



Financial Oversight and Management Board for Puerto Rico

Tenth Meeting of the Board

October 31, 2017

8:30 a.m. AST

Colegio de Ingenieros, 500 Calle Ing. Antolin Nin Martinez, San Juan, Puerto Rico 00918

Open the Meeting

At 8:30 a.m., José B. Carrión introduced himself as Chair of the Board and welcomed all persons present to the tenth meeting of the Financial Oversight and Management Board for Puerto Rico and took a roll call to determine which members were present.

- Andrew G. Biggs
- Carlos M. García
- Arthur J. González
- José R. González
- Ana J. Matosantos
- David A. Skeel, Jr.
- *Ex Officio* Member and Governor Rosselló-Nevarés' representative, Christian Sobrino

Each answered that he or she was present. Mr. Carrion determined that a quorum was present and called the meeting to order.

Mr. Carrion requested a moment of silence for the victims of Hurricane Maria and their families. Mr. David Skeel led the meeting in prayer.

Mr. Carrion asked Mr. Jaime A. El Koury, General Counsel of the Board, to act as Secretary for the meeting. Mr. El Koury agreed.

Mr. Carrion recognized the presence of:

1. **Mr. Michael Byrne**, Federal Coordinating Officer for Puerto Rico and Acting Regional Administrator of the Federal Emergency Management Administration, Region II
2. **Mr. Gerardo Portela**, Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority.
3. **Mr. Hector Pesquera**, Secretary of Public Safety of the Commonwealth of Puerto Rico and State Coordinating Officer for Puerto Rico before the Federal Emergency Management Administration.

Mr. Carrion thanked those who were attending the tenth meeting of the Board, the sixth held in Puerto Rico, in person or via the Board's website, where a livestream was available in English and a simultaneous translation in Spanish.

Mr. Carrion outlined the agenda items for the meeting:

1. **Approval of 8/4/2017 Meeting Minutes**
2. **Report by Executive Director**
3. **Presentation by Michael Byrne, Federal Coordinating Officer for Puerto Rico and Acting Regional Administrator of Federal Emergency Management Administration, Region II**
4. **Administrative Matters, including Presentation of Audited Financial Statements for the Board**
5. **Update on Independent Debt Investigation**
6. **Presentation by Christian Sobrino, Ex Officio Member of the Board and Representative of the Governor**
7. **Presentation by Gerardo Portela, Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority**
8. **Presentation of Revised Commonwealth and Instrumentalities Fiscal Plan Process and Timetable**
9. **Presentation of Contract Review and Approval Policy**
10. **Presentation on PREPA Chief Transformation Officer**

Agenda Items

1. Approval of the Minutes of the Last Meeting

Mr. Carrion asked if there were any questions about the proposed minutes of the Board's last meeting held on August 4, 2017. There being no questions, Ms. Matosantos moved to approve the minutes in the form presented, and Mr. Garcia seconded the motion. Mr. Carrion asked for a vote by voice vote - first those in favor – then those opposed, and Mr. Carrion announced that the minutes had been approved.

2. Report by the Executive Director

Mr. Carrion requested that that Board's Executive Director, **Ms. Natalie Jaresko**, present the status of the Oversight Board's recent actions in light of the aftermath of Hurricanes Irma and Maria, as well as actions the Board will be taking moving forward.

Ms. Jaresko delivered the following report:

“Since its inception, the Board has worked with the Government of Puerto Rico to carry out its charge under PROMESA: to help Puerto Rico achieve fiscal balance, provide a path for its return to the capital markets, and restore economic growth and opportunity for the people of Puerto Rico. The Fiscal Plan for Puerto Rico that was certified by the Board on March 13, 2017 embodied these principles and had set the Commonwealth on a new path. However, we must realize that Hurricanes Maria and Irma have fundamentally changed Puerto Rico's reality. The aftermath of these unprecedented natural disasters has been a difficult and trying time for Puerto Rico and its people.

I will now recount the actions that we have taken in the past six weeks to meet this challenge.

1. After Hurricane Maria hit, the Oversight Board authorized the Government of Puerto Rico to

“reallocate” up to \$1 billion of its budget for emergency funding to recover from the hurricane’s effects and to ensure it had resources to begin immediate emergency response and recovery efforts in anticipation of federal funds.

2. On October 4th, the Oversight Board withdrew the furlough litigation and postponed any furloughs implementation measures for at least a year.

