board cannot express an opinion or any other form of assurance on the financial statements or any financial or other information or the internal controls of the Government and the information contained herein.

This Municipal Fiscal Plan is not a Title III plan of adjustment. It does not specify classes of claims and treatments. It neither discharges debts nor extinguishes liens.

This Municipal Fiscal Plan is based on what the Oversight Board believes is the best information currently available. To the extent the Oversight Board becomes aware of additional information after it certifies this Municipal Fiscal Plan that the Oversight Board determines warrants a revision of this Municipal Fiscal Plan, the Oversight Board will so revise it.

For the avoidance of doubt, the Oversight Board does not consider and has not considered anything in the Municipal Fiscal Plan as a “recommendation” pursuant to Section 205(a) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”).¹ Nevertheless, to the extent that anything in the Fiscal Plan is ever deemed a “recommendation” pursuant to Section 205(a), the Oversight Board hereby adopts it as appropriate in the Municipal Fiscal Plan pursuant to Section 201(b)(1)(K).

Any statements and assumptions contained in this document, whether forward-looking or historical, are not guarantees of future performance and involve certain risks, uncertainties, estimates and other assumptions made in this document. The economic and financial condition of the Government and its instrumentalities is affected by various legal, financial, social, economic, environmental, governmental and political factors. These factors can be very complex, may vary from one fiscal year to the next and are frequently the result of actions taken or not taken, not only by the Government, the Oversight Board, and other third-party entities such as the Government of the United States.

Because of the uncertainty and unpredictability of these factors, their impact cannot be included in the assumptions contained in this document. Future events and actual results may differ materially from any estimates, projections, or statements contained herein. Nothing in this document should be considered as an express or implied commitment to do or take, or to refrain from taking, any action by the Oversight Board, the Government, or any instrumentality in the Government or an admission of any fact or future event. Nothing in this document shall be considered a solicitation, recommendation or advice to any person to participate, pursue or support a course of action or transaction, to purchase or sell any security, or to make any investment decision.

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¹ Unless otherwise noted, all section references hereinafter are to sections of PROMESA.

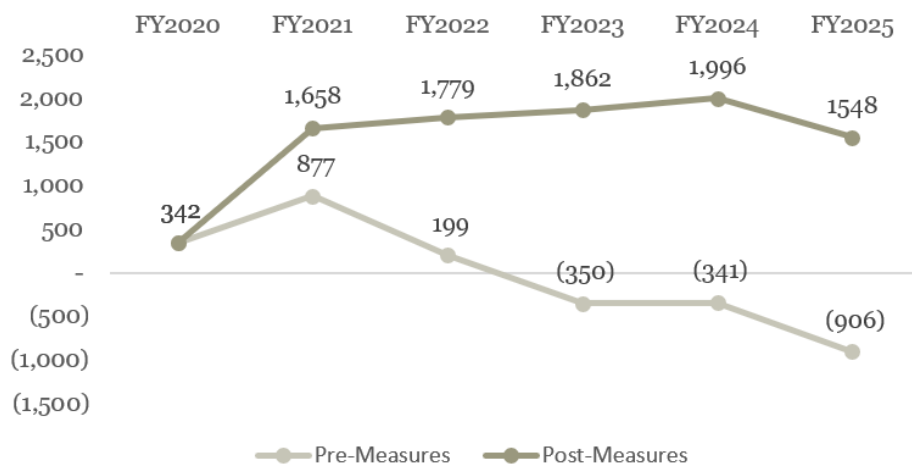
Chapter 1. Executive Summary

As one of Puerto Rico’s 78 municipalities, the Municipality of Isabela (the “Municipality”) is on the front line for the provision of services to the 40,400 people that live in its community. This support has taken on even more importance in the wake of the natural disasters that struck the Island and more recently COVID-19. Not only are households and businesses affected by these tragic events, but so is the fiscal capacity of municipalities like Isabela, which rely on a healthy economy for their revenue.

This Fiscal Plan is one of ten municipal pilot fiscal plans required by the Financial Oversight and Management Board (“FOMB” or “Oversight Board”).² It is designed to enable Isabela to achieve fiscal sustainability, expand its economy, and reduce costs to deliver the critical services required by its residents.

This Fiscal Plan showcases Isabela’s existing shared service partnerships with other municipalities and Governmental entities. It also highlights the socioeconomic outlook for the Municipality. As shown in EXHIBIT 1, however, inaction is not an option. If the status quo persists, Isabela will begin to experience ever growing deficits starting in FY2023. Consequently, this Fiscal Plan prioritizes several fiscal, budgetary, and economic development measures that must be taken over the next five fiscal years. Isabela must act now to change its fiscal course and achieve financial stability.

EXHIBIT 1 BASELINE FINANCIAL PROJECTIONS VS ADJUSTED FINANCIAL PROJECTIONS , \$000



The key reform measures described in this Fiscal Plan that Isabela must take to improve its fiscal sustainability include:

- Coordinate and cooperate with Municipal Revenues Collections Center (“CRIM” by its acronym in Spanish) to improve property tax collection
- Consolidate or share municipal services and/or products with neighboring municipalities in areas such as: public works and infrastructure, public safety, family services, education, housing, road maintenance, and solid waste management
- Partner with the private sector, non-governmental organizations and Federal programs to increase grants and other revenue streams to improve sustainability of Municipal programs and events

² On May 9, 2019, FOMB announced that all 78 Puerto Rican municipalities would become covered instrumentalities under PROMESA. As part of the measure, the Oversight Board selected ten municipalities, comprised of two geographically aligned groups, for a pilot program to develop fiscal plans and budgets to be reviewed and certified by the Oversight Board. The ten municipalities selected from the central and northern regions are Orocovis, Aibonito, Barranquitas, Cidra, Comerío, Villalba, Camuy, Isabela, Quebradillas, and San Sebastián.

- Secure disaster recovery funds and other specific economic development measures available
- Attract long-term private sector investment
- Evaluate and right size personnel costs

In addition to the measures above, Isabela must also actively identify new economic development measures, revenue enhancements, and cost reduction measures that will provide it with the resources needed to continue providing its residents with ever-improving quality of life. Moreover, economic development measures are necessary to build a long-term fiscally sustainable Municipal Government and a growing regional economy.

The Fiscal Plan also builds on existing efforts by Isabela to capitalize on tourism measures and the commercialization of its urban area, with a strong focus on eco-tourism activities. As described in the Fiscal Plan, this commercialization effort must be complemented by attracting new businesses and promoting regional consortiums with other municipalities. Through the prioritization of government spending and the efficient use of disaster recovery funds, Isabela will be able to further grow the local economy while enhancing the quality of life in the community.

Notably, Isabela could access a portion of the \$22 million set aside in the Commonwealth 2020 Fiscal Plan if the Municipality voluntarily chooses to consolidate services to achieve savings. This funding is available for distribution to any municipality that completes service consolidations achieving savings, once confirmed by the Oversight Board.

This Fiscal Plan concludes with a specific implementation plan the Municipality must follow throughout the next five fiscal years to meet all operational and fiscal responsibilities. Collectively, these actions aim to promote fiscal sustainability by maximizing municipal revenues and maintaining adequate levels of service in compliance with annual budgets.

Looking forward, the measures contained in this Fiscal Plan will provide Isabela with the tools to achieve long-term fiscal sustainability, support and attract new businesses, as well as provide its residents with ever-improving quality of life.

Chapter 2. Socioeconomic Context

Isabela is in the north-western region of the Island, north of San Sebastián; west of Quebradillas; and east of Aguadilla and Moca. It is named in honor of Isabela I of Castile. Isabela is spread over 13 wards and Isabela Pueblo, which is the downtown area and administrative center. The Municipality was founded in the year 1819 and has been primarily a commercial and agricultural base economy. The Municipality served as a leader in the development of economic activity in the northwest of Puerto Rico and its surroundings through the development of significant economic and infrastructure projects.

Isabela is a coastal city with beautiful scenery and potential to grow its tourism and private industrial economy, neighbored by an expanding aerospace cluster, an international airport, and a University of Puerto Rico (“UPR”) campus to the west (Aguadilla). As such, the Municipality is well-positioned to grow its economy into the future by fostering entrepreneurship and a highly skilled workforce in industries such as software and information technologies, tourism, and education and health services.

EXHIBIT 2 ISABELA LOCATION WITHIN THE COMMONWEALTH

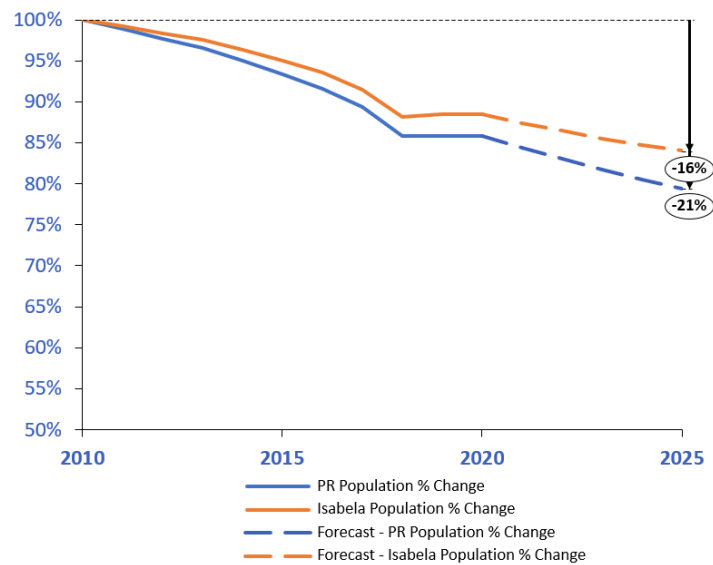


According to the U.S. Census Bureau as of 2019, the most recent demographic information available at the time of publication of this document, Isabela has: (i) a population of approximately 40,400 people; (ii) a median household income of \$16,748; and (iii) over 71% of the population holds a high school degree or higher³.

As shown below in EXHIBIT 3, Isabela’s population has decreased at a slightly lower rate than the Commonwealth since 2010 and is projected to decline at a slightly lower rate through 2025. The Municipality forecasts approximately 5% decline in population from 2020 to 2025, to a total population of approximately 38,400 people.

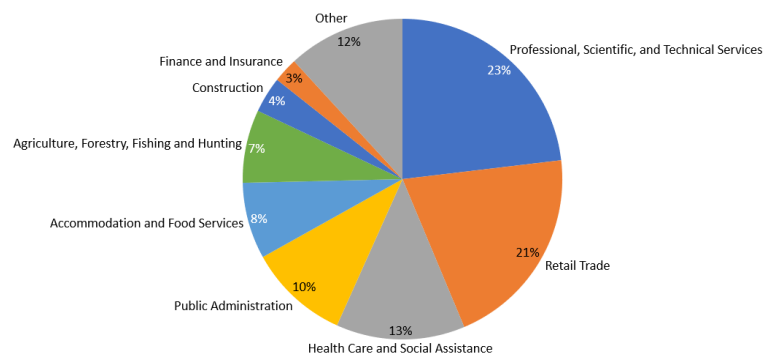
³ U.S. Census Bureau Municipality Data, 2019

EXHIBIT 3 POPULATION % CHANGE - ISABELA VS COMMONWEALTH 2010-2025



The largest industries in Isabela are professional, scientific, and technical services, retail trade, and health care and social assistance. EXHIBIT 4 breaks down the current sector employment as a percentage share of total employment.

EXHIBIT 4 SECTOR EMPLOYMENT AS A SHARE OF TOTAL EMPLOYMENT



Employers and economy drivers in Isabela include:

InfoTech, an aerospace engineering services company in manufacturing, aerospace, transportation, telecom, utilities and government. Infotech Aerospace Services (“IAS”) was incorporated and began operations in Puerto Rico in 2003. and currently operates out of a 60,000 square foot Puerto Rico Industrial Development Company (“PRIDCO”) building at the Mora Guerrero Industrial Park.

Axon Communications, Inc. (“Axon”) an implementation, near-shore delivery and consulting services occupies a 33,000 square foot service center within Isabela.

Isabela is home to Monsanto Caribe LLC, a Bayer Company. Monsanto has operated in Puerto Rico since 1996, when it acquired Asgrow Seeds. Monsanto’s operations on the Island consist of agricultural biotechnology and plant breeding research to develop soybeans, cotton and corn seeds.

Chapter 3. Budget Highlights and Financial Projections

Note that all projections made in this section of the report are based on a best estimate of demographics, impacts of external events and historical trends.⁴ See Chapter 2 Socioeconomic Context for all demographic changes referenced in this chapter.

The Oversight Board projected revenue and expenditures for the 2022 through 2025 period for each municipality, including Isabela. This projection is in turn based on the estimated effects of COVID-19 on employment (by selected major sector) and income and on forecasts of these and a number of other explanatory variables through FY2022 to FY2025. In addition to employment, median income and population, the revenue and expenditure forecasts also use explanatory variables such as portion of the population with at least a high-school degree, population dependency ratios, and total housing units.

Given Isabela's fiscal dependency on the Central Government and the Municipal Revenues Collections Center ("CRIM" by its acronym in Spanish), this Fiscal Plan incorporates most fiscal policies and assumptions from those Fiscal Plans as a baseline. For instance, in general, the models use the same overall macroeconomic effects that were used in the Commonwealth Fiscal Plan, such as total population growth, dependent population, level of overall unemployment forecast due to COVID-19.⁵ These are then apportioned to each municipality based on their demographic profile and economic structure. The revenue and expenditure series are further forecasted based on the economic and demographic forecast using econometric modeling.

The revenue and expense projections described below focus on the General Fund.⁶ The General Fund is the Municipality's main operating fund used to account for all financial resources and governmental activities.

