

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



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Natalie A. Jaresko
Executive Director

BY ELECTRONIC MAIL

August 28, 2017

The Honorable Ricardo A. Rosselló Nevares
Governor of Puerto Rico
La Fortaleza
P.O. Box 9020082
San Juan, PR 00902-0082

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 Rosselló Nevares, President Rivera Schatz, and Speaker Méndez Núñez:

Pursuant to Section 205(a) of PROMESA, we write to recommend that the Government amend Article 29 of Act 3-2017. Specifically, we recommend that Article 29 of Act 3 be amended so that the Governor's removal powers with respect to any member of any board or governing body of a public corporation or instrumentality be limited to "for cause." We make this recommendation to ensure compliance with the certified Fiscal Plans for PREPA and HTA, and to promote management responsibility and service delivery efficiency at all public corporations.

The certified Fiscal Plan for PREPA included "the requirement that at least two thirds of its [Governing Board] members meet the qualifications of independence and expertise in energy matters" and the certified Fiscal Plan for HTA required that "the terms [of HTA Board members] are independent of political cycles and that [HTA Board member] selection is independent." Independence in this context means free from political control or influence. The Governor's ability to remove at will any member of PREPA's Governing Board threatens the required independence

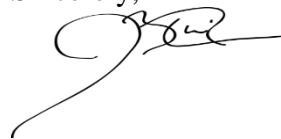
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of the Governing Board members. The recently enacted Act 37-2017 does not solve the problem because it explicitly acknowledges the Governor's removal powers under Act 3 remain in place.

Insulating all members of all boards or governing bodies of public corporations and instrumentalities from political control and influence would also promote management responsibility and service delivery efficiency at all public corporations and instrumentalities. Free of political control and influence, members of boards and governing bodies could pursue the policies and take the actions that they determine, in their expert judgment, are in the best interest of their respective public corporation or instrumentality. At the same time, implementing our recommendation would not leave the boards and governing bodies unaccountable because members could still be removed by the Governor for cause.

Accordingly, pursuant to Section 205(a) of PROMESA, the Oversight Board submits this recommendation that Article 29 of Act 3 be amended as described herein. We look forward to your response within 90 days.

Sincerely,



José B. Carrión
Chair

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

CC: Natalie A. Jaresko
Christian Sobrino Vega