3. The Oversight Board has been actively working in Washington D.C. to advocate for the necessary resources to support Puerto Rico’s recovery, critical rebuilding efforts, and necessary liquidity to maintain services. Specifically regarding liquidity, we have collaborated with the Government to provide short term (one quarter) and medium term (seven quarters) liquidity estimates in light of the revenue shortfalls that the Commonwealth is experiencing, and to address the monies that will be needed to advance rebuilding efforts.

4. The Oversight Board has initiated a Contracts Review Policy pursuant to section 204(b)(2) of PROMESA to ensure upmost transparency in all contracting processes. We will discuss the Policy in more detail later.

5. The Oversight Board has requested federal support pursuant to PROMESA.

6. As the Oversight Board announced last week, it took the step of asking the Title III court to approve the appointment of Noel Zamot as Chief Transformation Officer of PREPA. Upon confirmation by the court, Noel’s task will be to lead the transformation of PREPA and the rebuilding of the electricity sector following the devastation of Hurricane Maria to make energy more reliable, cost effective, and resilient.

In the immediate future, we will focus on the following:

1. The Oversight Board will be issuing parameters for revising fiscal plans in light of Puerto Rico’s new reality.

2. The Oversight Board is committed to collaborating with the Government to promptly revise fiscal plans. This includes a new work schedule, listening sessions, and new deadlines which we will discuss in detail later today.
3. The Oversight Board will continue to advocate for Puerto Rico in Washington, DC as it joins meetings with the Administration and the Congress.
4. The Oversight Board will continue its work on liquidity monitoring to ensure we are responsible stewards of the people of Puerto Rico's money and that necessary actions are taken to avoid interruption in services.
5. With the hopes of having a court-appointed Chief Transformation Office at PREPA soon, the Oversight Board will be redoubling its efforts to work hand in hand with the Government and all stakeholders to restore electricity and services as soon as possible, and to reform the energy sector.
6. As one of the main objectives of the Oversight Board, the ongoing work to promptly restructure the debt will also continue.

Thank you.”

3. Presentation by Michael Byrne, Federal Coordinating Officer for Puerto Rico and Acting Regional Administrator of Federal Emergency Management Administration, Region II

Mr. Carrion introduced **Mr. Michael Byrne**, Federal Coordinating Officer for Puerto Rico and Acting Regional Administrator of Federal Emergency Management Administration, Region II. Mr. Byrne proceeded to give a presentation on the activities of FEMA and the Federal response to the recent devastation caused by Hurricane Maria.

Mr. Byrne: “Thank you, it’s an honor to be here. I am here to present on the work done since we got on the ground.

- I wanted to assure you that we have a strong partnership with the Commonwealth Government, in particular with my counterpart, the State Coordinating Officer, Hector Pesquera. We have been working side by side.
- I think it's useful for you to know about my background, because this is not my first rodeo. I spent 20 years in the New York City Fire Department and was part of the creation of the Office of Emergency Management in New York City under Mayor Giuliani. Since I joined FEMA, my first disaster was in the U.S. Virgin Islands, Hurricane Lenny. Since then, I've managed a large number of disasters. I was the Operation Section Chief for 9/11, a \$9-billion-dollar recovery effort, Hurricane Sandy in New York City, a \$24 billion effort, and led a \$10 billion housing program in Louisiana after Katrina. So, I've seen lots of other disasters.
- I will explain how FEMA works – it's divided into three buckets:
 - Immediate response – life safety
 - Recovery – where major financial programs come in and we have the authority to execute
 - Mitigation – building back and building smarter to prevent from happening again
- **Response:**
 - The response here was historic and I choose the word carefully. The amount of response efforts that we have undertaken is unprecedented. We've moved more food and more water than we have in history. We have done close to 1,200 airdrops of food in remote areas. We are over 20 million liters of water, and 15 million meals handed out.
 - Even as I speak today, we will be sending out over 1 million meals and 1 million liters of water.
 - We have brought in more generators than we have before: 380 generators and we expect the number to get to 600.
 - We think we will do 60,000 blue roofs, which is a temporary measure of roofing to allow people to get back to their homes
 - We have 17,000 federal employees. At one time, we had four naval ships assigned here. We still have two: the USS Comfort and the USS Kearsarge, but it will be leaving soon as its mission is complete.