3.1 General Fund Forecast

Due to economic pressures from recent hurricanes, earthquakes, and COVID-19, Isabela will have difficulty balancing its budget in the future. The base projections indicate Isabela is positioned to start experiencing deficits in FY2022 that will continually expand through FY2025. As shown in Exhibit 5, by 2025, Isabela's deficit is projected to grow to \$906,000 (7.7% of current revenue). Consequently, Isabela must implement a series of compensating measures.

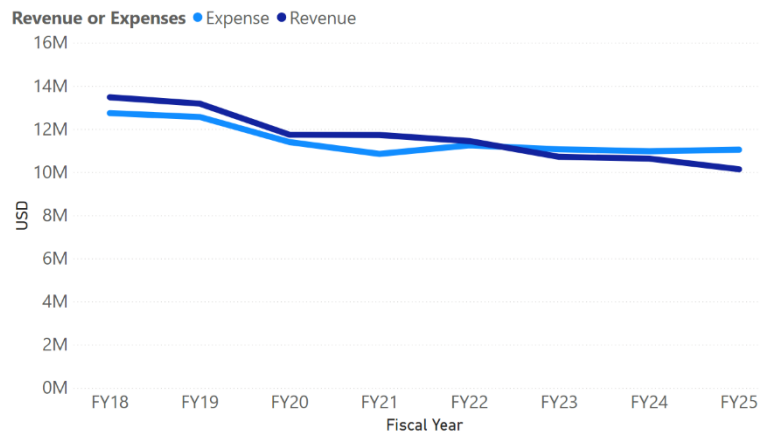
Due to heavy reliance on the Equalization Fund and economic pressures from recent hurricanes, earthquakes, and COVID-19, Isabela will have difficulty remaining sustainable as the Commonwealth Transfers section of the Equalization Funding is reduced to zero over the coming five years. Isabela is projected to run a deficit that is expected to peak in 2025. To maintain sustainability, Isabela must implement cost reduction measures and generate increased revenue to compensate for the 13.6% expected loss in revenue over the next five years.

⁴ Inflation is accounted for in all forecasts (e.g. payroll and non-payroll expenses) referenced in the Municipal Fiscal Plan

⁵ The projections incorporate the macroeconomic forecast utilized in the certified Commonwealth Fiscal Plan. Those projections can be found in the Commonwealth Fiscal Plan Chapter 1: "Long-term economic trends in Puerto Rico" and Chapter 4: "Macroeconomic and demographic trajectory" and are hereby incorporated by reference.

⁶ Federal Funds, Special Revenue Funds and Capital Expenses are not reviewed within the Fiscal Plan due to limitations accessing current values for these Fund types. Beginning with the next iteration of the Fiscal Plan, this level of detail must be provided by the Municipality.

EXHIBIT 5 MUNICIPALITY GENERAL FUND REVENUE AND EXPENSES BY YEAR



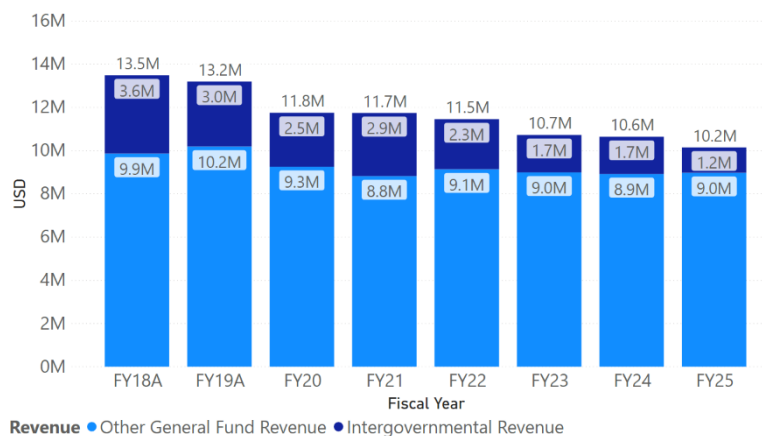
3.2 General Fund baseline revenue overview and projections

This section outlines the General Fund revenue forecast for Isabela. The Municipality's largest revenue sources include property tax, and the sales and use tax, which collectively constitute 42.1% of Isabela's 2020 revenues. Intergovernmental transfers represented another 21.2% of the Municipality's total revenue in 2020.

Isabela's total revenue is expected to decline by \$1,600,000 (13.6%) over the next five years. This decline is driven by reductions of intergovernmental transfers and a decline in sales and use taxes due to COVID-19. The impact from the decline in sales and use tax collection is significant because 34% of the working population in Isabela is employed in the accommodation, food and retail industries. Refer to Chapter 2 for a more in-depth breakdown of the local industry. Isabela must evaluate its future sustainability.

If revenues decline further than projected in the baseline, further efficiency measures to reduce expenditures must be implemented.

EXHIBIT 6 GENERAL FUND MUNICIPAL FORECAST REVENUE THROUGH FY2025



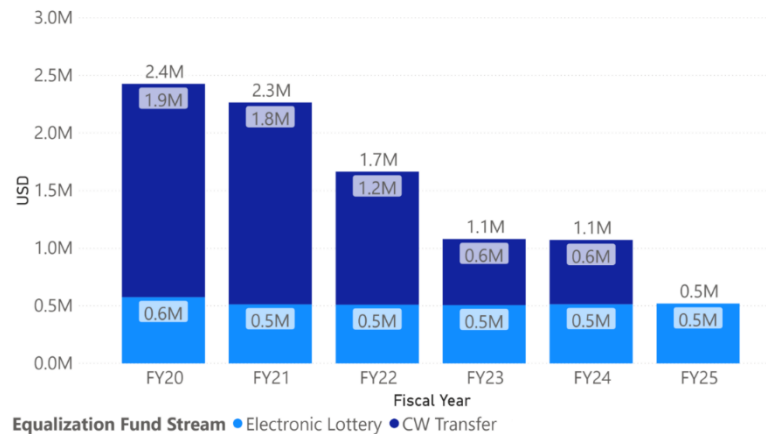
3.2.1 Intergovernmental Transfers

Intergovernmental income contributes 21.2% of the Municipality's total FY2020 revenue. 97.3% of Intergovernmental income is derived from Equalization Funds, of which 76.3% (\$1,851,000) is Commonwealth transfers and 23.7% is Electronic Lottery (\$576,000). In compliance with the certified Commonwealth Fiscal Plan, Commonwealth transfers are being gradually eliminated by FY2025. The total reduction in Commonwealth transfers will be equal to 14.6% of Isabela's total current revenue. The Electronic Lottery is projected to decline by

11% due to the impact of COVID-19 through FY2021 and maintain this lower rate through 2025 due to lasting COVID-19 impacts, population decline and changing demographics throughout Puerto Rico.

In accordance with the 2020 Commonwealth Fiscal Plan, various cost reduction measures have been incorporated to reduce the impact of the natural disasters and COVID-19 that Puerto Rico has endured.

EXHIBIT 7 FORECAST MUNICIPALITY EQUALIZATION FUND REVENUE



3.2.2 Property Tax

Property Tax contributes 34.3% (\$4,027,000) of the Municipality's total FY2020 General Fund revenue. Property tax rates are currently 9.33% on real property and 7.33% on personal property in Isabela. In 2020, real property taxes are expected to account for 68.5% of the total property tax revenue stream with personal property tax accounting for the remainder. Both, real and personal property, tax rates include Basic Municipal Contribution, State Redemption Fund and CAE Tax streams. Over the next five years, baseline property tax revenue is expected to remain consistent with non-material variations due to external events and socioeconomic changes. Property tax will see minimal impacts from COVID-19 as the health of the Isabela's industries are not expected to see material COVID-19 impacts that would inhibit the ability of the population to sustainably pay property taxes.

3.2.3 Business Licenses

Business Licenses contribute 16.3% of the Municipality's total FY2020 revenue. As of 2020, Isabela has 698 registered businesses. Business license revenue is expected to decline by 13.9% in FY2021 due to COVID-19 and maintain that lower rate through 2025 due to lasting COVID-19 effects, population decline and additional demographic changes over the next five years. See Chapter 2, Socioeconomic Context, for supporting detail on population and demographic changes in Isabela. The baseline projection does not consider any measures Isabela is taking to attract local and new businesses into the Municipality's available industrial space.

The volume of taxes levied each year is based on the prior year's gross revenues for all entities doing business in the Municipality which are not exempt from business license taxes under Act 60-2019. See the Socioeconomic Context section of this Fiscal Plan for supporting detail on population and demographic changes in Isabela. The baseline projection does not consider any measures Isabela is taking to attract local and new businesses into the Municipality's available industrial space.

3.2.4 Sales and Use Tax (“SUT”)

Sales and Use Tax contributes 18.9% of the Municipality’s total FY2020 revenue and is expected to decrease by 3% in 2021 due to COVID-19 impacts and then remain constant with minor lasting impacts from population decline and additional demographic changes over the next five years.

3.2.5 All Other General Fund Income Streams

Other income streams contribute 9.3% of the Municipality’s total revenue and consists of PREPA compensation, bank interest, fines, municipal investments, state compensation and other income. Other General Fund income streams are expected to see an 11.6% reduction in 2021 from COVID-19 before recovering to current revenue levels over the following five years.

As established by its Organic Act, the Puerto Rico Electric Power Authority (“PREPA”) is not required to pay any state or municipal contributions, or taxes of any kind on any properties acquired by it or under its power. Contributions or Payments in Lieu of Taxes (“CILT”) is the mechanism by which the utility compensates municipalities with electric power up to a defined consumption limit, in exchange for municipal tax exemptions.

To this end, Puerto Rico’s independent regulatory body for the energy system, the Puerto Rico Energy Bureau (“PREB”) approves and refines all regulatory guidelines regarding the CILT structure to ensure its adequacy as a compensation mechanism. PREPA CILT amounts are defined by the consumption limit set for municipalities for their subsidized electricity utilization as set by the regulator and prevalent legislation and municipalities will be billed for any additional electricity utilization over the compensation limit.

3.3 General Fund baseline expense overview and projections

As detailed in the chart below, the three Municipal departments with the highest expenditures are Finance, Public Works and Municipal Police which constitute approximately 70.5% of the Municipality’s total expenditures. Labor expenses account for 61% of the total General Fund budget for FY2020. Some key FY2020 budget expense highlights include \$442,185 for Professional Services, \$105,300 for Festivals Activities and \$50,000 for Bank Service Charges.

EXHIBIT 8 ISABELA HISTORICAL AND FORECAST EXPENSES BY DEPARTMENT



3.3.1 Municipality Overall Payroll

As of FY2020, the Municipal Government of Isabela employs a total of 430 individuals across all departments with a total labor spend of 61% of the General Fund expenses. The labor cost as a percentage of General Fund is 14% above the Puerto Rico average (47%). The average annual salary is \$13,800 across all job functions employed by Isabela. Bonuses are a total of

\$214,500, Medical Coverage is \$516,000 and Social Security totals \$470,600 across the Municipality. Payroll as a percentage of the total municipal budget is much higher than in other municipalities.

EXHIBIT 9 PILOT MUNICIPALITY 2020 BUDGET BREAKOUT⁷

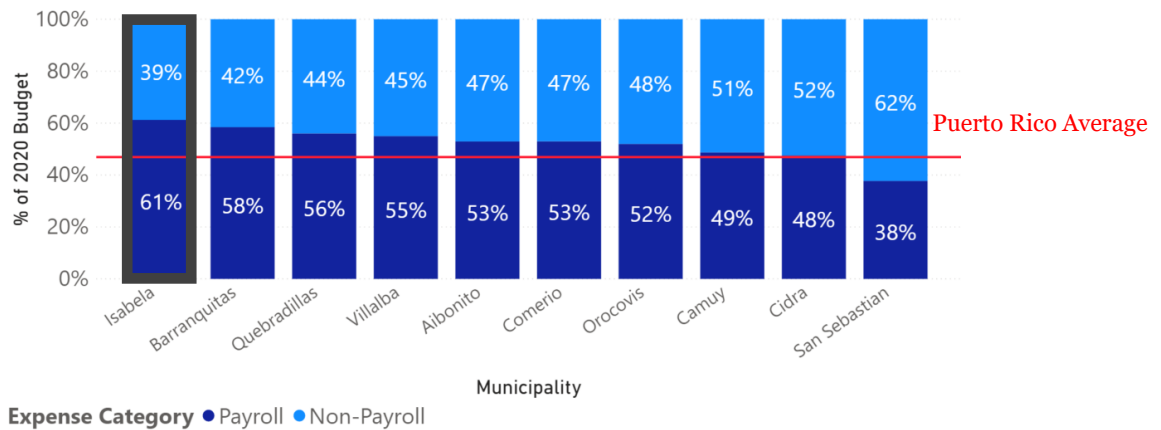
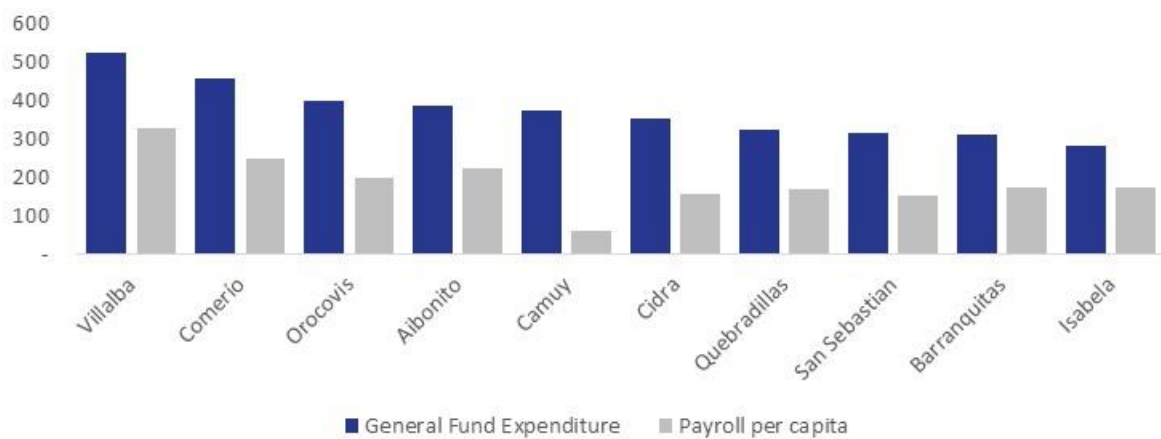


EXHIBIT 10: FY2020 MUNICIPAL GENERAL FUND EXPENSE AND PAYROLL PER CAPITA, \$000



On per capita spending, Isabela ranks tenth in terms of total General Fund expense and sixth in terms of municipal Payroll for the ten pilot municipalities.

