



Forum: Analysis and Recommendations of Project Puerto Rico 2025

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**LONG TERM FINANCIAL MANAGEMENT & INVESTOR
RELATIONS**

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Forum: Analysis and Recommendations of Project Puerto Rico 2025—10 Years After

- **Project “Puerto Rico 2025” served as a good, long-term strategic plan for future planning, with solid and necessary goals**
- **One of the important elements of the plan required “a fiscal policy that facilitates & encourages productivity, income generation and savings”**
- **Since the report’s original publication, that goal element has not come close to being achieved—without government commitment, the goal can only depend on the private sector**
- **Fiscal Policy since 2005 is determined day-to day, not with long-range goals as a priority**

Long-Term Financial Planning For Puerto Rico is Non-Existent

- Annual operating deficits for over 10 years
- No long-term vision—budgets don't plan beyond a single year
- Political fixation on being elected/re-elected dominates policy discussion
- “How Can You Realistically Think About the Future 20 Years from Now, When You Can't Think Beyond the Current Budget or Next Election?”

THE 12 HABITS OF SUCCESSFUL LOCAL GOVERNMENT FINANCIAL MANAGEMENT

Best Financial Management Practices for Governmental Issuers

- Fund balance reserve policy/working capital reserves
- Multiyear financial forecasting
- Monthly or quarterly financial reporting and monitoring
- Contingency planning policies
- Policies regarding nonrecurring revenue
- Debt affordability reviews and policies
- Superior debt disclosure practices
- Pay-as-you-go capital funding policies
- Rapid debt retirement policies (greater than 65% in 10 years)
- Five-year capital improvement plan integrating operating costs of new facilities
- Financial reporting awards
- Budgeting awards

HOW DOES PUERTO RICO MEASURE AGAINST THESE BEST PRACTICES OF FINANCIAL MANAGEMENT??

- PASSING GRADE: 35 OUT OF 120
- EXCELLENCE: 65 OUT OF 120
- PUERTO RICO FINANCIAL
MANAGEMENT GRADE:

ZERO



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PROTECTING P.R.'S FISCAL HEALTH

- **VITAMINS?**
- **CHICKEN SOUP?**
- **STRONG ANTIBIOTICS?**
- **MAJOR SURGERY?**

LONG-TERM BUDGETING

BASIC ELEMENTS OF A MULTI-YEAR FINANCIAL PLAN			
VITAMINS	PREVENTATIVE	ADHERE TO MOST ELEMENTS OF BEST FINANCIAL MANAGEMENT PRACTICES	NYC, STATE OF MARYLAND
"CHICKEN SOUP"	ANTICIPATORY	HAVING FACED OCCASIONAL ECONOMIC /FINANCIAL STRESS "HEAD IT OFF BEFORE IT BECOMES A CRISIS	PITTSBURGH, PA; BALTIMORE MARYLAND
STRONG ANTI-BIOTICS	CURATIVE	FORMAL PLANS AND TIMETABLES ARE NECESSARY; ALTERNATIVE BUDGET ACTIONS MUST BE DEVELOPED; THE ISSUER IS STILL "IN CONTROL"	CHICAGO, ILL.
DOCTOR'S ORDERS: MAJOR SURGERY NEEDED	"PATIENT MAY BE TERMINAL"	BUDGETS MUST BE CONSERVATIVE; GAP CLOSING SHOULD BE CONCENTRATED IN EARLY YEARS OF THE PLAN; TIMETABLES MUST BE SET AND ACHIEVED; FREQUENT REPORTING UPDATES, AT LEAST QUARTERLY, ESPECIALLY FOR CASH FLOW; AN OUTSIDE CONTROL BOARD MAY BE NECESSARY	PUERTO RICO

REBUILDING INVESTOR CONFIDENCE FOR PUERTO RICO

CLOSING COMMENTARY ON DISCLOSURE, BOND RATINGS, AND REBUILDING INVESTOR CONFIDENCE IN PUERTO RICO



Thank You



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