- We have cleared the roads with the US Marines. This is good because we were able to pull air assets back and gain access to the roads.
- We have two medical hospitals: a combat medical hospital in Humacao and a unit in the Northwest of the Island.
- These are not routine deployments. This is truly an unprecedented amount of support brought to the Island and we continue. We're starting to see a degree of stability – 90% of stores open, food on the shelves, transactions in place, in particular food distribution. We watch Puerto Rican version of food stamps (PAN) and we track expenditures because they are very close to pre-storm. We hope to start pulling back the food mission.
- **Recovery:**
 - FEMA has two broad types of programs:
 - Individuals and families through Direct Assistance. People register by phone, online, and in person. This assistance is direct and can be financial – the maximum rate is up to \$33,300, but it's not the average (\$10,000). We also processed, in light of the immediate need, an immediate payment of \$500 to people that have applied. We've since then stopped this program, but it's something we did. Overall, we have over 1 million registrants, which is a lot in an Island of 3.5 million people. I haven't seen this ratio before. We have the Community Disaster Loans that we have been providing to local communities. It's a \$5 million loan to help them maintain payroll in the immediate aftermath of a disaster.
 - The other category is Public Assistance; this is where we build back. Right now, what is active is Categories A & B. Category A deals with debris removal; we are estimating 6.9 million cubic yards of debris that has been picked up and we will continue to pick up. Category B, which is emergency protective measures, is much of the response work that I have described to you. There are certain other things. We started a program yesterday with the Governor, we call it the STEP program or "Tu Hogar Renace." We are very excited about this program; the first time we did it was in New York City and New York state. The best thing we can do is get people back in their

homes rather than hotels. Why not make the investment to get people back to their homes? The STEP program is doing that and the way it's structured for Puerto Rico is the best I've seen yet. Governor Edwards from Louisiana was here, he also used the program and we're really excited for what it will do to get people back into their homes.

- The other Categories C through G deal with major infrastructure, power, water, buildings, infrastructure, and a wide category of assistance. This is one of the largest or top three efforts that we've undertaken. Based on estimates, we tend to think that we'll be here to make sure this gets done and we have different ways to do this. We have been talking to the government about section 428 of the law, and it allows us to bundle and capture an initiative around the whole sector, rather than individual by individual. The best analogy I can give you is: through Public Assistance, most of the time we give slices of bread, now you get the whole loaf. Now you compressively build a restructuring plan to have the greatest impact. The other thing is to build back smarter and better

- **Mitigation:**

- The last thing we do is mitigation, and we do it concurrently with the Public Assistance program. For every dollar that is spent on this disaster, FEMA sets aside: for the first \$2 billion, we set aside 15 cents on the dollar, and for every billion after, we set aside 10 cents on the dollar to create a pool of money to then be used for mitigation projects. The whole idea is to use that to reinforce and to support, and to make sure that the large federal investment that we'll be making here is properly mitigated and built not to fail again.
- This is the broad picture of where we are and where we are going. I have yet never had a better relationship with the State, Governor, and the Governor's staff. It's collegial and problem solving. We solve problems together. And we've had a few. We come at it with a strong partnership.”

After the presentation, the Board proceeded to ask questions.

4. Administrative Matters

Mr. Carrion introduced **Mr. Francisco Perdomo and Mr. Felix Gago** of the firm of PSV & Co., independent auditors, who proceeded to present the auditors' report of the audited financial statements of the Board.

Upon conclusion of their presentation, **Jose Ramon Gonzalez** made the following motion:

Resolution: The Board acknowledges receipt of and accepts the Independent Auditors' Report and accompanying audited Basic Financial Statements and Required Supplementary Information as of June 30, 2017 and for the Period from August 31, 2016 (Commencement of Operations) to June 30, 2017 attached hereto as Appendix B.

Mr. David Skeel seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor – then those opposed.

Mr. Carrión announced that the Resolution passed unanimously.

Mr. Andrew Biggs made the following motion:

Resolution: The Board confirms and approves the following Unanimous Written Consents adopted by the Board since the adjournment of the Board's last public meeting:

1. Unanimous Written Consent dated August 6, 2017 designating a Special Committee of the Financial Oversight and Management Board for Puerto Rico to conduct investigations of debt issued by the Commonwealth of Puerto Rico and its instrumentalities and delegating to such special committee authority to conduct such investigations

2. Unanimous Written Consent dated August 25, 2017 Approving the Certified Fiscal Plan for the Puerto Rico Aqueduct and Sewer Authority, as Revised

Ms. Ana Matosantos seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor – then those opposed.

Mr. Carrión announced that the Resolution passed unanimously.