The Municipality's work force is divided into four categories with 258 temporary employees, 137 regular employees, 35 trust employees, and the balance Irregular employees. The employee categories can be described as follow:

- Regular Employees – are full time employees that receive an annual salary as well as all insurance benefits associated with the position.
- Irregular Employees – charge per hour and cannot exceed a set number of monthly hours. These employees must receive insurance benefits, but they do not have the right to accumulate vacation.
- Temporary Employees – are employed for a fixed term (6 months or one year) and typically perform the function of an employee with regular career status but have no probationary period. These employees must receive insurance benefits.

⁷ Payroll includes all salaries, marginal benefits and Social Security paid by the Municipality

- Trust Employees – are the same as regular employees except for the additional contract clause that ties the position to the current political party. The position could be at risk if there is a change to the elected party.

EXHIBIT 11 MUNICIPALITY PAYROLL BREAKDOWN BY EMPLOYEE CATEGORY FY2020, \$000

Employee Type	Employee Count	Annual Salary	Social Security	Medical Plan	Historic Christmas Bonus	Summer Bonus
Temporary	258	3,137	249.9	309.6	129	0
Regular	137	1,863.8	147.8	164.4	68.5	0
Trust	35	936.4	72.9	42.0	17.0	0

Per the 2020 Commonwealth Fiscal Plan, certified budgets will not include funding for bonuses (e.g., historic Christmas or summer) including this Fiscal Plan. This measure is targeted to have an annual impact of \$215,000 with an aggregate impact of \$1,075,000 over the next five years. These targets are estimated based on historic spending on historic Christmas bonuses.

3.3.2 Finance Department

The Finance Department currently represents 41.8% of the Municipality's total expenditures with Equalization Fund contribution, insurance, and Payroll representing 42.5% of finance expenses in FY2020. All other Finance Department expense streams are expected to stay flat over the next five years.

Isabela currently employs 37 employees in its Finance Department with 5 regular, 30 temporary, and two trust employees. Payroll reflects 10.4% of the Department's total spend. Payroll consists of \$569,800 and only includes base annual salary contributions. Additional labor costs include \$18,500 given out in the form of historic Christmas bonuses, \$45,000 covers Social Security and \$44,400 in medical coverage. The functions of the personnel included in the finance department are accounting, procurement, technology technicians, property management, tax, internal audits and directors of internal revenue and finance.

3.3.3 Public Works Department

This Department represents 11.9% of the Municipality's total expenditures with Payroll, medical plan, and Federal Social Security costs accounting for 87.4% of public works expenses.

The Municipality currently employs 89 personnel within the Public Works Department with 49 temporary, 39 regular and two trust employees. The Department's Payroll currently makes up 74.17% of the total department spend with a total of \$1,072,000 in total salary contributions. Additional labor costs include \$44,500 in historic Christmas bonuses, \$85,400 in Social Security, and \$44,500 in medical coverage. The functions of the personnel include general laborers, trades workers, drivers, heavy equipment operators, supervisors, security, administrative workers, a director of environmental control and a director of public works.

3.3.4 Municipal Police

This Department represents 5.8% of the Municipality's total expenditures with Payroll costs accounting for 82.0% of public works expenses. Municipal Police spend is expected to remain constant if no further cost cutting measures are actioned.

The Municipality currently employs 37 personnel within the Municipal Police Department with 33 regular and four temporary employees. The Department's Payroll currently makes up 81.85% of the total department spend with a total of \$599,300 in total salary contributions.

Additional labor costs include \$18,500 in historic Christmas bonuses, \$47,300 in Social Security, and \$44,400 in medical coverage. The functions of the personnel include custodians, police, general workers, sergeants, lieutenants, a heavy vehicle driver and administration.

3.3.5 Mayor's Office

This Department represents 3.9% of the Municipality's total expenditures with Payroll costs accounting for 82.0% of the Mayor's Office expenses.

The Municipality currently employs 16 trust employees within the Mayor's Office. The Department's Payroll currently makes up 80.72% of the total department spend with a total of \$428,400 in total salary contributions. Additional labor costs include \$7,500 in historic Christmas bonuses, \$33,300 in Social Security, and \$19,200 in medical coverage. The functions of the personnel include the Mayor, administration, telecommunications, a driver, and assistants.

3.3.6 Pension

In alignment with Employee Retirement System ("ERS") projections, pension (known as PayGo) contributions are expected to range between \$1,099,000 and \$1,224,000 over the next five years. The Municipality of Isabela has 155 individuals who are receiving PayGo payments, in FY2020, receiving a total annual compensation of \$1,005,595.

All employers in Puerto Rico are obligated to remit their pension contributions per Act 106-2017. In the event Isabela is delinquent on their pension contributions per Act 106-2017 Section 3.5 (2) a. (iii), CRIM will withhold the total PayGo balance from the property tax funding to be transferred to the Municipality. Pension dues are paid in advance of pensions distributions. Therefore, the FY2020 pension distribution amount will not match the FY2020 amount.

3.4 Debt service

Isabela's current debt is comprised of multiple streams. This Fiscal Plan provides visibility on Special Additional Tax ("CAE" by its Spanish acronym), Community Disaster Loans and bond obligations. Bonds are used to finance a significant portion of the acquisition, construction and maintenance of capital assets and have been used to fund projects with payment maturities through 2033. The Municipality must provide insight into any operational loans, legacy Government Development Bank ("GDB") lines of credit and direct bank loans at a future date for all Fiscal Plans going forward.

3.4.1 CAE

Isabela is projected to use \$5,131,000 from the Special Additional Tax CAE collected to pay debt over the next five years.⁸ CAE revenue is collected as 2.5% of both real and personal property taxes by CRIM and is used to service any outstanding CAE and other debts that Isabela may have. Debt service payments are forecast to be sustainable based on current Special Additional Tax collections through 2025 with an average annual revenue of \$2,763,000. Any excess revenue is returned to the Municipality at the end of the fiscal year in the form of a lump sum payment and can be used at the discretion of the Municipality. The potential additional revenue from CAE collections are not currently budgeted by the Municipality in the above revenue and expenses sections.

⁸ Each municipality is required to levy CAE in such amount as will be required for the payment of its general obligation loans for which such municipality has pledged its good faith, credit and taxing power ("Municipal General Obligations"). Proceeds of the CAE are required by law to be deposited in the Municipal Debt Redemption Fund and used for the payment of Municipal General Obligations. Any additional CAE taxes not used for the payment of loans is returned to the Municipality at the end of the fiscal year.

3.4.2 Bonds Payable

The Municipality issues general obligation, special obligation and public improvement bonds to finance the acquisition, construction and improvement of capital assets, as well as, to finance certain operating needs, including the payment to suppliers in certain circumstances.

The Municipality levies an annual additional special property tax of 2.5% of the assessed value of personal and real property. The collections of this special tax are recorded in the Municipality's debt service fund.

The outstanding balances of bonds represent the total principal to be repaid. Bonds payable is composed as follows at June 30, 2018, the latest audited financial data available, bonds payable are composed as follows

EXHIBIT 12 ISABELA ANNUAL DEBT SERVICE REQUIREMENTS FOR MATURITY OF BONDS PAYABLE

Fiscal Year	Principal, \$	Interest, \$	Total, \$
2020	593,000	789,295	1,382,295
2021	631,000	740,504	1,371,504
2022	636,000	689,353	1,325,353
2023	687,000	639,753	1,326,753
2024-2028	3,461,991	2,343,574	5,805,565
2029-2033	1,340,844	1,301,344	2,642,188
TOTAL	7,349,835	6,503,823	13,853,658

3.4.3 The Community Disaster Loan ("CDL") Debt

As of July 2, 2018, Isabela was granted a Community Disaster Loan ("CDL") in the amount of \$5,000,000 from the Federal Emergency Management Agency with an expiry on July 1, 2023. The loan has a 2.75% interest rate on the remaining unpaid principal. The purpose of this loan is to carry on existing essential functions of municipal operations or to expand such functions to meet disaster-related needs. Further, the funds must not be used to finance capital improvements, repair or restoration of damaged public facilities or cover the non-Federal cost share of any Federal grant.

3.4.4 Debt Limitation

As per section 207 of PROMESA, for so long as the Oversight Board remains in operation, no territorial government may, without the prior approval of the Oversight Boards, issue debt or guarantee, exchange, modify, repurchase, or enter into similar transactions with respect to its debts. If approved by the Oversight Board, the Municipal Legislature is legally authorized to approve the contracting of debts of the Municipality. Nevertheless, the laws and regulations of the Commonwealth of Puerto Rico also provide that:

- Direct obligations of the Municipality (evidenced principally by bonds and bond anticipation notes) are backed by the full faith, credit and taxing power of the Municipality.
- Direct obligations are not to be issued by the Municipality if the amount of the principal of, and the interest on, such bonds and bond anticipation notes (and on all bonds and notes issued thereafter) which are payable in any fiscal year, together with any amount paid by the Municipality in the preceding fiscal year on account of bonds or bond anticipation notes guaranteed by the Municipality, exceed 10% of the total assessed value of the property located within the Municipality plus the balance of the ad valorem taxes in the

debt service fund, for bonds payable and bond anticipation notes to be repaid with the proceeds of property taxes restricted for debt service.

3.5 Act 29 Nullification

Due to the nullification of Act 29 on April 15, 2020 and after application of the Municipalities' share of the \$132 million Commonwealth transfer for FY2020, there are now approximately \$372,772 in funds owed by the Municipality for PayGo and healthcare costs for the fiscal year ended June 30, 2020, which represents approximately 3% of municipal General Fund budget. This amount will be repaid according to the repayment waterfall in EXHIBIT 13. This repayment waterfall focuses on incremental revenues that the Municipality has not considered in their FY2020 budget. Therefore, the financial impact on the Municipality should be minimized.

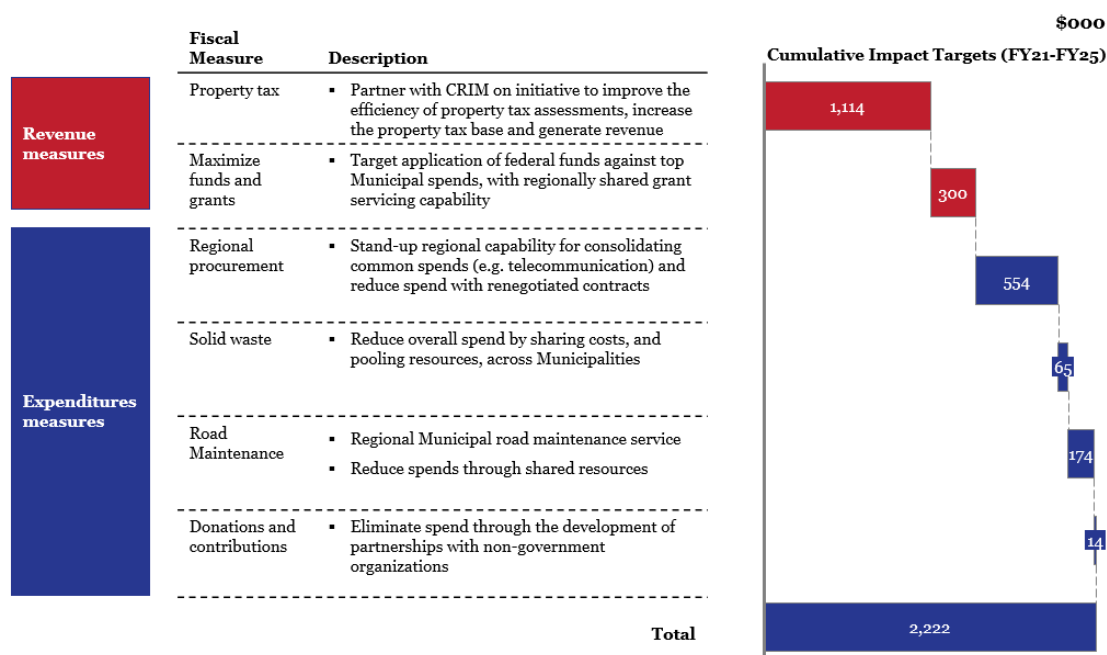
EXHIBIT 13 MUNICIPAL PENSION PAYMENT PLAN RESULTING FROM ACT 29 NULLIFICATION

Repayment waterfall	Description
Step 1 – Offset outstanding obligation against electronic lottery funds true up	<ul style="list-style-type: none"> CRIM identified \$17.6 million of Electronic Lottery proceeds from FY2016 & FY2017 previously not remitted to CRIM as required by Law Use these funds to offset a portion of the remaining obligation of \$66 million
Step 2 – Offset outstanding obligation against excess CAE rebate	<ul style="list-style-type: none"> If tax collections exceed the amount needed to cover annual debt service on CAE loans, municipalities receive this excess at the end of the year Use these funds to further offset remaining obligations after Step 1
Step 3 – Offset outstanding obligation against the final FY20 liquidation	<ul style="list-style-type: none"> CRIM projects annual municipal advances at the beginning of each fiscal year and remits funds based on projections monthly After the fiscal year ends, CRIM reconciles actual collections to remittances and liquidates any excess to the corresponding municipality Use these funds to further offset remaining obligations after Steps 1 and 2
Step 4 – Offset outstanding obligation against the collection of aged Accounts Receivable	<ul style="list-style-type: none"> CRIM will value and plan to monetize its portfolio of accounts receivable by the end of FY2021. This action is projected to result in up to \$400 million in proceeds Proceeds from the sale of this portfolio shall be paid to the Commonwealth to further offset remaining obligations after Steps 1, 2 and 3
Step 5 – Offset outstanding obligation against municipal advances	<ul style="list-style-type: none"> If FY2020 PayGo and health care obligations are not fully repaid after Steps 1, 2, 3 and 4, CRIM should offset the municipality's monthly advances until the remaining obligation is repaid in full To minimize the impact of offsets, CRIM must undertake revenue enhancing measures to secure additional revenues that could then offset the remaining liability due If CRIM does not achieve its revenue-enhancing measures by the end of FY2022, a series of collection measures will be enacted. These measures include the establishment of a lockbox mechanism to control all cash receipts and disbursements and an immediate offset of 25% of the outstanding obligation from property tax advances These offsets will continue in varying amounts until the obligation is fully repaid If the balance of the FY2020 health care and PayGo obligations is not paid down by the end of FY2022, the budgeted monthly Commonwealth transfer will be placed on hold until such time as the requirement is met

