

(S. B. 1668)

(No. 220)

(Approved August 6, 1999)

AN ACT

To amend Section 11 of Act No. 64 of July 3, 1996, as amended, known as the "Puerto Rico Municipal Financing Act of 1996," in order to add subsections (d) and (e) to establish an alternate procedure for disbursements; and to allow for certification by municipal engineers and architects in certain specific cases.

STATEMENT OF MOTIVES

The Puerto Rico Municipal Financing Act of 1996 was approved with the intent to attune the laws in effect regulating the issue of debt instruments by municipalities, so as to expedite credit procurement and facilitate financing for the social and economic development of the municipalities via the works undertaken. Among other things, Act No. 64 of July 3, 1996, as amended, repealed the municipal financing laws in effect and gathered them substantially under one single statute.

The legislative intent outlined herein shows that one of the major motives for establishing Act No. 64 was to clarify municipal procedures for the issue, disbursement, and payment of bonds and notes, as well as the duties of the Municipal Revenue Collection Center (*CRIM*, Spanish acronym) and the duties of the Government Development Bank for Puerto Rico concerning the operation of the Municipal Public Debt Redemption Fund. However, after one year it became necessary to amend the Act as a result of the experience derived by the municipalities, the *CRIM*, and the Government Development Bank during that

period. Since the fiscal processes and the economic framework within which municipalities operate are in constant evolution and ever changing in nature, the experience gained during these past two years calls once again for the amendment of this Act, by establishing the procedure to be observed in the disbursement of loans drawn against an obligation and allowing for duly licensed municipal engineers and architects to sign the building certificates to be submitted to the Government Development Bank.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.- Section 11 of Act No. 64 of July 3, 1996, as amended, known as the "Puerto Rico Municipal Financing Act of 1996," is hereby amended to read as follows:

"Section 11.—Approval by the Government Bank.—

(a) ...

(b) ...

(c) ...

(d) The Government Bank, in consultation with the Office of the Municipal Affairs Commissioner, shall be bound to establish certain requirements that the municipalities must meet in order to prove that they have a suitable accounting and fiscal structure to receive advancements from the proceeds of the obligations assumed for the development of capital works. Once the Bank determines that a municipality meets said requirements, the funds shall be transferred to said municipality as follows:

1.- The municipality shall open a checking account with the Government Development Bank for each obligation from which advancements are requested. Any payments pertinent to the purposes of said obligation shall be drawn from said account.

- 2.- The Government Development Bank shall make an initial deposit into said checking account equal to an advancement of twenty-five percent (25%) of the total obligation amount, excluding the financed amount corresponding to administrative, supervisory, and financing expenses.
 - 3.- After the first advancement has been made, the Government Development Bank shall replace to the municipality those amounts used by presenting evidence of the payments made, provided the total amount of the funds disbursed does not exceed 90% of the total amount of the approved loan.
 - 4.- The Government Development Bank shall always retain at least 10% of the total amount of loan-derived funds. Once the advancements disbursed amount to 90% of the total loaned sum, excluding the financed amount corresponding to administrative, supervisory, and financing expenses, the remaining loan payments shall be processed through the Government Development Bank by presenting the documents required to process building certificates.
- (e) Municipalities that qualify to receive advancements as established in subsection (d) of this Section may resort to duly licensed municipal engineers and architects for the processing of the certificates required by the Government Development Bank. Should a municipality not have these resources available, said municipality may contract outside services or make use of the resources provided by the Government Development Bank.”

Section 2- This Act shall take effect immediately after its approval.