Mr. Andrew Biggs made the following motion:

Resolution: Between the adjournment of this meeting and the opening of the Board’s next public meeting, the Board may consider in executive session any and all matters that it is authorized to consider under PROMESA, including (1) any certification determinations authorized by PROMESA, including certification determinations under Section 206 of PROMESA, (2) any submissions or authorizations authorized by PROMESA and (3) any filings authorized under Title III of PROMESA, in each case that are set forth as part of the vote to convene such executive session. The Board may also act by unanimous written consent between meetings in accordance with the Bylaws, with such consent to include consent by email.

Mr. Arthur Gonzalez seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor – then those opposed.

Mr. Carrión announced that the Resolution passed unanimously.

5. Update on Independent Debt Investigation

Mr. Arthur Gonzalez, on behalf of the Special Committee of the Board that is in charge of carrying out an independent and comprehensive investigation of Puerto Rico’s debt and its relationship to the fiscal crisis, introduced Mr. John Couriel of the firm Kobre & Kim, which was retained by the Special Committee to conduct said investigation, who will provide an update of the firm’s activities to date.

Mr. John Couriel presented the report of the independent investigator.

After the presentation, the Board proceeded to ask questions.

6. Presentation by Christian Sobrino, Ex Officio Member of the Board and Representative of the Governor

Mr. Carrion recognized **Mr. Christian Sobrino**, who proceeded to discuss certain aspects of the current situation of Puerto Rico.

After the presentation, the Board proceeded to ask questions.

7. Presentation by Gerardo Portela, Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory

Mr. Carrion introduced **Mr. Gerardo Portela**, Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF), who gave a presentation on the financial and liquidity status of the Government of Puerto Rico. Mr. Portela was accompanied by representatives of O'Melveny, Rothschilds, Ankura and Conway MacKenzie.

After the presentation, the Board proceeded to ask questions.

8. Presentation of Revised Commonwealth and Instrumentalities Fiscal Plan Process and Timetable

Mr. Carrion requested the Board's Executive Director, Ms. Natalie Jaresko, to present the current plans to revise the certified fiscal plan of the Commonwealth of Puerto Rico, as well as the fiscal

plans of the covered instrumentalities, in light of the changes to the economy of Puerto Rico and governmental finances in the aftermath of Hurricanes Irma and Maria.

Ms. Jaresko made the following presentation:

“Puerto Rico faces a unique set of circumstances – the largest municipal bankruptcy and the greatest natural disaster to strike the Island in the last 100 years. The devastation has affected millions of lives, decimated critical infrastructure, and made revenue collection almost impossible. In light of this new reality, we must work urgently towards revising the certified Fiscal Plans.

In the period after the passage of PROMESA and before Hurricanes Irma and Maria struck, much work was under way with the Government of Puerto Rico to ensure Puerto Rico could achieve fiscal balance, to provide a path for its return to the capital markets, and to restore economic growth and opportunity for the people of the Island.

The certified Fiscal Plan for the Commonwealth and those for its covered instrumentalities charted a path toward fiscal balance and economic growth without additional federal funding. The fiscal and structural reform measures —from transforming the energy sector and modernizing labor laws to reducing government spending by 30 percent over three years —were ambitious and required unprecedented levels of effort by the government over the period of the plan.

Hurricanes Irma and Maria have changed Puerto Rico’s reality, but they have not altered the core purposes of PROMESA or the importance that they be fulfilled. In fact, they have underlined the importance of the need to return the Island to economic vitality. Working closely with the Government of Puerto Rico, it is essential to use the process of revising Fiscal Plans to return to the PROMESA goals of fiscal responsibility, access to private capital markets, and a sustainable economy. The baseline of the existing certified Fiscal Plans and their associated budgets provides critical information against which to measure the changes caused by the Hurricanes. However, they do not provide a map from which to look forward due to the massive changes brought by the Hurricanes.

The process of thinking through the nature and scope of the changes to Puerto Rico's economy post-Hurricanes has already begun. Fiscal and structural reforms need to be reviewed in light of the new baseline that results from this disaster. Two of the most important variables in the fiscal plan revision process are (i) the extent and distribution of damage that Puerto Rico suffered and (ii) the type, timing, and magnitude of federal support, both immediate disaster relief and permanent infrastructure funds, that Puerto Rico will receive. We understand we will have more clarity on each variable later this year.