Chapter 4. Fiscal Measures

As shown in EXHIBIT 1, if no further action is taken, Isabela will start to experience ever growing deficits over time. In response to this reality, Isabela must implement measures to generate incremental revenue and reduce expenditures. The following Chapter provides the milestones, actions, and implementation deadlines for these measures, the prioritization of which reflects the objective of serving the community to the greatest extent possible.

EXHIBIT 14 FISCAL MEASURES



As shown above, these fiscal measures target the generation of approximately \$2.2 million in much needed revenues and cost savings over the next five years; the revenue enhancement measures will contribute approximately \$1.4 million, through enhancing property tax collections, and the expense measures are estimated to save approximately \$807 thousand.

EXHIBIT 15 POST MEASURES FINANCIAL PERFORMANCE FY2021 - FY2025, \$000

	FY2021	FY2022	FY2023	FY2024	FY2025	TOTAL
Net Baseline Finances ⁹ (Baseline Revenue and Expense)	877	199	(350)	(341)	(906)	(521)
CRIM Measures ¹⁰	687	1,297	1,739	1,742	1,742	7,204
Revenue Measures Impact	93	190	283	376	472	1,414
Expense Measures Impact	1	93	190	219	240	743
Adjusted Net Baseline	1,658	1,779	1,862	1,996	1,548	8,840

As shown in EXHIBIT 15 above, the Municipality is expected to have an aggregate budget deficit, over FY2021 – FY2025, of approximately \$521,000 which must be bridged through CRIM measures and Municipal measures. After accounting for the estimated effects of the proposed

⁹ Net Baseline Finances include Christmas Bonus elimination

¹⁰ Not included in EXHIBIT 14

CRIM and Municipal Measures, the Municipality's projected surplus is forecasted to be approximately \$8.8 million.

4.1 CRIM Driven Measures

As per the CRIM Fiscal Plan, the following measures are measures that are being actioned by CRIM and will increase General Fund revenue. The forecast revenue increases are based on best estimates with the current level of detail available. CRIM must conduct field investigations to further corroborate the number of new properties, which may impact these preliminary estimates. Please refer to the Measures section of the CRIM Fiscal Plan for more details.

EXHIBIT 16 CUMULATIVE CRIM REVENUE GENERATING MEASURES, FY2020 – FY2025

Measure	Number of Properties	Revenue, \$000
Incorrect Mailing Address	6,311	4,323
Identification and Appraisal of New Properties	4,338	2,797
Appraisal of Non-Appraised Properties	79	41
Swimming Pools	247	43

In total, the mentioned measures being completed by CRIM will provide approximately \$7,204,000 of additional revenue to the operational budget of Isabela. If CRIM's efforts are less effective and do not yield forecast revenues, the Municipality will need to implement additional revenue and/or cost reduction measures.

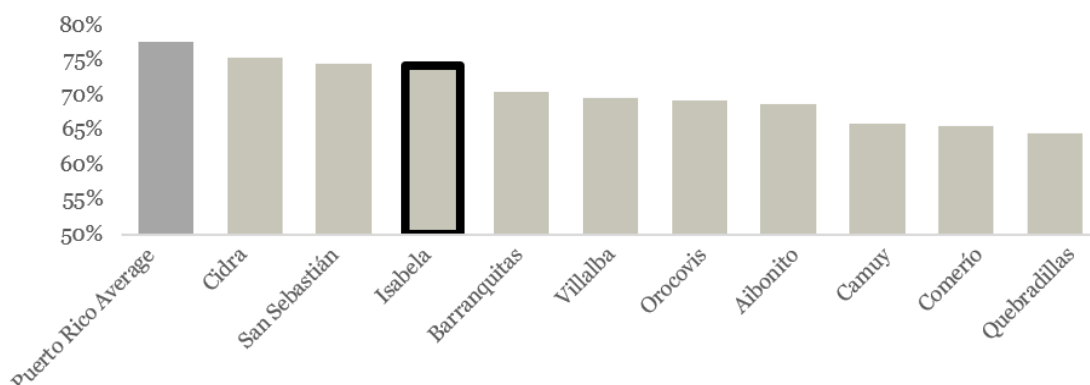
4.2 Revenue Measures

The following are measures Isabela must take to generate additional revenue and enhance the services and supports it provides to its citizens and business community.

4.2.1 Property Tax Collection Rates

Property tax collection rates in Isabela are expected to increase from 74% in FY2019 by a total of 8.4 percentage points by 2025 in alignment with CRIM tax collection measures.

EXHIBIT 17: FY2019 PROPERTY TAX COLLECTION RATES BY MUNICIPALITY, \$000



This expected increase must be driven by expanding the property tax base and improving tax collections. To facilitate CRIM's measure, the Municipality must engage in a partnership with

CRIM to be authorized to carry out the following collection of personal and real property taxes within the territorial boundaries of Isabela:

- Perform audits of personal property tax returns
- Identify personal property tax evaders
- Collect delinquent personal and real property tax receivables
- Identify and revoke unallowable personal and real property tax exemptions
- Conduct appraisals of residential and commercial real properties and taxable permanent improvements

A key assumption is the Municipality can greatly enhance CRIM's effectiveness in broadening the tax base due to (i) the ability to lend CRIM in-depth knowledge of the Municipality and its residential footprint and (ii) the application of additional manpower. It is also assumed these levers will generate enough revenue to justify the cost of the Municipal efforts. The Municipality and CRIM personnel would share office space to improve coordination and space utilization. Governance for this effort will be driven Municipal leadership.

CRIM's estimates (see CRIM Fiscal Plan) additional revenue for Isabela of approximately \$1.1 million over the next five years. With the Municipality's participation this is expected to be higher, but further analysis is required. After a year of execution, and consistently thereafter, the Municipality, in coordination with CRIM must evaluate the cost benefit of their participation to validate the return on investment (joint Municipalities-CRIM effort versus a solely lead CRIM measure).

EXHIBIT 18 TARGETED IMPACT OF INCREASED PROPERTY TAX COLLECTION RATES

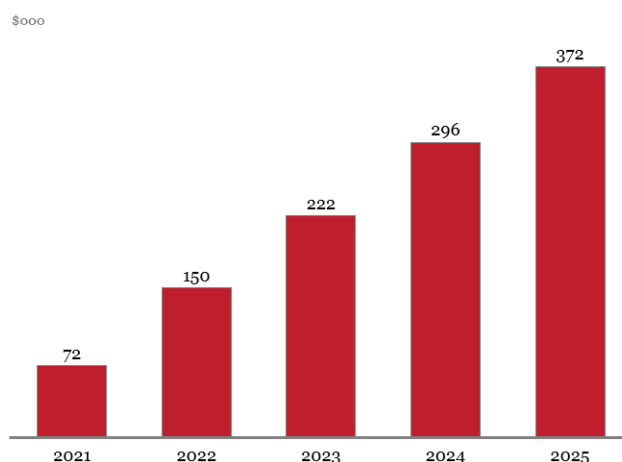


EXHIBIT 19 KEY DELIVERABLES AND DUE DATES – PROPERTY TAX CONSORTIUM

Key Deliverables	Owner	Due date
Isabela must engage CRIM to receive authorization to conduct tax audits, identification of tax evaders, tax collection, and appraisals	Municipality	August 30, 2020
Organize a regional committee to monitor progress and resolve issues	Municipalities	September 15, 2020
Establish strategic shared office space with CRIM to stand-up shared Municipal regional service	Municipalities	October 15, 2020

4.2.2 Maximize Federal, State and Non-Government agency Funds and Grants

Regardless of financial pressures, Isabela must seek external funding to offset spending, to ensure the Municipality's residents continue to have access to services that improve the community's (for example, spending on Sport and Recreation programs) well-being.

Multi-municipality collaborations¹¹, with not for profits and Federal programs, can provide funding to the Municipalities to offset current spending on these categories of spending.

Furthermore, by establishing a regional consortium (multi-municipality shared service) will support this Municipality, and participating municipalities, with grant development capabilities. Under this measure, the Municipality will organize to establish a grant writing consortium and target securing \$20,000 in incremental funding, starting in FY2021. The target will then be incremented by \$20,000 each year until an annual savings target of \$100,000 is achieved in FY2025 (representing approximately 25% of the FY2020 Municipality spend on sports and recreation services).

EXHIBIT 20 TARGETED IMPACT OF FEDERAL GRANT MAXIMIZATION

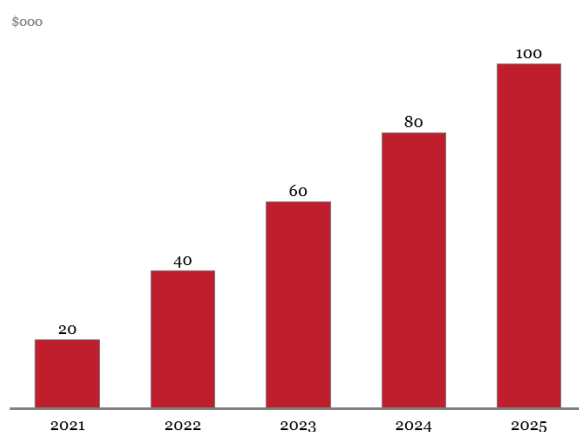


EXHIBIT 21 KEY DELIVERABLES AND DUE DATES – MAXIMIZING FEDERAL FUNDS

Key Deliverables	Owner	Due date
Develop business case for funding a grant support center to identify grants and write applications	Municipality	August 31, 2020
Regional consortium effort to support the municipalities with grant writing capabilities	Municipality	September 30, 2020

¹¹Futuro, is an example of a successful municipal collaboration which had a mandate of improving child welfare and academic performance. Futuro, was an innovative extended learning program in Puerto Rico led by the Municipal Alliance for Education, created in 2013 by the Mayors of the municipalities of Cayey, Coamo, Luquillo, and Villalba. Organizations supporting Futuro included: Municipal Alliance for Education, De La Finca De Escuela and the Boys and Girls Club of Puerto Rico and was funded through multiple Federal programs through 2018. Funding is being sought to restart this program and potentially expand it to other municipalities.

4.3 Expenditure Measures

Spend for common cost categories varies among municipalities and must be reduced by establishing shared services and eliminating expenses and spending. Contained in the following section are the specific measures Isabela must take to reduce costs.

As an additional incentive to pursue the measures below, Isabela can potentially access a portion of the \$22 million set aside in the 2020 Commonwealth Fiscal Plan for municipalities that voluntarily choose to consolidate services and achieve savings. This funding is available for distribution to any municipality that completes service consolidations, once savings have been confirmed by the Oversight Board.

4.3.1 Regional solid waste system

A proposed, EPA compliant, expansion of the Municipality's solid waste landfill in cooperation with the municipalities of San Sebastián, Quebradillas, and Aguadilla presents opportunities to lower waste management costs and improve overall management efficiency for this key service. As requirements for waste and recycling change, a coordinated municipal approach better enables contract management and oversight. Requirements and standards are changing rapidly especially related to recycling leading to contract changes from waste management operators¹². Additionally, there are improved opportunities to innovate practices like zero waste which has demonstrated improvements for small and large businesses.¹³

Targeted savings aggregated over FY2021 – FY2025, is approximately \$65,000 (a 5% overall reduction in current spend). Cost reductions will be driven by eliminating duplicate efforts, sharing of infrastructure, fleet maintenance, and procurement. Additionally, a regional waste management system will present opportunities to generate further savings through the strategic privatization of waste management components. This measure must be scaled to match the current capacity requirements of processing and landfill facilities.

EXHIBIT 22 KEY DELIVERABLES AND DUE DATES – REGIONAL SOLID WASTE SYSTEM

Key Deliverables	Owner	Due date
Organize a regional committee to charter the effort and provide governance and oversight	Mayor or Designee	July 15, 2020
Consolidate waste management assets to central location and begin execution of waste collection	Municipalities	September 30, 2020
Regional report for all involved municipalities on the capacity to collect, process, and dispose of solid waste	Municipality -Director of Waste Management (or equivalent)	August 15, 2020
Joint municipality waste management plan with participating Municipalities	Municipality -Director of Waste Management (or equivalent)	September 30, 2020
Signed agreement between EPA, consortium, municipalities, and Environmental Control Board to determine: 1. Regional landfill sites in need of additional capacity 2. Local landfill sites that must be closed	Municipality -Director of Waste Management (or equivalent)	March 31, 2021

¹² National Waste & Recycling Association 2019 guidance on changes in program sustainability and market disruption.

