

# ECONOMY

Puerto Rico looks for life support to keep its economy running



## Think Strategically: The Animating Spirit

BY FRANCISCO RODRIGUEZ-CASTRO  
frc@birlingcapital.com

### Trump's Legacy: \$1.5 trillion in infrastructure

President Trump's very much awaited outline for an infrastructure bill was released this week. At first glance, the plan calls for \$1.5 trillion to be spent on infrastructure, with at least \$200 billion coming directly from the federal budget. It appears the infrastructure plan was well-received on Capitol Hill and points to a significant step to begin the year after the Tax Reform bill victory. However, in its current form, the plan does not have substantial support from lawmakers from either side of the aisle, with most Republicans worried about increasing the budget deficit and Democrats concerned over the dependence on private investment and funding from local and state governments. Outside of Washington, and by this we mean the voters, there is widespread support for increased investment in infrastructure. We are cautiously optimistic that a comprehensive

package may be enacted this year.

Some of the issues that are sure to come up in the debate are as follows:

- How to pay for it: Most do not want further deficits.
- Attempting to pass a much smaller bill in the \$500 billion-\$700 billion range.
- Midterm elections: Will likely play a role in these discussions and how the bill evolves or stays in a holding pattern.
- Private activity bonds: The infrastructure package calls for an expansion of private activity bonds (PABs) as part of its infrastructure proposal. Republicans tried to eliminate these bonds in the run-up to tax reform.

Even with the evident sad state of the nation's infrastructure and desperate need for investment, we examined the American Society of Civil Engineers (ASCE) estimates. The ASCE projects the U.S. needs to spend some \$4.5 trillion by 2025 to fix the country's roads, bridges, dams and other infrastructure.

The ASCE report breaks down the state of infrastructure in 16 different

categories. Here's a look at each category's final grade, according to the organization. The report does not include Puerto Rico; however, we are quite sure we do not need a report to note we are in the F+ range.

### P.R. Update: Prepa \$300 million lifeline approved

The decision by Judge Laura Taylor Swain to not approve a request for a \$1 billion loan for the Puerto Rico Electric Power Authority (Prepa) forces it to initiate a strategic, operational emergency plan that began on Feb. 18.

Although some may view this as a ruling that favors creditors and bondholders over Puerto Rico citizens and the immediate need to repair and enhance our power grid.

The job of the court is to balance the interest of all parties and, for this reason, the Judge stated that it would consider a smaller loan amount in the \$300 million range.

In response to the court's ruling, the Financial Oversight & Management Board (FOMB) and the Puerto Rico Fiscal Agency & Financial Authority (Fafaa), filed an urgent

joint application Friday morning requesting approval of a revised proposed \$300 million unsecured super-priority loan to Prepa from the Government of Puerto Rico.

The new loan request was approved by Judge Taylor Swain on Feb. 19, and the terms and conditions are 5 percent interest with repayment in 30 years, and it cannot be refinanced under any circumstances. Although this might seem like a small victory for Prepa, this loan only finances the utility until the end of March. Prepa's cost of operations is north of \$2.6 billion a year, or close to \$50 million a week, which makes the Community Disaster Loan (CDL) for the Government an incredibly important part of providing additional liquidity to Prepa.

Gov. Rosselló urged the U.S. Treasury Department to release CDL funds that are necessary to keep Prepa operating. The Governor said: "This started back in October. Congress approved these funds specifically to address the issue regarding the liquidity of the central Government and public corporations. We are in talks with the U.S. Treasury,

and they have not yet informed us of the terms. Treasury must disburse the money immediately as this is already an urgent situation."

The U.S. Treasury has also set a cash-balance policy level for the P.R. Treasury Single Account that must decrease to \$800 million to access CDL financing.

We wonder if it would have taken the U.S. Congress and U.S. Treasury five months to grant aid to any state suffering the level of devastation in Puerto Rico—if there was a need to find any evidence of distrust and injustice, this has to be it.

### Final word: The animating spirit

While we do not foresee interruption to electric service or continued work on repairing the hurricane damage, the shortfall adds increased pressure to the overall liquidity of the Government. Without prompt action by the federal government to allow access to the congressionally approved \$4.9 billion CDL, the situation is insurmountable.

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The Puerto Rico Chamber of Commerce  
and El Nuevo Día invite you to the...