Revisions to the Fiscal Plan are necessary due to four primary reasons:

- First, the Commonwealth's ability to collect revenues has been significantly compromised as a result of the serious negative effect of infrastructure damage and population outflows on underlying economic activity.
- Second, recovery-related expenses are substantial, not all will be reimbursed by federal aid, especially if local share requirements are not waived, and are not currently accounted for in the existing fiscal plans.
- Third, many of the cost-saving measures built into the budgets—the reduction in certain subsidies incorporated into the certified budget, for example—must be looked at with a fresh perspective given the demands of the recovery process.
- Fourth, the “federal line” will be significantly larger than the existing Fiscal Plans. It is important to note that the revised plans will reflect any and all capital expenditures funded by FEMA or other federal recovery assistance. It will also involve any revisions to Medicaid funding.

Fiscal Plan revision components



Revise macroeconomic driver effects on revenue and expenses



Adapt fiscal/structural reform schedule based on recovery timeline and feasibility



Integrate recovery funds and reimbursement timing with capital plan

Pre-Decisional / Privileged & Confidential Draft / Analysis Subject to Material Change

A careful, principled and transparent revision of the Fiscal Plans is essential. The Commonwealth’s Fiscal Plan revision process is based on three key components:

1. Revising macroeconomic driver effects on revenue and expenses,
2. Adapting fiscal and structural reform schedules based on the recovery timeline and feasibility, and
3. Integrating recovery funds and reimbursement timing with a capital plan.

Schedule for engagement and certification

Date	Topic	Details
Nov 16	Listening Session: Macro effects on revenue/expenses	Attendees: All stakeholders Location: San Juan, Puerto Rico Topics: Population, GNP, fiscal multiplier effects
Nov 27	Listening Session: Fiscal measures	Attendees: All stakeholders Location: San Juan, Puerto Rico Topics: Magnitude, structure and timing of fiscal changes
Dec 4	Listening Session: Economic development	Attendees: All stakeholders Location: New York City Topics: Capital investment, labor reform, recovery funding
Dec 22	CW/PREPA/PRASAsubmit draft FP to FOMB	Timeline allows for subsequent review/revision in conjunction with FOMB
Jan 12	FOMB replies to CW/PREPA/PRASA draft FP	FOMB will either certify or recommend revisions
Jan 26	UPR/HTA/GDB/COSSEC submit draft FPs	Timeline allows for subsequent review/revision in conjunction with FOMB
Feb 9	FOMB replies to UPR/HTA/GCB/COSSEC's draft FP	FOMB will either certify or recommend revisions

Pre-Decisional / Privileged & Confidential Draft / Analysis Subject to Material Change

As you can see on the slide in the background, the Oversight Board will hold three listening sessions to which all stakeholders are invited to provide input to the Fiscal Plans as part of the revision process. Session dates are pending confirmation but should be within one week of the dates listed above. They will be a full day each in duration, two of them in Puerto Rico, and one in New York City:

- November 16 – Listening session on macro effects on revenue/expenses, with the key issues being: population, GNP, and fiscal multiplier effects.
- November 28 – Listening session on fiscal measures, with the key issues being: composition, magnitude, structure and timing of changes to fiscal practices.
- December 4 – Listening session on economic development with the key issues being: capital/infrastructure investment, labor reforms, recovery funding and reimbursement timing, and other factors.

In addition, under the creditor mediation arrangements, we will hold two sessions to obtain creditor feedback on the fiscal plan revision process.

The deadline for the Commonwealth, PREPA, and PRASA to submit draft Fiscal Plans to the Oversight Board is December 22nd, 2017 with review and revision ongoing through the certification date of February 2nd, 2018.

The deadline for the University of Puerto Rico, HTA, GDB, and COSSEC to submit draft Fiscal Plans to the Oversight Board is February 9th, 2017 with review and revision ongoing through the certification date of March 16th, 2018.”

After the presentation, the Board proceeded to ask questions.

Mr. Carrion then requested Ms. Jaresko to present to the Board the set of guiding principles to evaluate the revisions to the Commonwealth Fiscal Plan that Ms. Jaresko with the assistance of Board staff have developed.

Ms. Jaresko made the following presentation:

“The following general principles are proposed to the Board to evaluate the revisions to the fiscal plans of the Commonwealth and Covered Territorial Instrumentalities and the degree to which the

plans meet the 14 criteria established by PROMESA. We propose that the Board adopts these principles and provide them to the Government of Puerto Rico's staff and their advisors to help inform their work and facilitate timely responses to the Board's informational requests.