¹³ Case studies identify savings from the Zero Waste Municipalities network identify opportunities across its 350 members and efforts in San Francisco (CA) and multiple other cities to minimize landfill dependencies.

4.3.2 Regional Municipal Road Maintenance Cost Share Program

The Municipality of Isabela must contemplate creating a Regional Municipal Road Maintenance Cost Share Program (like the Regional Transit Service Program in the Central Mountain Region, “ABCO”) with neighboring municipalities.

This measure will reduce costs through sharing municipal resources, equipment, and joint purchasing of asphalt and concrete. Sharing responsibility for this service also provides opportunity to generate efficiencies through the privatization of road maintenance, which the Municipality must take efforts to validate and pursue. Currently, there are refurbishment efforts underway to address damages to Municipal roads, but it is assumed these efforts can be implemented in parallel with this measure. A benchmarking analysis on Municipal road maintenance spend, across the region, was implemented and the target savings from this measure over the next five years is \$175,000.

EXHIBIT 23 KEY DELIVERABLES AND DUE DATES - REGIONAL MUNICIPAL ROAD MAINTENANCE CONSORTIUM

Key deliverables	Owner	Due date
Organize a regional committee to monitor progress and resolve issues	Municipalities	July 15, 2020
Asses footprint analysis and Capacity Assessment: municipal vs State road miles to better focus shared efforts regarding overall road maintenance costs. This analysis must focus on determining each of the municipalities available inventory, equipment and human capital to better take on related tasks.	Municipality – Director of Public Works (or equivalent)	July 31, 2020
Formally engage with Federal and State agencies to issue a request for proposals to select a public/private partnership advisor to support privatization	Municipality – Director of Public Works (or equivalent)	October 31, 2020

4.3.3 Regional Procurement Service

Municipalities in the Northern Region share many requirements and will realize savings with a regional approach to selecting and procuring products and services to meet their universal needs. Savings targets are driven by improved negotiations with purchasing power leverage and increased buying volume. The objective is to achieve operational efficiencies through contract renegotiations, reduction of payments, reforms on bundling acquisition across municipalities, better management of payment terms and other initiatives. Similar reforms of this nature have been shown to create savings of 10 - 15% for public and private sector entities.

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This measure can be scaled based on the number of municipalities in the surrounding region that participate; initially, it does not assume consolidating all procurement staff within participating municipalities. Still, it may consolidate staffing in the future, once it proves successful.

¹⁴For example, the Office of the State Comptroller of New York estimates opportunities to save upwards of 40% by using coordinated contracts to minimize the time to prepare, identify vendors while streamlining procurement. The state also benefits from a larger competitive pool which positively impacts pricing.

By coordinating spend regionally, the Municipality will target a cumulative reduction of \$554,000 (10% of baseline spend) over the next five years through reducing costs associated with telecommunication services, office supplies, municipal uniforms, vehicle costs and professional services.¹⁵

EXHIBIT 24 ESTIMATED IMPACT OF REGIONAL PROCUREMENT SERVICE, \$000

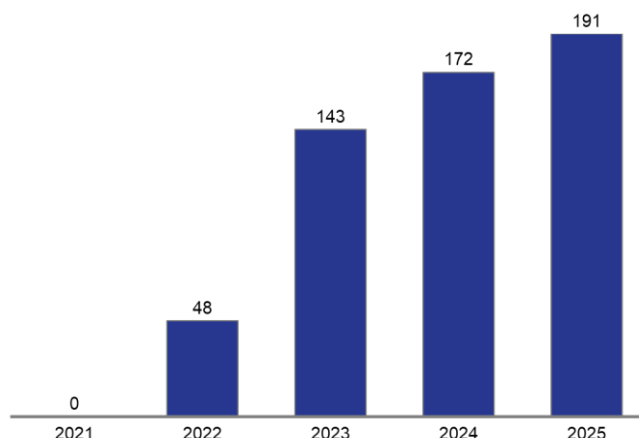


EXHIBIT 25 KEY DELIVERABLES AND DUE DATES – REGIONAL PROCUREMENT SERVICE

Key Deliverables	Owner	Due date
Formally engage in planning with adjacent municipalities to determine a working strategy of the participants in the measure, services to benefit from a joint approach, and formulate an action plan	Mayor and designee	September 30, 2020
Conduct a rapid procurement opportunity assessment to validate categories, pricing analysis and savings opportunities	Cross-municipal Working Group	October 31, 2020
Action plan deliverable with agreements made between participating municipalities including a charter and governance structure	Mayor and designee	November 15, 2020

4.3.4 Donations and Contributions

The Municipality spent approximately \$14,000 in FY2020 on donations to address needs of nonprofit organizations and individual citizens. To better meet constituent requirements in a fiscally responsible manner, Isabela must seek partnerships with foundations and granting organizations, and collaborations with regional municipalities to improve education, health and well-being, and other social programs often associated with donations. The Municipality must reduce donation spend incrementally until achieving a 35% reduction, achieving this goal over the next five years, resulting in \$14,000 in total savings.

EXHIBIT 26 KEY DELIVERABLES AND DUE DATES – DONATIONS AND CONTRIBUTIONS

Key Deliverables	Owner	Due date
Assess citizen (potentially conduct direct surveys) needs and identify priorities for which to pursue NGO funding and grant opportunities	Mayor or Designee	August 1 2020
Develop guidelines for Non-Government Organizations and individuals requesting donations from the Municipality	Municipality	August 31, 2020

¹⁵ Other specific examples include, Legal fees, Fees and subscriptions, Bank service charges, Public relations, Travel expenses, Postage, Training and demolition fees.

Develop reporting guideline that will be used to maintain track of donation funds	Municipality	September 31, 2020
Develop a five-year phase out plan to incrementally decrease donations, while working with non-profit organizations and Central Government agencies to identify and provide essential services to replace the need for donations	Municipality	April 30, 2021

4.3.5 Personnel Cost Reductions

To support the Municipality's sustainability, reductions to personnel costs must be reviewed and planned. Initial steps in planning a workforce reduction include identifying opportunities to minimize overall compensation like ceasing all bonuses. Secondly, the Municipality must consider staffing requirements based on the implementation of shared services and enhanced collaborations with other municipalities as well as with Government Departments. In reviewing workforce requirements and its overall workforce, the Municipality must assess opportunities to redistribute work, incent any early retirements and restrict hiring for vacancies, minimizing the impact on delivery of constituent services.

The Municipality must specifically consider the alignment of personnel policies with the Commonwealth 2020 Certified Fiscal Plan, including:

- Instituting a hiring and wage freeze with stringent requirements for backfilling positions left open by attrition or workforce reduction
- Limiting paid holidays to 15 days annually across all public employees
- Prohibiting carryover of sick and vacation days between fiscal years over the statutory caps (60 days for vacation and 90 days for sick leave, aligned with Act 26-2017)
- Prohibiting any future liquidation of sick and vacation days in excess of the amount of days permitted by law

These policy measures outlined above were enacted in Act 26-2017, except for the elimination of the Christmas bonus. Certified Budgets must not include funding for the Christmas bonus.

EXHIBIT 27 KEY MILESTONES PERSONNEL REDUCTION

Key Deliverables	Owner	Due date
Review current workforce and work distribution based on potential redistribution of requirements due to measures and in accordance with Act 26-2017	Mayor and Human Resources (HR) Designee	July 31, 2020
Identify potential impacts to personnel budget and opportunities to reduce overall personnel costs focused primarily on impacts of non-salary personnel costs	Mayor and HR Designee	September 30, 2020
Continue to monitor personnel requirements based upon impact of measures, work requirements, and staff composition.	Mayor and HR Designee	Ongoing October 31, 2020 – January 31, 2021
Develop a plan to address personnel requirements and present for consultation	Mayor and HR Designee	February 15, 2021
Begin planning staffing reductions as necessary based on budget shortfalls	Mayor and HR Designee	March 1, 2021
Continually evaluate fiscal position, workforce requirements and opportunities to realign staffing providing updates on a quarterly basis throughout	Mayor and HR Designee	Ongoing March 31, 2021 – January 31, 2024

Chapter 5. Economic Development Measures

5.1 Industrial Development Opportunities

The Municipality should continue supporting its corporate and startup ecosystem and catalyze the growth of small local businesses by striving to supply stable, business-critical resources and ensuring reliable supply chains. Furthermore, the Municipality should leverage Puerto Rico Industrial Development Company (“PRIDCO”) owned buildings to help local entrepreneurs, artisans, and farmers get access to valuable building space to support development of small business enterprises.

Recently, conversion of empty PRIDCO buildings seeded two successful small business, including a mushroom farm in San Sebastián, and a cheese maker in Hatillo. Additionally, larger manufacturing, aerospace, and biotech companies like Honeywell, Infotech, and Babilon Technologies have been able to expand within Puerto Rico by leveraging PRIDCO properties. For example, Infotech Aerospace Services (“IAS”) moved to a PRIDCO building of 60,000-square-feet at the Mora Guerrero Industrial Park in Isabela, Puerto Rico.¹⁶ As a result of these alliances, the municipalities were able to increase revenue collection from Sales and Use Tax (“SUT”) and business license tax. Additionally, the municipalities have benefitted from a stimulated economy and the creation of new jobs. Please refer to EXHIBIT 46 (Appendix) for details on the available space in the Municipality.

Recently, Isabela approved Ordinance No. 5, Series 2018-2019, to exempt the Multi Axis Manufacturing LLC company from the payment of construction taxes in the remodeling of a building owned by PRIDCO. The creation of 100 jobs in the next 48 to 60 months is estimated.

EXHIBIT 28: KEY DELIVERABLES AND DUE DATES – INDUSTRIAL DEVELOPMENT OPPORTUNITIES

Key Deliverables	Owner	Due date
Report current costs for local PRIDCO buildings (e.g., maintenance costs, current use or plan for empty properties, contracts)	Municipality in coordination with PRIDCO	September 30, 2020
Report potential use options (e.g., lease, sublease, title transfer) and challenges (e.g., major damage, vacancy) monthly	Municipality	October 31, 2020 (ongoing)
Attract potential tenants / third parties in coordination with Government economic development agencies	Municipality	November 30, 2020
Facilitate property lease agreement and transaction to third party interested in leasing the property	Municipality	February 28, 2021 (ongoing)

5.2 Hospitality and Tourism

As previously mentioned, Isabela is a coastal city with beautiful scenery and strong potential to grow its tourism economy. Moreover, the town is known as the “Jardín del Noroeste”, the “Garden of the Northwest”, because of the many wildflowers in its landscape. There are dozens of hotels, guesthouses, and beachfront properties in Isabela, ranging from rustic to luxurious. The most famous parador (guesthouse) in Isabela is the Villas del Mar Hau, colorful cabins that sit right on Montones Beach. At Royal Isabela, guests stay in private villas high on a cliff with a dramatic view of the Atlantic Ocean, each with its own private pool. Royal Isabela also features a golf course and has access to El Pastillo Beach.

The Municipality is working directly with Discover Puerto Rico (“DPR”) and with the Puerto Rico Tourism Company (“PRTC”) to increase tourism with strategic internal and international

¹⁶ PRIDCO website

marketing (e.g., identification of lodging facilities, restaurants, and additional small business owners). Through these efforts and clear vision for the destination, these agencies intend to stimulate the visitor economy. Furthermore, this measure will help establish a better online presence while highlighting the Municipality's improved attractions. The following key deliverables will ensure that the Municipality can maximize its hospitality and tourism potential and expand its measures.

EXHIBIT 29 KEY DELIVERABLES AND DUE DATES – HOSPITALITY AND TOURISM

Key Deliverables	Owner	Due date
Review DPR's available webinars and obtain the DPR playbook, which provides tourism best practices and an economic development roadmap for the Municipality	Municipality Tourism Director or Economic Development Director; DPR	July 31, 2020
Request and obtain monthly DPR visitor insights/data report	Municipality Tourism Director or Economic Development Director; DPR	August 31, 2020 (ongoing)
Update social media and DPR platforms monthly with latest information and upcoming events	Municipality Tourism Director or Economic Development Director; DPR	August 31, 2020 (ongoing)
Review quarterly tourism opportunities, challenges, and insights with DPR and adjust marketing accordingly	Municipality Tourism Director or Economic Development Director; DPR	October 1, 2020 (ongoing)

5.3 Attract and Expand Business Interests

In order to promote economic growth, the Municipality should engage with Invest in Puerto Rico ("IPR") to increase investment in the region. IPR is a nonprofit investment promotion organization created by law, via Act 13–2017. IPR's mission is to promote Puerto Rico as a competitive investment jurisdiction to attract new businesses and capital investment to the Island. The goal is to align, facilitate, and enhance the promotion efforts of private, public, and nonprofit organizations that have historically supported the Government measures and drive economic development within their sectors. IPR also provides services to help businesses establish their operations on the Island and help them link up with local companies to acquire goods and services, in collaboration with the Department of Economic Development and Commerce, other Government agencies, trade organizations, industry partners, among others.