# Health & Insurance CONFERENCE 2018

**DEVELOPMENT BY STORM: HOW TO TURN  
POST-MARÍA RECOVERY AS THE OPPORTUNITY  
TO FIX HEALTHCARE IN PUERTO RICO**

**March 8, 2018 | The Condado Plaza Hilton**

Conference: 8:00 a.m. - 5:00 p.m. | Networking Cocktail: 5:00 p.m. - 7:00 p.m.

## Main Topics:

- ▶ **Development by Storm:** How to turn Post-María Recovery as the Opportunity to Fix Healthcare in Puerto Rico
- ▶ **Population Dynamics and Disease in Puerto Rico:** Migration, Markets and María
- ▶ **Healthcare Policy Update & Economic Development Recommendations**
- ▶ **What we learned** about our Provider Network through the María experience
- ▶ **Keynote Luncheon Healthcare Coverage and Access** from the Employer Perspective
- ▶ How can the **Schools of Medicine** help in the Physicians Exodus
- ▶ **Pharmaceutical Innovation** for Chronic Disease Management
- ▶ **Battling Fraud, Waste and Abuse:** Challenges & Opportunities to Effectively Manage Care, Improve Quality and Reduce Costs in Puerto Rico

### Investment\*:

- PRCC Members: \$200 + Tax\*
- PRCC Members: Table of Ten(10): \$1,500 + Tax\*
- Non-Members: \$225 + Tax
- Non-Members Table of Ten(10): \$1,750\* + Tax\*
- Students: \$150\*\* + Tax\*



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## 2017 Infrastructure Grades

AVIATION	D	PARKS AND RECREATION	D+
BRIDGES	C+	PORTS	C+
DAMS	D	RAIL	B
DRINKING WATER	D	ROADS	D
ENERGY	D+	SCHOOLS	D+
HAZARDOUS WASTE	D+	SOLID WASTE	C+
INLAND WATERWAYS	D	TRANSIT	D-
LEVEES	D	WASTEWATER	D+

America's  
Cumulative  
Infrastructure  
Grade



A	EXCEPTIONAL
B	GOOD
C	MEDIOCRE
D	POOR
F	FAILING

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Puerto Ricans have what some call “The Animating Spirit”; we view life with optimism, joy, trust and appreciation. For this reason, the constant delays from U.S. Congress and the aftermath of Maria have dented our animating spirit by destroying our way of life, sense of community, jobs, activities and outlook. Only on paper, has Congress pledged

billions of dollars—in reality, it has thus far guaranteed only distrust in our institutions and Government.

These obstacles are damaging as we see Puerto Rico limping along and working with a scarcity mentality even when we are part of the United States of America.

Former Gov. Luis A. Ferré said it best:

“The Homeland is not a flag, nor is it a hymn, it is not noise. The Homeland is the

creative effort, it is a sense of social responsibility, it is respect for reason, and it is love for freedom.”

The Puerto Rican animating spirit may be healthy, but for how long!

*Francisco Rodríguez-Castro, president & CEO of Birling Capital, has over 25 years of experience working with government, multinational and public companies.*

### UNITED STATES DISTRICT COURT FOR THE DISTRICT OF PUERTO RICO

In re:  
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO,  
as representative of  
PUERTO RICO ELECTRIC POWER AUTHORITY (“PREPA”),  
Debtor.<sup>1</sup>

#### NOTICE OF COMMENCEMENT OF PREPA'S TITLE III CASE, ENTRY OF ORDER FOR RELIEF, AND RELATED MATTERS

TO ALL CREDITORS OF PUERTO RICO ELECTRIC POWER AUTHORITY, AND TO OTHER PARTIES IN INTEREST, PLEASE TAKE NOTICE OF THE FOLLOWING:

#### Commencement of Title III Case and Order for Relief

On July 2, 2017 (the “Petition Date”), Puerto Rico Electric Power Authority (“PREPA”) by and through the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), as PREPA's representative pursuant to section 315(b) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), filed a petition on behalf of PREPA in the United States District Court for the District of Puerto Rico (the “District Court”) under title III of PROMESA (the “Title III Case”). The filing of the petition constitutes an order for relief.

The Title III Case is pending before the Honorable Laura Taylor Swain, United States District Judge.

#### General Case Information and Publicly Available Documents

All documents filed in the Title III Case are available, free of charge, by accessing the website maintained by Epiq Bankruptcy Solutions, LLC (the “Claims and Noticing Agent”) at <http://dm.epiq11.com/PREPA> (the “Case Website”) or by contacting the Claims and Noticing Agent directly at (888)-697-8557 (toll free for U.S. and Puerto Rico) or (503)-520-4450 (for international callers).

