

ECONOMY

\$16 billion to flow to Puerto Rico to help fix damages from hurricanes Irma and Maria



Think Strategically: The ‘Substitute for Brains is Silence!’

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Trump’s military parade: ‘The substitute for brains is silence’

Henry Ashurst was a U.S. politician and Senator from Arizona. He is quoted as saying “The substitute of brains is silence,” and on this note, we recently were made aware of President Trump’s desire to have a military parade through an insightful column by Prof. & attorney Carlos Dalmau. Our President wants to display U.S. military might in all its glory. The idea came when Trump was in France and attended the Bastille Day military parade that has been held on July 14 since 1888. Some ticker-tape parades featuring brass bands, American cars, and confetti were held in U.S. cities after our soldiers returned from World War II. Other military parades were held in Washington, D.C. and New York City as recently as 1991 when George H.W. Bush celebrated operation Desert Storm; the U.S. does not have a tradition of hosting such a spectacle. The opinions by stakeholders were mixed; however, the publication Army Times, which is directed at

service members, polled its readers with this question: “Should there be a parade showcasing troops and military in Washington, D.C.?”

Eighty-nine percent, or 51,000 service members who responded, said it would be a waste of money.

We bring this item up to highlight where the President’s priorities are focused.

Congress approves \$16B for P.R.’s recovery

The U.S. Senate passed a two-year budget agreement early last Friday that would boost federal spending by \$300 billion and suspend the debt ceiling for a year, about \$16 billion will flow to Puerto Rico to help fix the damage from hurricanes Irma and Maria. This new round of funding is part of a \$90 billion disaster-aid package approved in Washington on Friday that also includes Hurricane Harvey-ravaged Texas and California, which was struck by wildfires. This approval is a big win for Puerto Rico, which continues to struggle to recover from Maria’s aftermath.

Almost five months after Maria, nearly 27% of Puerto Rico remains without electricity, and in the budget bill, there is \$2 billion to repair the

Electric Power Authority’s (Prepa) power grid. Another critical concern was the healthcare fiscal cliff, where funding for Puerto Rico healthcare was to elapse, and this was also being addressed with a \$4.8 billion allocation to pay the Puerto Rico Medicaid program over the next two fiscal years. The rest of the allocation includes \$11 billion in Community Block Grants, separate funding grants from the U.S. Army Corps of Engineers and another \$15 billion for priority construction in all affected states and territories for flood prevention. However, the \$16 billion does not come close to the \$94.4 billion Gov. Rosselló requested to cover damages.

Dow declines to correction territory

After two weeks with a total 2,437-point drop in the Dow, down

from a high of 26,604 on Jan. 26, 2018, to 24,167 on Feb. 9, 2018, it is no wonder investors may be feeling very concerned. However, despite the dramatic market drop, it is reasonable to expect a market correction after such large growth. This is merely a course correction and a 10 percent drop, and we are within that territory.

Most investors need to examine and understand “the Efficient Frontier,” a concept created by Harry Markowitz in 1952, which measures the efficient diversification of investments that deliver the highest level of return at the lowest possible risk. Every investor considers tradeoffs between risk and reward in their portfolios. By comparison, a portfolio of 75% bonds and 25% stocks—compared to a portfolio of bonds only—takes on a small number of shares, and

the benefits of diversification lower risk and increase reward.

However, the analysis for most investors is that if you started out with a 50/50 stocks/bonds allocation a few years back, some could be above that ratio now, and it is about time you rebalanced your portfolio. Instead of selling assets and retrenching, stay invested for the long term, while diversifying.

Final Word: Reinventing our towns with shared services

One of the most significant issues that will come up soon enough is our municipalities since our next crisis is the need to reinvent our towns. Our mayors suffered much in the aftermath of Maria and exposed our great limitations, along with the clear need to streamline municipalities’ complexity and operations. We have 38 of 78 municipalities in deficit, nearly 50% of them, and close to 45 towns may not survive next fiscal year. Most have seen their revenues plummet while their expenses have increased in the aftermath of Maria. As we revised the budgetary plan, we noted that the municipalities’ level of fiscal responsibilities has increased by \$760 million, with the chart below highlighting the largest ones.

We have much experience with shared services and can attest that real benefits can be achieved. The most compelling value is derived from service-level improvements such as better quality and consistent services in all areas with real, bottom-line cost savings achieved. Shared services are any service that is not for the customer, which includes HR, payroll, benefits, and computer and accounting systems. It is essential to realize the level of resistance that will occur when moving people, processes and technology out of a distributed environment into a shared services center.

Most mayors are not ready to initiate transformative changes that they need, and we cannot waste any time doing so.

While “the substitute for brains is silence,” we cannot remain silent on this crucial topic because our first line of defense has always been our Mayors.

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Municipalities’ Contribution to Fiscal Plan (in millions)

Pay as You Go Cost	\$32
Municipal Balances in GDB	\$378
Municipal Taxes Eliminated by Government	\$175
Subsidies Reduction	\$175
Total Impact on Municipalities	\$760