EXHIBIT 30 KEY DELIVERABLES AND DUE DATES – ATTRACT BUSINESSES

Key Deliverables	Owner	Due date
Formally engage in conversation with IPR to determine a working strategy where current events are considered, and an action plan is completed	Mayor and designee	September 30, 2020

5.4 Workforce Development

The Municipality should continue participating in Federal programs available through the U.S. Department of Labor's Workforce Innovation and Opportunity Act ("WIOA") and The Department of Economic Development and Commerce of Puerto Rico ("DDEC"). The Federal government provides significant funding to states and local municipalities for workforce system programs covered by WIOA funds. Moreover, WIOA funds provide comprehensive

workforce development programs that include language tutoring, point of sale systems training, plumbing, and more. This legislation provides a framework and resources for municipalities to increase employee retention, earnings, and skills. That way, workers can progress in their careers and companies can get access to the necessary labor force and make the region more competitive in an increasingly global economy.

As part of the strategy, establishing non-profit organizations such as the Alianza Municipal de Servicios Integrados, Inc. (“AMSI”) should be mirrored across Puerto Rico to ensure municipalities take full advantage of WIOA resources. Created to promote economic development through workforce enhancement, the AMSI operates within the Municipalities of Aguas Buenas, Aibonito, Arroyo, Caguas, Cayey, Guayama, Gurabo and Trujillo Alto with cooperation from the regions private sector. The AMSI works closely with DDEC to provide services for employee training, job placement (for young adults and veterans). AMSI also offers to recruit services to local private and government employers. The Municipality should implement the following key deliverables, in a manner compliant with federal funds requirements, to ensure the success of this initiative.

EXHIBIT 31 KEY DELIVERABLES AND DUE DATES – WORKFORCE DEVELOPMENT

Key Deliverables	Owner	Due date
Municipality to assess the composition and capabilities of its workforce against workload requirements. Moreover, formally engage in conversation with neighboring municipalities and organize a regional workforce development consortium along with guidance from DDEC and already implemented consortium such as, AMSI	Mayor or designee	July 31, 2020
Municipality to formally engage in conversations with the local Board of Mayors to officially establish a program for the use and monitoring of the obtained funds.	Mayor or designee	July 31, 2020

5.5 Permitting Consortium

The Municipality of Isabela should consider engaging with neighboring municipalities to create a Permitting Consortium, like the ongoing ABC (“Aibonito, Barranquitas, and Comerío”) Consortium in the Mountain region. The goal of the consortium would be to promote economic development in the region through (i) more efficient procedures related to the approval and management of business permits, and (ii) to carry out territorial planning and management duties previously carried out by the Puerto Rico Office of Permits Management. The following deliverables and due dates support the execution of a Permitting Consortium.

EXHIBIT 32 KEY DELIVERABLES AND DUE DATES – PERMITTING CONSORTIUM

Key Deliverables	Owner	Due date
Organize a regional committee to monitor progress and resolve issues	Municipalities	July 15, 2020
Provide financial impact estimate associated with implementation of the Consortium	Municipalities	September 30, 2020
Begin operating Permitting Consortium (if applicable)	Municipalities	October 30, 2020

5.6 Economic Development Administration (“EDA”) Planning and Local Technical Assistance Programs

The U.S. Department of Commerce’s Economic Development Administration assists eligible recipients in developing economic development plans and studies designed to build capacity and guide the economic prosperity and resiliency of an area or region. The planning program

helps support organizations, including district organizations, with short term and state planning investments designed to guide the eventual creation and retention of high- quality jobs, particularly for the unemployed and underemployed in the nation’s most economically distressed regions. Isabela should work with the EDA and develop its Economic Development Plan using a regional approach with its neighboring municipalities to tackle issues of governance with other State agencies and to collectively strengthen their requests for Federal and non-Federal grants.

EXHIBIT 33 KEY DELIVERABLES AND DUE DATES – EDA PLANNING

Key Deliverables	Owner	Due date
Municipality to meet with EDA to discuss potential grant programs and request conducting a capacity assessment	Mayor; Economic Development Representative (“EDR”)	November 30, 2020
EDA initiates a capacity assessment	EDA with Municipal Designee	February 28, 2021

5.7 Regional Transit Service Consortium of the North Region

Isabela should review creating a Regional Transit Service Consortium with neighboring municipalities in the North region. The Consortium should replicate the ongoing Regional Transit Service Program for the Central Mountain Region, a cooperative partnership agreement with the municipalities of Orocovis, Aibonito, Barranquitas and Comerío established on February 13, 2019. The Consortium should: (i) provide improved access and mobility between those municipalities; (ii) minimize duplication of services; (iii) maximize State and municipal resources; and (iv) promote innovation and the collaboration of the private sector.

The Consortium should target financial resources from the Federal Transit Administration (“FTA”) to develop a regional transportation system during FY2021 to improve the economic and social activities in these municipalities. The Consortium should perform a viability study to establish an inter-municipal transport consortium.

EXHIBIT 34 KEY DELIVERABLES AND DUE DATES – REGIONAL TRANSIT SERVICE CONSORTIUM OF THE NORTH REGION

Key deliverables	Owner	Due date
Quantify and request funds owed to the Municipality from maintaining State roads, if applicable	Municipality – Director of Public Works (or equivalent)	August 30, 2020
Complete the viability study to establish an inter-municipal transport consortium and share findings	Municipality – Director of Public Works (or equivalent)	August 30, 2020
Schedule formal meetings with the FTA to finalize and gain support for the development of the regional transportation system	Municipality – Director of Public Works (or equivalent)	August 30, 2020

5.8 Cooperative Agreements with Third Parties or Stakeholders

At present, the Municipality has cooperative agreements with third parties or stakeholders where costs associated with providing the social and economic services to citizens are shared between the entity and the Municipality reducing operational and direct cost to both parties. The following cooperative agreements with third parties are part of ongoing community services provided:

- Fundación P.R. Somos, Inc. - Entity provides material for housing repairs for hurricane Maria damaged units and the Municipality perform and execute beneficiary's evaluation, classification and interview, including carpenters and material transportation to participant's residence.
- Presbitero del Noroeste - Not for profit Christian foundation provides housing equipment including energy generator and water reserves, psychologic and psychiatric services and municipality provide beneficiaries evaluation, technical assistance, including patient's transportation.
- Fundación Lazos de Amor, Inc. - Not for profit entity provides free food and allowance for utilities bill payment to beneficiaries and municipality provide (office) facilities including utilities expense and facilities maintenance. (This is considered a permanent alliance).
- CEPVI, Inc. - Not for profit entity which provides free equipment and assistance to disable, blind or handicapped patients with physical limitations and municipality provides (office) facilities including utilities expenses and facilities maintenance.
- PATHSTONE. - Not for profit US based organization provides utilities payment assistance, monetary benefits to displaced workers and salary compensation in order to complete working period qualifying for applying to social security benefits by farmers and its family and the Municipality provides beneficiaries evaluation, classification and interview, including transportation to participants.
- Fundación por Puerto Rico, Inc. - Cooperative tourist measure with the participation of the Municipality of Aguadilla for the promotion and marketing of tourist facilities in this area. The municipalities provide human resources, facilities and coordination.

The Municipality should continue to pursue additional cooperative agreements with third parties that assist in reducing operational costs. The following key deliverables should ensure that the Municipality can expand upon this measure.

EXHIBIT 35 KEY DELIVERABLES AND DUE DATES – COOPERATIVE AGREEMENTS WITH THIRD PARTIES OR STAKEHOLDERS

Key deliverables	Owner	Due date
Develop reporting guideline that should be used to maintain track of services provided by third parties	Municipality	August 31, 2020

Chapter 6. Disaster Recovery

6.1 The COVID-19 Pandemic

6.1.1 COVID-19 related funding

With the onset of the global COVID-19 pandemic, the economy of Puerto Rico, and of the Municipality, was virtually grounded to a halt. The public health imperative for people to stay home has left all but the most essential workers unable to travel to their places of business. There is still significant uncertainty about the future of the Puerto Rican and municipal economies. As such, the Oversight Board recognizes that there is considerable uncertainty around the near-term economic outlook, as there remains a wide range of potential public health and economic outcomes for Puerto Rico, the nation, and the world. To amend some of the financial uncertainty within the municipalities, the Commonwealth has extended the start date of Commonwealth transfer reductions from FY2021 to FY2022. This additional financial support for municipalities should be used to effectively implement strategies that will allow municipalities to improve their financial sustainability by instituting critical changes in operating structure, sharing costs through consolidated services, and improving revenue collection.

In addition, the Governor signed an executive order that adopts the “Strategic Plan for Disbursement” of the \$2.2 billion allocated to Puerto Rico by the Coronavirus Relief Fund created by the Federal Government through the CARES Act, which assigns \$100 million to be transferred to the municipalities for eligible expenses related to COVID-19.

6.1.2 Additional appropriations

On March 23, 2020, the Oversight Board approved \$100 million Commonwealth support to all municipalities as part of the COVID-19 Emergency Measures Support package. Funds were distributed to each municipality and Isabela received an adjusted \$1.35 million in funding based on its population size.

6.2 Hurricanes Irma and Maria

On September 6, 2017 and September 20, 2017, Hurricane Irma (DR-4336) and Hurricane Maria (DR-4339) struck Puerto Rico, respectively, causing unprecedented humanitarian, economic, and infrastructure-related damages and upending the daily lives of Puerto Rico’s over three million residents. Thousands of residents were left homeless, basic utilities were completely shut down, and schools, hospitals, and businesses were destroyed. Tens of thousands of Puerto Ricans fled the Island. The Federal government’s response has been one of the largest and most complex disaster recovery efforts in U.S. history.

While it has been more than two years since the Hurricanes hit Puerto Rico, the Island remains under reconstruction. By fully leveraging available Federal disaster relief funds, Isabela is seeking to reconstruct and transform into a more resilient and autonomous Municipality. Federal funds are available through various agencies and their disaster relief programs, mainly through the Federal Emergency Management Agency (“FEMA”) and the Department of Housing and Urban Development (“HUD”). Federal funds from agencies like the U.S. Department of Agriculture (“USDA”) and the U.S. Department of Commerce (“DOC”), among others, are also available for municipalities use in this transformative endeavor. The Municipality must seek the maximum funding amount that is available to fulfill its future fiscal and economic vision.

6.2.1 FEMA Funds

The Municipality of Isabela, other municipalities, and state Governments alike are experiencing challenges in executing a fast-paced disaster recovery mainly due to the recent disasters, and the economic difficulties of Puerto Rico. These factors made it difficult to allocate the required resources and subject matter expertise to ensure an expedited, efficient, and compliant process. To compensate, the Municipality will leverage its management cost funds from obligated projects and procure additional resources where needed and, where possible, engage in collective efforts with other municipalities to ensure the effective management of Federal awards.

6.2.1.1 PUBLIC ASSISTANCE GRANT PROGRAM (“PA”)

The public assistance program is a reimbursement program that provides Federal funding to help communities respond to and recover from disasters such as hurricanes, earthquakes, and pandemics with approximately \$31.5 million in funding available¹⁷ for the Municipality. FEMA reimburses State and local Governments and certain types of private nonprofit organizations for the cost of disaster-related debris removal, emergency protective measures to protect life and property, and permanent repair work to damaged or destroyed infrastructure.

As of April 2020, the Municipality of Isabela has 7 obligated PA Program projects that represent \$7.1 million in funding. In response to forecasted declines of off-Island investment and tourism due to COVID-19, the Municipality must also work towards accelerating the 20 small permanent work projects (below \$123,100 each) in close collaboration with FEMA and COR3. Isabela will leverage the following reconstruction and improvements realized in this program and develop new economic measures.

See Appendix for list of programs, funding, and status.

6.2.1.2 HAZARD MITIGATION GRANT PROGRAM

The Hazard Mitigation Grant Program (“HMGP”) is a State-administered post-disaster mitigation program authorized under Section 404 of the Robert T. Stafford Disaster Relief and Emergency Act. HMGP conforms to both State and local hazard mitigation plans and supports cost-effective post-disaster projects. The Municipality submitted its Letter of Intent (“LOI”) for a \$2 million priority project and is currently pending FEMA review.

6.2.1.3 COMMUNITY DISASTER LOAN PROGRAM

The CDL Program is available to local governments that have been adversely affected by major disasters and provides operational funding for local Governments to continue to operate after a substantial revenue loss.

As of July 2, 2018, Isabela was granted a CDL in the amount of \$5,000,000 from FEMA with an expiry on July 1, 2023. The loan has a 2.75% interest rate on the remaining unpaid principal. The purpose of this loan is to carry on existing essential functions of municipal operations or to expand such functions to meet disaster-related needs. Further, the funds shall not be used to finance capital improvements, repair or restoration of damaged public facilities or cover the non-Federal cost share of any Federal grant.

6.2.2 HUD Funds

HUD provides flexible grants to help cities, counties, and states recover from presidentially declared disasters, especially in low-income areas, subject to availability of supplemental appropriations. In response to disasters declared by the U.S. President, Congress may

¹⁷ Available funds represent a high-level estimate from FEMA of the total cost of all projects in the program

appropriate additional funding for the Community Development Block Grant (“CDBG”) Program as Disaster Recovery grants to rebuild the affected areas and provide crucial seed money to start the recovery process. Since CDBG-DR assistance may fund a broad range of recovery activities, HUD can help communities and neighborhoods that otherwise might not recover due to limited resources. These funds would be made available and disbursed via Puerto Rico’s Department of Housing (“PRDOH”).

6.2.2.1 COMMUNITY DEVELOPMENT BLOCK GRANT – DISASTER RECOVERY

Puerto Rico is anticipating receiving funds through Community Development Block Grants–Disaster Recovery. These funds will be distributed through various programs, which have different objectives and eligibility criteria. The Municipality has approximately \$7.0 million in available funds for its currently active programs, which consist of City Revitalization, Municipal Recovery Planning (“MRP”), and Home Repair, Reconstruction, or Relocation Program.