Principle 1: The fiscal plan must reflect the current demographic trends, economic challenges, hurricane damage assessments, federal funding commitments, and a government, both the central government and local governments, sized to this post-hurricane reality.

Principle 2: The revised fiscal plan must cover five fiscal years, the first fiscal year being FY18 and concluding with FY22.

Principle 3: To properly establish an accurate assessment of the fiscal outlook, the base-case scenario within the fiscal plan must assume no additional federal support beyond that which is already established by law. Nevertheless, fiscal plans should be adjusted as additional federal funding is committed.

Principle 4: The revised fiscal plan must provide sufficient resources to ensure appropriate immediate emergency response and recovery effort in anticipation of federal funds, including provision of public safety, healthcare and education, in order to avoid increased outmigration – particularly by working families and working age populations. The fiscal plan must include metrics focused on the improvement of living standards, e.g. education, healthcare, job creation.

Principle 5: Pension reform, corporate tax reform, and other structural reforms necessary to improve the business climate must remain priorities in the fiscal plan.

Principle 6: Based on available and dedicated resources, the capital expenditure plan must provide the basis for a long-term economic recovery plan for Puerto Rico, focusing on increased and expedited support for rebuilding critical infrastructure such as energy, water, transportation and housing.

Principle 7: The fiscal plan must include the resources to complete the FY15 Commonwealth consolidated audited financial statements by no later than December 31, 2017, and FY16 and FY17 Commonwealth consolidated audited financial statements by no later than June 30, 2018. Thereafter, Commonwealth consolidated audited financial statements should be issued no later than within six months of the fiscal year-end.

Principle 8: Structural balance should be achieved as soon as possible, in any event by no later than FY22, after taking into account the period of time required for the stabilization of Puerto Rico's humanitarian crisis.

Principle 9: The fiscal plan must be accompanied by a long-term debt sustainability analysis (DSA) and detailed economic projections, reflecting a 30-year period.”

Ms. Matosantos made the following motion:

RESOLVED, that the Board adopts the principles presented by Ms. Jaresko, and further

RESOLVED, that the Board shall notify in writing to the Governor of Puerto Rico of such principles for its compliance by the Commonwealth of Puerto Rico and all Covered Territorial Instrumentalities that have to prepare revisions to their fiscal plans.

Mr. José R. González seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor – then those opposed.

Mr. Carrión announced that the Resolution passed unanimously.

9. Presentation of Contract Review and Approval Policy

Mr. Carrion proceeded to ask the Board's Executive Director to describe the contract review and approval policy that is proposed to be adopted by the Board. By way of background, Mr. Carrion noted that PROMESA entrusts the Board to ensure that contracts entered into by the Government

and its instrumentalities “promote market competition” and “are not inconsistent with the approved fiscal plan” and that the policy being presented is designed to safeguard these principles for the benefit of the people of Puerto Rico.

Ms. Jaresko made the following presentation:

The Contract Review Policy

Authority	<ul style="list-style-type: none"> • The contract review policy is established pursuant to Section 204(b)(2) of PROMESA to require prior FOMB approval of certain contracts to assure that they “promote market competition” and “are not inconsistent with the approved fiscal plan.” • This Policy also underlines the sense of Congress as provided in Section 204(b)(3) that any policy under Section 204(b)(2) should be designed “to make the government contracting process more effective” and “to increase the public’s faith in this process.” • This Policy shall also apply as provided in Section 204(b)(5). If a contract fails to comply with any policy under Section 204(b)(2), the oversight board may take such actions as it considers necessary to ensure that the contract “will not adversely affect the territorial government’s compliance with the Fiscal Plan”
Applicability	<ul style="list-style-type: none"> • Any contract or series of related contracts with an aggregate expected value of \$10 million or more must be: <ul style="list-style-type: none"> – consistent with the then-applicable fiscal plan for the contracting party, taking into account separate and additional post-Hurricanes Irma and Maria spending which may not yet be reflected in existing fiscal plans – a consequence of a competitive and transparent procurement and tender process – consistent with relevant federal regulations

Source FY17 - Office of the Controller - Contract Registration Consultation

Pre-Decision - Privileged & Confidential Draft - Analysis Subject to Material Change

“As the government embarks on the immense task of rebuilding Puerto Rico in the wake of Hurricanes Irma and Maria, we expect it to enter into numerous large contracts. The Contract Review Policy is a tool to ensure transparency throughout the entire government for the benefit of the people of Puerto Rico and all stakeholders. The Policy is implemented pursuant to Section 204(b)(2) of PROMESA to assure that contracts promote market competition and are not inconsistent with the approved fiscal plan.

