

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



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BY ELECTRONIC MAIL

June 5, 2020

The Honorable Wanda Vázquez Garced
Governor of Puerto Rico

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

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

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

We have become aware of a draft House Joint Resolution (the “Draft HJR”) that would assign \$185 million from the Emergency Fund of the Government of Puerto Rico to the Municipal Revenues Collection Center (“CRIM,” by its Spanish acronym) to be distributed among the 78 municipalities as temporary economic relief in light of their current economic situation.

The proposed assignment of funds contained in the Draft HJR is not contemplated in the Certified FY20 budget and, as a result, would constitute unauthorized reprogramming unless duly certified by the Oversight Board. Section 204(c)(2) of PROMESA states that “[t]he Legislature shall not adopt a reprogramming, and no officer or employee of the territorial government may carry out any reprogramming, until the Oversight Board has provided the Legislature with an analysis that certifies such reprogramming will not be inconsistent with the Fiscal Plan and Budget.” The Oversight Board has not received a request to analyze and/or certify the reprogramming of funds contemplated in the Draft HJR, which, as mentioned, is a condition to the adoption of any such reprogramming by the Legislature or carrying out of any reprogramming by any officer or employee of the territorial government.

The Oversight Board is aware of the difficult economic situation municipalities currently face. Accordingly, measures to address this situation have been approved and are in the process of being implemented by the Government of Puerto Rico. First, immediately after the January 2020 earthquakes, the Oversight Board authorized the use of \$14.9 million of the Emergency Reserve

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directly for 18 municipalities in the southwest impacted by the earthquakes. Also, as part of the Emergency Measures Support Package certified by the Oversight Board on March 28, 2020, Joint Resolution 23-2020 was issued to implement the Legislature's first phase of the "Strategic Plan to Reactivate Our Economy, Support Our Merchants and Protect Our Workers" in response to the COVID-19 emergency. This measure included \$100 million of support to municipalities. The Emergency Measures Support Package is in addition to \$160 million from Puerto Rico's Emergency Reserve Fund the Oversight Board has already authorized to support the municipalities.

In terms of the COVID-19 unbudgeted expenses that municipalities may have or may incur in the future, we remind you that such expenditures will be covered by an additional \$100 million designated for such spending out of the \$2.2 billion in assistance provided pursuant to the CARES Act. We also remind you that the Oversight Board recently authorized \$9 million to the municipalities of Peñuelas, Guánica and Guayanilla for purposes of demolition and debris removal resulting from the earthquakes since January 2020. Finally, the Oversight Board approved a \$2 million advance to COR3 to cover the demolition of approximately 1,000 residences in eleven municipalities and an additional \$13.4 million for demolition and debris removal in the municipalities of Ponce and Yauco. These are all measures that have been approved together with the Legislature and the Governor of Puerto Rico to provide support to the people of Puerto Rico.

In addition, we remind you the Oversight Board has authorized the Commonwealth to provide a credit facility to CRIM in the amount of \$185 million – the precise amount contemplated by the Draft HJR. This credit facility is designed to assist the municipalities in covering their cash shortfalls for the months of April, May, June and July 2020 attributable to their decision to defer the filing date of personal property tax returns and thereby the collection of personal property tax payments. This credit facility would provide the municipalities with the cash needed to render services to the people of Puerto Rico. CRIM, however, has decided not to accept this credit facility.

Finally, legislative measures such as the Draft HJR do not help the municipalities of Puerto Rico in the long term as they only provide short-term economic relief, but do not provide or encourage the fiscal stability and soundness the municipalities need in order to achieve permanent financial independence.

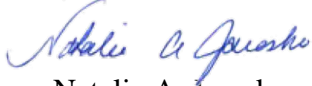
The Oversight Board expects the Legislature and Executive Branch will comply with the Commonwealth's Certified Fiscal Plan, Certified Budget, and PROMESA § 204(c)(2). Pursuant to PROMESA Section 108(a)(2), the Governor and Legislature are each enjoined from, among other things, implementing any statute or rule that impairs or defeats the purposes of PROMESA as determined by the Oversight Board. To avoid any misunderstanding, please be advised the Oversight Board has determined passage and/or implementation of the Draft HJR, prior to satisfaction of all Section 204 requirements, would impair and defeat the purposes of PROMESA, as determined by the Oversight Board. The Legislature is therefore enjoined from passing the

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Draft HJR and the Executive Branch is enjoined from implementing the Draft HJR should it be passed in violation of PROMESA.

We look forward to continuing to work together for the benefit of the people of Puerto Rico.

Sincerely,



Natalie A. Jaresko

CC: Mr. Omar Marrero Díaz