The Municipality has identified two groups of CDBG-DR programs as targets for engagement: 1) those that include local governments as eligible recipients and 2) those that include individuals or firms as eligible recipients. Regarding the first group, the Municipality must actively pursue funds in all programs available for local governments and plan for their most effective usage. This includes programs for municipal and community resilience planning, business incubators and accelerators, and for revitalization of urban centers. On the latter group of programs, the Municipality must proactively engage in community outreach to ensure its residents (both individuals and businesses) actively apply to all CDBG-DR programs that can benefit the community of Isabela. These include programs related to housing, title clearance, small business financing, among others.

6.2.2.2 CITY REVITALIZATION

The City Revitalization Program establishes a fund for Municipalities to execute recovery activities to reinvigorate their urban centers and community corridors. The Revitalization Program targets downtown service and business districts and encourages the Municipalities to work with the private sector to investment in core areas of the cities while reducing urban sprawl. The municipalities must promote economic growth while implementing solutions to the problems facing their communities. The following list of deliverables should be implemented by the Municipality, to ensure the success of this initiative.

EXHIBIT 36 KEY DELIVERABLES AND DUE DATES – CITY REVITALIZATION PROGRAM

Key Deliverables	Owner	Due date
Municipality to submit final Capacity Assessment Package to PRDOH for final review and approval	Mayor and designee	July 30, 2020
Sign Subrecipient Agreement with PRDOH	Mayor and designee	September 30, 2020

6.2.2.3 MUNICIPAL RECOVERY PLANNING (“MRP”)

Municipal Recovery Planning is a program under CDBG-DR where Municipalities collaborate, with each other, and Central Government agencies to create and certify plans for projects, identified as, necessary for an effective and efficient disaster recovery. With the technical assistance provided by CDBG-DR under the MRP program, these plans will strategically position the Municipality of Isabela to qualify for funding through other CDBG-DR programs described in the Puerto Rico Department of Housing’s CDBG-DR Action Plan, such as the City Revitalization Program, the Critical Infrastructure Resilience Program and the Community Resilience Centers Program, among others. The Municipality of Isabela submitted their application for this program and is expected to execute the contract by September 30, 2020.

Following the execution of the contract for the MRP program the Municipality will have 6 months to develop an Individual Municipal Plan where the Municipality of Isabela will plan for recovery and resilience for all residents within the Municipality. The Municipality of Isabela will have until June 30, 2021 to develop the Regional Municipal Plan (“RMP”). Prepared along with adjacent municipalities, the RMP will present the strategic plan focused on tackling complex issues that extend beyond civic boundaries. These issues and solutions must include energy considerations, watershed planning and flood mitigation, solid waste management or environmental and resource conservation planning. The Municipality must complete the below deliverables by the listed due dates to attain this funding.

EXHIBIT 37 KEY DELIVERABLES AND DUE DATES – MRP PROGRAM

Key Deliverables	Owner	Due date
Municipality to submit final Capacity Assessment Package to PRDOH for final review and approval	Mayor and designee	July 30, 2020
Sign Subrecipient Agreement with PRDOH	Mayor and designee	September 30, 2020
Develop and submit the Regional Municipal Plan (“RMP”)	Mayor and designee	September 30, 2021

6.2.2.4 NON-FEDERAL MATCH PROGRAM (“NFMP”)

The NFMP uses CDBG-DR funding to assist municipalities, Government agencies, and private nonprofit organizations in rebuilding their communities after Hurricanes Irma and María. Federal grant programs serve as the primary source of funding that disaster-affected communities use to rebuild their public facilities and infrastructure. The NFMP provides a separate grant to meet the cost share “match” requirement, up to 25% of a project’s value, and free up funds that would otherwise be needed to pay the match. The Municipality of Isabela has submitted its registration and is working with the PRDOH to obtain required pre-eligibility application to move forward to the sub recipient Agreement stage.

See EXHIBIT 45 for all programs, funding, and status.

Chapter 7. Implementation Plan

This Fiscal Plan requires the Municipality of Isabela to achieve a set of key deliverables deemed necessary to realize savings targets and maintain fiscal sustainability. The following subsections summarize the action items, owner(s) responsible for each action, and associated deadline, stated in the Fiscal Plan.

7.1 Revenue Measures

7.1.1 Property Tax Collection Rates

Required Implementation Action	Owner	Deadline
Isabela must engage CRIM to receive authorization to conduct tax audits, identification of tax evaders, tax collection, and appraisals	Municipality	August 30, 2020
Organize a regional committee to monitor progress and resolve issues	Municipalities	September 15, 2020
Establish strategic shared office space with CRIM to stand-up shared Municipal regional service	Municipalities	October 15, 2020
Joint municipal coordinated service plan with CRIM	Municipalities	October 31, 2020

7.1.2 Maximize Federal, State and Non-Government Agency Funds and Grants

Required Implementation Action	Owner	Deadline
Develop business case for funding a grant support center to identify grants and write applications	Municipality	August 31, 2020
Regional consortium effort to support the municipalities with grant writing capabilities	Municipality	September 30, 2020

7.2 Expenditure Measures

7.2.1 Regional solid waste system

Required Implementation Action	Owner	Deadline
Organize a regional committee to charter the effort and provide governance and oversight	Mayor or Designee	July 15, 2020
Consolidate waste management assets to central location and begin execution of waste collection	Municipalities	September 30, 2020
Regional report for all involved municipalities on the capacity to collect, process, and dispose of solid waste	Municipality - Director of Waste Management (or equivalent)	August 15, 2020
Joint municipality waste management plan with participating Municipalities	Municipality - Director of Waste Management (or equivalent)	September 30, 2020
Signed agreement between EPA, consortium, municipalities, and Environmental Control Board to determine:	Municipality - Director of Waste	March 31, 2021

1. Regional landfill sites in need of additional capacity	Management (or equivalent)	
2. Local landfill sites that must be closed		
Program timeline and execution plan	Municipality - Director of Waste Management (or equivalent)	May 31, 2021

7.2.2 Regional Municipal Road Maintenance Cost Share Program

Required Implementation Action	Owner	Deadline
Organize a regional committee to monitor progress and resolve issues	Municipalities	July 15, 2020
Asset footprint analysis and Capacity Assessment: municipal vs State road miles to better focus shared efforts regarding overall road maintenance costs. This analysis must focus on determining each of the municipalities available inventory, equipment and human capital to better take on related tasks.	Municipality – Director of Public Works (or equivalent)	July 31, 2020
Formally engage with Federal and State agencies to issue a request for proposals to select a public/private partnership advisor to support privatization	Municipality – Director of Public Works (or equivalent)	October 31, 2020

7.2.3 Regional Procurement Service

Required Implementation Action	Owner	Deadline
Formally engage in planning with adjacent municipalities to determine a working strategy of the participants in the measure, services to benefit from a joint approach, and formulate an action plan	Mayor and designee	September 30, 2020
Conduct a rapid procurement opportunity assessment to validate categories, pricing analysis and savings opportunities	Cross-municipal Working Group	October 31, 2020
Action plan deliverable with agreements made between participating municipalities including a charter and governance structure	Mayor and designee	November 15, 2020

7.2.4 Donations and Contributions

Required Implementation Action	Owner	Deadline
Assess citizen (potentially conduct direct surveys) needs and identify priorities for which to pursue NGO funding and grants opportunities	Mayor or Designee	August 1 2020
Develop guidelines for Non-Government Organizations and individuals requesting donations from the Municipality	Municipality	August 31, 2020
Develop reporting guideline that will be used to maintain track of donation funds	Municipality	September 31, 2020
Develop a five-year phase out plan to incrementally decrease donations, while working with non-profit organizations and Central Government agencies to identify and provide essential services to replace the need for donations	Municipality	April 30, 2021

7.2.5 Personnel Cost Reductions

Required Implementation Action	Owner	Deadline
Review current workforce and work distribution based on potential redistribution of requirements due to measures and in accordance with Act 26-2017	Mayor and Human Resources (HR) Designee	July 31, 2020
Identify potential impacts to personnel budget and opportunities to reduce overall personnel costs focused primarily on impacts of non-salary personnel costs	Mayor and HR Designee	September 30, 2020
Continue to monitor personnel requirements based upon impact of measures, work requirements, and staff composition.	Mayor and HR Designee	Ongoing October 31, 2020 – January 31, 2021
Develop a plan to address personnel requirements and present for consultation	Mayor and HR Designee	February 15, 2021
Begin planning staffing reductions as necessary based on budget shortfalls	Mayor and HR Designee	March 1, 2021
Continually evaluate fiscal position, workforce requirements and opportunities to realign staffing providing updates on a quarterly basis throughout	Mayor and HR Designee	Ongoing March 31, 2021 – January 31, 2024

7.3 Economic Development Measures

7.3.1 Industrial Development Opportunities

Required Implementation Action	Owner	Deadline
Report current costs for local PRIDCO buildings (e.g., maintenance costs, current use or plan for empty properties, contracts)	Municipality in coordination with PRIDCO	September 30, 2020
Report potential use options (e.g., lease, sublease, title transfer) and challenges (e.g., major damage, vacancy) monthly	Municipality	October 31, 2020 (ongoing)
Attract potential tenants / third parties in coordination with Government economic development agencies	Municipality	November 30, 2020
Facilitate property lease agreement and transaction to third party interested in leasing the property	Municipality	February 28, 2021 (ongoing)

7.3.2 Hospitality and Tourism

Required Implementation Action	Owner	Deadline
Review DPR's available webinars and obtain the DPR playbook, which provides tourism best practices and an economic development roadmap for the Municipality	Municipality Tourism Director or Economic Development Director; DPR	July 31, 2020
Request and obtain monthly DPR visitor insights/data report	Municipality Tourism Director or Economic Development Director; DPR	August 31, 2020 (ongoing)

Update social media and DPR platforms monthly with latest information and upcoming events	Municipality Tourism Director or Economic Development Director; DPR	August 31, 2020 (ongoing)
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Review quarterly tourism opportunities, challenges, and insights with DPR and adjust marketing accordingly	Municipality Tourism Director or Economic Development Director; DPR	October 1, 2020 (ongoing)
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7.3.3 Attract and Expand Business Interests

Required Implementation Action	Owner	Deadline
Formally engage in conversation with IPR to determine a working strategy where current events are considered, and an action plan is completed	Mayor and designee	September 30, 2020

7.3.4 Workforce Development

Required Implementation Action	Owner	Deadline
Municipality to assess the composition and capabilities of its workforce against workload requirements. Moreover, formally engage in conversation with neighboring municipalities and organize a regional workforce development consortium along with guidance from DDEC and already implemented consortium such as, AMSI	Mayor or designee	July 31, 2020
Municipality to formally engage in conversations with the local Board of Mayors to officially establish a program for the use and monitoring of the obtained funds.	Mayor or designee	July 31, 2020

7.3.5 Permitting Consortium

Required Implementation Action	Owner	Deadline
Organize a regional committee to monitor progress and resolve issues	Municipalities	July 15, 2020
Provide financial impact estimate associated with implementation of the Consortium	Municipalities	September 30, 2020
Begin operating Permitting Consortium (if applicable)	Municipalities	October 30, 2020

7.3.6 Economic Development Administration (“EDA”) Planning and Local Technical Assistance Programs

Required Implementation Action	Owner	Deadline
Municipality to meet with EDA to discuss potential grant programs and request conducting a capacity assessment	Mayor; Economic Development Representative (“EDR”)	November 30, 2020
EDA initiates a capacity assessment	EDA with Municipal Designee	February 28, 2021

7.3.7 Regional Transit Service Consortium of the North Region

Required Implementation Action	Owner	Deadline
Quantify and request funds owed to the Municipality from maintaining State roads, if applicable	Municipality – Director of Public Works (or equivalent)	August 30, 2020
Complete the viability study to establish an inter-municipal transport consortium and share findings	Municipality – Director of Public Works (or equivalent)	August 30, 2020
Schedule formal meetings with the FTA to finalize and gain support for the development of the regional transportation system	Municipality – Director of Public Works (or equivalent)	August 30, 2020

7.3.8 Cooperative Agreements with Third Parties or Stakeholders

Required Implementation Action	Owner	Deadline
Develop reporting guideline that should be used to maintain track of services provided by third parties	Municipality	August 31, 2020

7.4 Disaster Recovery

7.4.1 City Revitalization

Required Implementation Action	Owner	Deadline
Municipality to submit final Capacity Assessment Package to PRDOH for final review and approval	Mayor and designee	July 30, 2020
Sign Subrecipient Agreement with PRDOH	Mayor and designee	September 30, 2020

7.4.2 Municipal Recovery Planning

Required Implementation Action	Owner	Deadline
Municipality to submit final Capacity Assessment Package to PRDOH for final review and approval	Mayor and designee	July 30, 2020
Sign Subrecipient Agreement with PRDOH	Mayor and designee	September 30, 2020
Develop and submit the Regional Municipal Plan (“RMP”)	Mayor and designee	September 30, 2021

7.5 Budget Reporting

Required Implementation Action	Owner	Deadline
Provide updated financial information on Special Reserve Fund, Federal Funds, and Project Fund budgets, as well as any additional debt held by the Municipality	Municipality	July 30, 2020
Provide quarterly reporting on fund status	Municipality	Quarterly basis

7.6 Municipal Reporting

As part of the monitoring progress of Fiscal Plan measures, the Municipality is required to submit several reports to FOMB. Below find these reports and the frequency in which they shall be prepared.