Accordingly, contracts that are proposed to be entered into by the Commonwealth or any covered instrumentality must be: (i) consistent with the then-applicable fiscal plan for the contracting party, taking into account separate and additional post-Hurricanes Irma and Maria spending which may not yet be reflected in existing fiscal plans, but may be integrated into revised fiscal plans as deemed appropriate by the Board, (ii) the result of a competitive and transparent procurement and tender process; and (iii) consistent with relevant federal regulations to ensure eligibility for and receipt of federal funding and/or reimbursement.

The Policy applies to all contracts in which the Commonwealth or any covered instrumentality is a counterparty, including those with the federal government, state governments, private parties, and nonprofit organizations.

In establishing the Policy, the Oversight Board is mindful of Section 204(d)(2) of PROMESA and does not intend to impede the Government's implementation of any federal programs, particularly those related to disaster response and recovery. To the contrary, the Oversight Board established and is sharing the policy in large part to support the Government's implementation of federal programs, including, for example, to ensure that contracts are consistent with the requirements of federal programs, particularly those related to funding and reimbursement for disaster aid spending. Non-compliance with federal requirements could cause substantial fiscal costs to be borne by the Commonwealth, having a severely adverse effect on compliance with fiscal plans.

Contracts executed prior to the effective date of the Policy shall, at the request of the Oversight Board, be subject to review by the Oversight Board to ensure that they do not "adversely affect the territorial government's compliance with the Fiscal Plan."

The Policy provides that effective November 6, 2017, all contracts or series or related contracts, inclusive of any amendments or modifications, with an aggregate expected value of \$10 million or more must be submitted to the Board for its approval before execution. In addition, the Oversight Board retains the authority to adopt other methods, such as random sampling of contracts below the \$10 million threshold, to assure that they promote market competition and are not inconsistent with the approved fiscal plan.

The Oversight Board is prepared to review contracts in a timely manner. As such, we have identified an internal working group to take the lead on the contract review process. The working group includes subject matter experts in procurement, construction, utilities, health care, IT, FEMA compliance, and federal and Puerto Rico law, among others. In all events, within seven business days of receipt of a proposed contract and the required supporting documentation, the Oversight Board will respond to certify compliance, non-compliance, or request further review. We have analyzed past years' contracting behaviors and are prepared to manage the workload without interrupting normal government operations.

To ensure the Oversight Board is able to review the proposed contracts expeditiously and to increase the likelihood that the Oversight Board will determine that the proposed contracts are consistent with the Policy, the Oversight Board encourages the Commonwealth or covered instrumentality, as applicable, to provide the relevant documents on an ongoing basis.

The Oversight Board looks forward to working hand in hand with the Government of Puerto Rico to ensure the upmost transparent, fair, and competitive contracting processes.”

Ms. Ana Matosantos made the following motion: That the Board adopt the Policy for the Review and Approval of Contracts pursuant to Section 204(b) of PROMESA, a copy of which is attached hereto as Appendix C.

Carlos Garcia seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor – then those opposed.

Mr. Carrión announced that the Resolution passed unanimously.

Mr. Carrion recognized Mr. Christian Sobrino, who proceeded to propose the following resolution:

“It is the sense of Congress that any policies established by the Oversight Board pursuant to Section 204(b)(2) of PROMESA should be designed to increase the public’s faith in the process. Therefore, be it resolved that no member of the Oversight Board or executive officer thereof shall: (1) directly or indirectly participate in the review of specific contracts; (2) have ex-parte communications with any party in connection with the awarding or approval process of a contract with the Government of Puerto Rico or any territorial instrumentality; or (3) directly or indirectly promote the contracting interests of any party with the Government of Puerto Rico or any territorial instrumentality. Further resolved that all members of the Oversight Board and the executive officers of the Oversight Board shall certify compliance with this resolution quarterly.”

After discussion among Board members, Mr. Carrion said that the Board would take Mr. Sobrino's proposed resolution under advisement and directed Mr. El Koury to review the same and recommend a course of action at the next Board meeting.

10. Presentation on PREPA Chief Transformation Officer

Mr. Carrion proceeded to turn to the Board's recent actions to designate a Chief Transformation Officer for the Puerto Rico Electric Power Authority (PREPA). Mr. Carrion stated that, as the Board announced last week, it took the step of requesting the Title III court to approve the appointment of Noel Zamot, as Chief Transformation Officer of PREPA. Mr. Carrion explained that the Title III court is currently considering this request and has scheduled a hearing for November 13.