The District Court has ordered that the docket for the Title III Case be maintained by the United States Bankruptcy Court for the District of Puerto Rico (the “Bankruptcy Court”). As such, you may also obtain copies of any documents by visiting the Bankruptcy Court's website at [www.prb.uscourts.gov](http://www.prb.uscourts.gov) in accordance with the procedures and fees set forth therein.

#### Proofs of Claim Are Not Required to be Filed Now

This Title III Notice is not an admission that PREPA has a debt to the recipient, and does not necessarily mean that you are a creditor or that monies are owed to you.

To the extent you are a creditor, this Title III Notice does not establish a deadline to file proofs of claim in this Title III Case. Accordingly, to the extent you are a creditor, at this time, you are not required to file a proof of a claim.

When the Court sets a deadline to file proofs of claim (commonly referred to as the “bar date”), PREPA will send another notice of the deadline and the applicable procedures to the creditors before the bar date. Such notice will also be posted on the Case Website.

#### Purpose of Title III Case

Title III of PROMESA provides a means for a covered territorial instrumentality of Puerto Rico, such as PREPA, that has encountered

financial difficulty to work with its creditors to adjust its debts. To that end, PROMESA incorporates by reference certain sections of title 11 of the United States Code (the “Bankruptcy Code”).

During this Title III Case, PREPA will remain in possession and control of its property, and will continue to maintain its functions and provide services for the benefit of the citizens of Puerto Rico. Under PROMESA, however, the Oversight Board is the representative of PREPA (as a debtor in this Title III Case) and may take any action necessary on behalf of PREPA to prosecute this Title III Case. Under PROMESA, only the Oversight Board may file a plan of adjustment for PREPA. In that regard, the Oversight Board (as PREPA's representative) intends to propose a plan for the adjustment of PREPA's debts. Future notice concerning any such plan will be provided pursuant to the form and manner of notice ordered by the District Court.

The filing of this Title III Case should not preclude PREPA's efforts to continue voluntary debt restructuring negotiations and to seek consensual agreements with creditors.

Background information regarding PREPA and the commencement of this Title III Case is contained in the Notice of Statement of Oversight Board Regarding PREPA's Title III Case [D.I. 2].

#### Automatic Stay

Pursuant to sections 362 and 922 of the Bankruptcy Code, which are made applicable in the Title III Case, the filing of PREPA's petition operates as an automatic stay of actions against PREPA (and its officers), including, among other things: the commencement or continuation of a judicial, administrative, or other action or proceeding against PREPA, or against an officer of PREPA, that was or could have been commenced before the commencement of this Title III Case, or to recover a claim against PREPA, or against an officer of PREPA, that arose before the commencement of this Title III Case.

#### Case Management Procedures

The District Court entered the Order Establishing Case Management Procedures [D.I. 11] limiting notice of filings in the Title III Case to certain creditors and interested parties. If you wish to receive notices in this Title III Case, you are encouraged to file with the Clerk of Court a written request for service of papers in accordance with Bankruptcy Rules 2002 and 9010(b), which are applicable in this Title III Case. The request should include the following: (a) the requesting party's name, address, and telephone number; (b) the name and address of the requesting party's counsel, if any; (c) an e-mail address at which the requesting party may be served; (d) an address by which the requesting party may be served by U.S. mail, hand delivery, and/or overnight delivery; (e) a facsimile number for the requesting party, if applicable; and (f) the requesting party's relationship to the Title III Case (e.g., trade creditor, interested party, etc.).

#### Inquiries

Inquiries about the matters described herein may be directed to: (a) the Claims and Noticing Agent, at the contact information listed above; (b) the Oversight Board's counsel, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, (212) 969-3000 (Attn: Martin J. Bienenstock, Esq., Paul V. Possinger, Esq., Ehud Barak, Esq., and Maja Zerjal, Esq.); and/or (c) counsel to the Puerto Rico Fiscal Agency and Financial Advisory Authority, Greenberg Traurig LLP, 200 Park Avenue, New York, New York 10166 (Attn: Nancy A. Mitchell, Esq. and Nathan A. Haynes, Esq.).

<sup>1</sup> The last four (4) digits of PREPA's federal tax identification number are 3747.

<sup>2</sup> PROMESA is codified at 48 U.S.C. §§ 2101-2241.