EXHIBIT 38 REPORTS TO BE PRESENTED

Report type	Detail	FOMB reporting cadence	Public reporting
Budget to actuals (B2A)	Tracking of budgeted to actual spend per budget certification agreement with FOMB, including: <ul style="list-style-type: none"> Explanation for material variances for YTD (>10% and >\$1 million or > USD 10 million) and monthly (>10% and >\$100 thousand or > USD one million) Schedule of amounts owed under each debt held 	<ul style="list-style-type: none"> Quarterly reporting after budget is certified 	<ul style="list-style-type: none"> Quarterly
Measures	<ul style="list-style-type: none"> Fiscal Plan measures status, schedule, and fiscal impact Specific reporting requirements for measures included in the Implementation Plan 	<ul style="list-style-type: none"> Monthly 	<ul style="list-style-type: none"> N/A
Other	Additional reporting on: <ul style="list-style-type: none"> Status of FEMA funding, on a project-level basis COVID-19 expense tracking, submissions to the Government for reimbursement, status of reimbursement 	<ul style="list-style-type: none"> Monthly summary 	<ul style="list-style-type: none"> N/A

Chapter 8. Appendix

8.1 Appendix: Socioeconomic Context

EXHIBIT 39 POPULATION BY AGE

	Isabela	Puerto Rico	Isabela / PR
Population under five years, 2018, %	4.2%	4.7%	89%
5 to 9 years	5.4%	5.5%	98%
10 to 14 years	6.1%	6.1%	100%
15 to 19 years	6.7%	6.8%	99%
20 to 24 years	6.7%	7.1%	94%
25 to 29 years	6.3%	6.6%	95%
30 to 34 years	5.8%	5.9%	98%
35 to 39 years	6.2%	6.2%	100%
40 to 44 years	7.2%	6.4%	113%
45 to 49 years	7.0%	6.4%	109%
50 to 54 years	7.0%	6.7%	104%
55 to 59 years	6.3%	6.4%	98%
60 to 64 years	6.5%	6.3%	103%
65 to 69 years	5.2%	5.8%	90%
70 to 74 years	5.6%	4.8%	117%
75 to 79 years	3.1%	3.6%	86%
80 to 84 years	2.4%	2.5%	96%
85 years and over	2.4%	2.2%	109%

EXHIBIT 40 EDUCATIONAL ATTAINMENT

	Isabela	Puerto Rico	Isabela / PR
Education - Population 25 years and over	30,078	2,364,398	1.3%
Education - No schooling completed	875	61,124	1.4%
Education - Regular high school diploma	8,447	599,597	1.4%
Education - Associate's degree	2,475	235,051	1.1%
Education - Bachelor's degree	4,690	428,310	1.1%
Education - Master's degree	1,674	117,015	1.4%
Education - Professional school degree	128	28,907	0.4%
Education - Doctorate degree	187	25,096	0.7%
Enrollment in college or graduate school per 10,000 pop, 2018	662.7	696.1	95.2%
Public Schools per 10,000 pop, 2018	2.87	3.02	95.0%

EXHIBIT 41 EMPLOYMENT BY INDUSTRY

	Isabela	Puerto Rico	Isabela / PR
NAICS 11 Agriculture	87	7,226	1.2%
NAICS 21 Mining	-	137	0.0%
NAICS 22 Utilities	-	818	0.0%
NAICS 23 Construction	282	25,301	1.1%
NAICS 31-33 Manufacturing	172	69,216	0.2%
NAICS 42 Wholesale trade	-	27,446	0.0%
NAICS 44-45 Retail trade	1,476	123,318	1.2%
NAICS 48-49 Transportation	23	18,237	0.1%
NAICS 51 Information	-	15,776	0.0%
NAICS 52 Finance	169	29,088	0.6%
NAICS 53 Real estate	13	13,691	0.1%
NAICS 54 Professional technical services	1,410	30,987	4.6%
NAICS 55 Management of companies	-	14,388	0.0%
NAICS 56 Administrative and waste services	68	69,418	0.1%
NAICS 61 Educational services	110	37,004	0.3%
NAICS 62 Health care	525	80,640	0.7%
NAICS 71 Entertainment	9	4,025	0.2%
NAICS 72 Accommodation and food services	648	66,741	1.0%
NAICS 81 Other services, except public adm	50	15,249	0.3%
NAICS 92 Public administration	124	76,988	0.2%
NAICS 99 Not identified	-	1,553	0.0%
Employment All Industries, 2019, Q3	5,166	727,247	0.7%

EXHIBIT 42 HOUSEHOLD INDICATORS

	Isabela	Puerto Rico	Isabela / PR
Households, 2018	15,012	1,205,075	1.2%
Households, 2013	15,384	1,230,868	1.2%
Households Growth, 2013-2018	-0.49%	-0.42%	

EXHIBIT 43 INCOME INDICATORS

	Isabela	Puerto Rico	Isabela / PR
Aggregate Income, 2018, \$ mill	358	38,791	0.9%
Percapita Income, 2018, \$	9,228	12,451	74.1%
Households; Estimate; Median Income, \$	16,748	20,166	83.1%
Households; Estimate; Mean Income, \$	23,820	32,190	74.0%
Households; Estimate; Less than \$10,000	4,715	333,145	1.4%
Households; Estimate; \$10,000 to \$14,999	2,149	143,400	1.5%
Households; Estimate; \$15,000 to \$24,999	2,902	219,337	1.3%
Households; Estimate; \$25,000 to \$34,999	1,859	146,927	1.3%
Households; Estimate; \$35,000 to \$49,999	1,767	141,322	1.3%
Households; Estimate; \$50,000 to \$74,999	1,018	120,479	0.8%
Households; Estimate; \$75,000 to \$99,999	358	46,497	0.8%
Households; Estimate; \$100,000 to \$149,999	169	33,347	0.5%
Households; Estimate; \$150,000 to \$199,999	21	10,094	0.2%
Households; Estimate; \$200,000 or more	54	10,527	0.5%
Growth Aggregate Income, 2013-2018, annual %	1.26%	0.65%	
Growth percapita Income, 2013-2018, annual %	2.73%	2.38%	

8.2 Appendix: Disaster Recovery

EXHIBIT 44 CDBG-DR FUNDS AVAILABLE

CDBG-DR Program ¹⁸	COR3 Funding Amount, '000	Action to Access Funding	Status of Municipality (in relation to application)
Municipal Recovery Planning	\$475	Submit Application	Pre-Subrecipient Agreement
City Revitalization	\$7,068	Submit Application	Pre-Subrecipient Agreement
Non-Federal Match Program	\$0	Submit Application	Pre-Subrecipient Agreement
Home Repair, Reconstruction, or Relocation Program	\$232	Subrecipient Agreement	Outreach and Inspection
Total	\$7,775		

EXHIBIT 45 OBLIGATED PUBLIC ASSISTANCE GRANT PROGRAM ("PA") PROJECTS AND DISBURSEMENT¹⁹, \$000

Category	Project	Obligated Amount	Disbursed Amount
Debris Removal	169E3 Debris Alternative Procedures PAAP	5,352	3,937
	EISA001 Debris Alternative Procedures PAAP	17	17
Emergency Protective Measures	170E3 - EMERGENCY PROTECTIVE MEASURES	1,317	680
	EISA002-EMERGENCY PROTECTIVES MEASURES	14	14
Direct Administrative Cost	EISA003 - PAAP DAC - Subrecipient's	1	1
	MISA001 PAAP DAC - subrecipients	300	44
Utilities	76435 - MISA006-Tsunami Alarms	23	23
	83621 MISA007 - Emergency Communication System	90	90
Parks, Recreational, Others	99608 - MISA026 - Beach Access Stairs	26	26
Buildings and Equipment	82572 - MISA005-Emergency Management and Municipal Police	12	12
Grand Total		7,152	4,844

¹⁸ Disaster Recovery grants to rebuild the affected areas and provide crucial seed money to start the recovery process

¹⁹ As of June 25, 2020

EXHIBIT 46 VACANT PRIDCO BUILDINGS

Building Code	Area Sq. Ft.	Code	Ind. Park	Build Year	Zoning Code
T-0709-0-65-00	11,530.81	40	Mora	NA	NA
T-0806-0-69-00	22,606.00	40	Mora	NA	NA
T-0806-1-71-00	5,464.33	40	Mora	NA	NA

8.3 Appendix: General Fund Baseline and Revenue

EXHIBIT 47 HISTORICAL AND FORECAST REVENUE AND EXPENSES

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Revenue	13,490	13,196	11,752	11,741	11,459	10,728	10,646	10,152
Expenses	12,756	12,575	11,410	10,864	11,261	11,078	10,987	11,059
Net	\$ 734	\$ 621	\$ 342	\$ 877	\$ 199	\$ (350)	\$ (341)	\$ (906)

EXHIBIT 48 HISTORICAL AND FORECAST REVENUE BREAKDOWN

Revenue Stream	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Other Intergovernmental Income	3,624	3,004	2,494	2,921	2,321	1,736	1,727	1,176
Business Licenses	2,315	2,268	1,921	1,667	1,952	1,847	1,822	1,874
Property Tax	4,372	4,622	4,027	4,030	3,941	3,919	3,899	3,880
Sales and Use Tax	2,064	2,064	2,223	2,163	2,150	2,179	2,164	2,164
PREPA Compensation	450	477	440	403	440	427	423	430
State Compensation	111	111	111	111	111	111	111	111
Other Income	554	650	535	446	544	509	500	517
Total	\$ 13,490	\$ 13,196	\$ 11,752	\$ 11,741	\$ 11,459	\$ 10,728	\$ 10,646	\$ 10,152

EXHIBIT 49 HISTORICAL AND FORECAST EXPENSES BREAKDOWN

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Total Expenses	12,756	12,575	11,410	10,864	11,261	11,078	10,987	11,059
PayGo			1,212	1,099	1,151	1,176	1,198	1,224
ASES			605	134	588	544	539	509

8.4 Appendix: Municipal Fiscal Budget Forecast Methodology, Data Sources, Caveats and Limitations.

8.4.1 Methodology

The Oversight Board followed a two-stage estimation process. The first stage forecasts the economic and demographic indicators for each municipality. The second stage forecasts the revenue and expenditures for each municipality using demographic and economic indicators from the first stage as explanatory variables. Additional details are provided below:

Stage 1: The Oversight Board forecasted the near-term impact of the COVID-19 crisis for each municipality's economic activity in each industry at the 2-digit North American Industry Classification System ("NAICS") sector level. This produced an estimation of the magnitude and trajectory of potential employment loss (and resulting loss of personal income) for the remaining part of fiscal year 2020 and fiscal year 2021 by 2-digit NAICS sector for each municipality. Population and its distribution are also forecasted through 2025 based on population trends from the Commonwealth's macro model. The Oversight Board used the population projection as an explanatory variable to project the long-term employment trend between 2022 and 2025. The Oversight Board also predicted other demographic and economic indicators, such as a portion of the population with at least a high-school degree, population dependency ratios, and total housing units as a function of population.

Stage 2: The Oversight Board projected revenue and expenditures for the 2022 through 2025 period for each municipality. This projection is in turn based on the estimated effects of COVID-19 on employment (by selected major sector) and income and on forecasts of these and several other explanatory variables through FY2022 to FY2025. In addition to employment, median income and population, the revenue and expenditure forecasts also use explanatory variables such as portion of the population with at least a high-school degree, population dependency ratios, and total housing units.

In general, the models use the same overall macroeconomic effects that were used in the Commonwealth Fiscal Plan, such as total population growth, dependent population (under 16 and over 65 years old), level of overall unemployment forecast due to COVID-19. These are then apportioned to each municipality based on their demographic profile and economic structure. The revenue and expenditure series are forecasted based on the economic and demographic forecast using econometric modeling.

8.4.2 Data sources

The expenditure models use historical data from 2017 until 2019, which are collected from the annual municipal budget files published by the Office of Management and Budget. Most of the revenue models use historical data from 2007-2019 (although 2010 and 2012 data were missing for most municipalities and are excluded from the analysis). Data prior to 2016 are collected from the Office of the Commissioner of Municipal Affairs (“OCAM”), and data from 2017 - 2019 are collected from the annual municipal budget files published by the Office of Management and Budget. SUT models use historical data from 2014 through 2019. The 2014 - 2017 SUT data are collected from the Office of the Commissioner of Municipal Affairs (OCAM), and 2017 - 2019 SUT data are collected from the annual municipal budget files published by the Office of Management and Budget.

The demographic and economic data by municipality comes from two major data sources – Bureau of Labor Statistics (Quarterly Census of Employment and Wages) and Census Bureau (American Community Survey).

8.4.3 Caveats and limitations

- The forecast uses a sectorial analysis to estimate the COVID-19 effects on employment growth within each municipality. These estimates are used to forecast other independent variables and ultimately forecast the revenue sources and expenditure line items. The situation surrounding COVID-19 is dynamic, and assumptions must be revisited as new information becomes available.
- A few municipalities have sporadic missing data for revenue sources and expenditure line items for some years. The missing data required imputation, which again, could affect the accuracy of the estimates.
- Most of the budget data are in the form of estimated actuals rather than the actual budget outturns. While the estimated budget does provide a directional trend, it is important to acquire actual budget execution data to achieve better statistical precision and accurate forecasts.
- For the property tax forecasts, CRIM and municipal level data do not follow the same trend in 2018. Municipal property taxes are only allocated a portion of the taxes collected in a jurisdiction by CRIM. Municipal revenues increase, while CRIM's total revenue decreases. This causes concern for data validity and could affect the accuracy of the estimates. Careful analysis is underway to ensure that CRIM and municipal level data are harmonized.
- While the sales and use tax allocated to the Commonwealth’s General Fund shows a large increase between 2016 and 2019, the aggregated municipal budgets data does not show

the same increasing trend. Some of the growth trend in the General Fund SUT is due to a reduction of COFINA's portion of SUT, however, this does not account for all the discrepancies. The Oversight Board continues to reconcile data from different sources and across estimated vs. actual budget data.