Mr. Carrion proceeded to state make the following remarks:

“Upon confirmation by the court, Noel's task will be to lead the transformation of PREPA and the rebuilding of the electricity sector following the devastation of Hurricane Maria. His immediate priority will be to fast-track reconstruction efforts on the Island in close coordination with the Government of Puerto Rico, the Board, and the federal government. In addition, Noel will be fully committed to bringing the resources necessary to restore electricity to the people of Puerto Rico as quickly as possible, and to re-activate the economy and bring normalcy to the Island. The goal is to fully align these recovery efforts with PREPA's long term transformation plan, making the power system more modern, resilient and reliable. The appointment of Noel is an essential step in achieving the goals of reliable, competitively priced electricity and attracting the private capital we need to revitalize the economy of Puerto Rico.

I would like now for Noel to present his vision for the transformation of PREPA.”

Mr. Carrion recognized Mr. Sobrino on a point of personal privilege to express his concerns regarding the remarks to be delivered by Mr. Zamot.

Mr. Zamot proceeded to deliver the following remarks:

“As you know, I have been asked by the Board Members of the Financial Oversight and Management Board for Puerto Rico, as well as Natalie Jaresko, Executive Director, to take on the role of Chief Transformation Officer for the Puerto Rico Electric Power Authority (PREPA). I have humbly accepted this request, and acknowledge the challenges and opportunities ahead.

My vision for the future of Puerto Rico’s energy sector is simple: a more modern, efficient and resilient power sector to revitalize the economy and deliver a better future for the people of Puerto Rico.

My immediate priority will be to work in close coordination with the Governor of Puerto Rico, the Board, the federal government and private sector to fast-track the restoration of power across the Island. The Board seeks to bring as many resources as possible to the Government of Puerto Rico to achieve this. To this end, we will have 100% of PREPA staff working towards getting the lights on as soon as possible. We will leverage mutual aid agreements from professional associations and other states, immediately institute processes and resources to better coordinate assistance with our Federal counterparts, and request Federal agency secondments as needed.

My next priority is to position the utility for a transformation in accordance with a revised fiscal plan developed jointly with the Government of Puerto Rico and PREPA and certified by the Board. This wide-ranging transformation ensures that the Commonwealth’s energy strategy becomes a reality, and addresses the Governor’s priorities for the recovery of the electrical grid.

This transformation will require us to maximize federal funding and private investment to ensure medium and long-term needs of Puerto Rico are addressed successfully. To that end, we expect very close and continuing coordination with a multitude of federal entities.

Finally, we will work to ensure the electric utility successfully exits PROMESA Title III via the implementation of the Plan of Adjustment. This will be a significant milestone and

represents the expected conclusion of the Chief Transformation Officer's duties at the electric utility.

As we work to realize the long-term restructuring and transformation of PREPA under Title III of PROMESA, we will also implement comprehensive sector-wide reforms to set the conditions for a well-regulated energy market, resume debt restructuring and partner with both the public and private sectors to attract innovative capital solutions. The transformation of the sector is more essential than ever for jump-starting the economy and building a better Puerto Rico--this roadmap will help us achieve just that. We – the Board, the Government, people and businesses of Puerto Rico – are all in agreement with the end goal -- more reliable, less costly, and cleaner energy to act as the catalyst for sustained economic growth.

In closing, I want to thank PREPA's management and employees who have been working tirelessly and under difficult conditions to restore power. I also want to thank Mr. Carrion, Ms. Jaresko and the members of the Board for providing me with their support during this difficult time for all of us on the Island. Upon confirmation by the court, I look forward to working closely with the Governor of Puerto Rico, other government agencies, and other stakeholders on behalf of the people of Puerto Rico to deliver stable, reliable and cost-effective energy to drive long term, sustained economic growth.”

Mr. Carrion recognized Mr. Christian Sobrino, who made some remarks.

11. Public Comment

Mr. Carrion opened the floor for public comments. Each person had up to 3 minutes to express their views.

Adjournment

Motion: With no further matters to discuss, Mr. Carrion moved to adjourn the meeting.

Mr. David Skeel seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor– then those opposed.

Mr. Carrion concluded that with all members having voted in favor, the meeting was adjourned at approximately 11:45 a.m.

Adjournment

Respectfully submitted,

s/Jaime A. El Koury

Jaime A. El Koury

Acting Secretary