

FINANCIAL OVERSIGHT & MANAGEMENT BOARD FOR PUERTO RICO



David A. Skeel, Jr.
Chair

Members
Andrew G. Biggs
Arthur J. González
Antonio L. Medina
John E. Nixon
Justin M. Peterson
Betty A. Rosa

BY ELECTRONIC MAIL

June 30, 2022

The Honorable Pedro Pierluisi Urrutia
Governor Commonwealth of Puerto Rico

Dear Governor Pierluisi Urrutia,

Pursuant to the Resolution, a copy of which is attached hereto as **Exhibit A** (the “Resolution”), adopted by the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”) and Section 202(e)(2) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), the Oversight Board hereby issues to the Governor this compliance certification that the fiscal year 2023 budget for the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico (“COSSEC,” for its Spanish acronym), identified in **Exhibit 1** hereto, as developed by the Governor, is a compliant budget as set forth in the Resolution.

The Oversight Board looks forward to working with the Commonwealth and COSSEC to accomplish the requirements and goals of PROMESA for the benefit of the people of Puerto Rico.

Sincerely,

David A. Skeel, Jr.

Andrew G. Biggs
Arthur J. González
Antonio L. Medina
John E. Nixon
Justin M. Peterson
Betty A. Rosa

CC: COSSEC Governing Board
Hon. Omar Marrero Díaz

EXHIBIT A

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

June 30, 2022

RESOLUTION CERTIFYING 2023 BUDGET FOR COSSEC

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”) was enacted; and

WHEREAS, Section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico (the “Board”); and

WHEREAS, Section 202(c) of PROMESA establishes a multi-step procedure for the development, review, and approval of budgets for covered instrumentalities of the Commonwealth of Puerto Rico, such as the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico (“COSSEC,” for its Spanish acronym), providing that (i) the Governor must submit a proposed budget to the Board; (ii) the Board must review the proposed budget and determine, in the Board’s sole discretion, either that the proposed budget complies with the applicable fiscal plan or that it does not, in which case the Board must issue a notice of violation and recommended revisions, giving the Governor an opportunity to correct the violations; (iii) the Governor may then submit a revised proposed budget; and (iv) if the Governor fails timely to submit a proposed budget that the Board determines in its sole discretion is a compliant budget, the Board shall develop and submit to the Governor its own compliant budget; and

WHEREAS, on May 20, 2022, pursuant to Section 201(d)(2) of PROMESA, the Board certified a revised fiscal plan for COSSEC as developed by the Board (the “2022 COSSEC Fiscal Plan”); and

WHEREAS, on June 1, 2022, the Governor submitted a proposed budget for COSSEC for fiscal year 2023; and

WHEREAS, after substantial deliberations, on June 8, 2022, the Board sent a notice of violation pursuant to Section 202(c)(1)(B) of PROMESA to the Governor concerning the Governor’s proposed budget for COSSEC for fiscal year 2023 as submitted on June 1, 2022, and established a deadline of June 15, 2022 for the submission of a revised proposed budget for COSSEC for fiscal year 2023; and

WHEREAS, on June 15, 2022, the Governor submitted responses to the Board’s questions in the notice on violation; and

WHEREAS, having analyzed COSSEC’s responses, the Board has determined that the proposed budget for COSSEC for fiscal year 2023, as submitted by the Governor, is a compliant budget pursuant to Section 202(e)(2) of PROMESA, which budget is attached hereto as Exhibit 1 (the “2023 Compliant COSSEC Budget”); and

WHEREAS, the 2022 COSSEC Fiscal Plan includes approximately \$400,000 in restricted funds, the release of which is conditioned on COSSEC’s achievement of certain milestones. Upon achievement of the milestones, the Oversight Board and the Governor shall work with COSSEC to amend the budget for COSSEC to authorize the expenditure of the approximately \$400,000 in restricted funds, in accordance with the 2022 COSSEC Fiscal Plan;

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT, pursuant to 202(e)(2) of PROMESA, the Board certifies the Governor’s 2023 Compliant COSSEC Budget, which shall be in full force and effect beginning on July 1, 2022, and as to which the Board shall issue a a compliance certification to the Governor.

EXHIBIT 1: CERTIFIED COSSEC FISCAL YEAR 2023 BUDGET

Section 1.- The following amounts are presented as the appropriations and the expenses of the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico (“COSSEC” for its Spanish acronym), set forth herein for the fiscal year ending June 30, 2023 (“FY23”):

Payroll	Employee Compensation and Benefits	\$7,626,000
	Employer Contribution to Medical Plans	\$786,000
OpEx	Professional Services	\$1,100,000
	Travel and Mileage	\$470,000
	Office supplies	\$214,000
	Public Awareness	\$10,000
	Other operating expenses	\$2,315,000
	Total Expenses	\$12,521,000

Section 2.- No later than 45 days after the closing of each quarter of FY23, the President and the Budget Director shall revise the projected net revenues for FY23 (the “Quarterly Revision”) and provide notice of the revision to the Governor and the Oversight Board. The Quarterly Revision shall project future revenues based on actual revenues and include revisions to the assumptions used to generate the net revenue projections.

Section 3.- All expenditures authorized in any prior fiscal year are terminated, and no disbursement of public funds may be covered by such expenditure authorizations, except: (1) expenditures to carry out permanent improvements that have been accounted for and kept on the books; (2) capital expenditures and equipment expenditures with procurement cycles that extend beyond the end of the fiscal year and have been accounted for and kept on the books; and (3) the portion of any other expenditures authorized in the COSSEC Certified Budget FY23 that have been encumbered on or before June 30 of such fiscal year, which shall be kept on the books for 60 days after the termination of that fiscal year, and after those 60 days no amount shall be drawn against such portion for any reason. This restriction on expenditures authorized in any prior fiscal year shall not apply to: (i) programs financed in whole or part with federal funds or (ii) orders by the United States District Court with jurisdiction over PROMESA. In addition, the foregoing exceptions to the restrictions on expenditures authorized in any prior fiscal year are conditioned on the prior written approval of the Oversight Board.

Section 4.- On or before July 31, 2022, the President and the Budget Director of COSSEC shall provide to the Oversight Board a certification stating the amounts of unused FY22 appropriations for all items of the preceding Section. If the government fails to submit said certification, the amount of unused funds in section 3 will not carry over to the following fiscal year.

Section 5.- The appropriations approved in this budget may not be reprogrammed except with the prior written approval of the Oversight Board. For the avoidance of doubt, this prohibition includes any reprogramming of any amount, line item, or expenditure provided in this budget, regardless of whether it is an intra-agency reprogramming. Reprogramming, also known as reappropriations, may be made into spend concepts and/or objects not explicitly listed in the FY23 certified budget resolution only if such requests are submitted to and approved by the Oversight Board in writing prior to such reprogramming.

Section 6.- The 2022 COSSEC Fiscal Plan recognizes the significant effort needed to make progress on the requirements of this Fiscal Plan. This new Fiscal Plan includes approximately ~\$400,000 in funds that are conditioned on the achievement of the milestones. Upon achievement of the milestones, the Oversight Board and the Governor shall work with COSSEC to amend the budget to authorize the expenditure of the ~\$400,000.

Section 7.- COSSEC shall submit to the Oversight Board all reporting requirements set forth on Exhibit 22 of the 2022 COSSEC Fiscal Plan according to the reporting cadence described therein.

Section 8.- The reports required pursuant to this Section are in addition to the reports that the Governor must submit to the Oversight Board in accordance with Section 203 of PROMESA.

Section 9.- In conjunction with the reports that COSSEC must submit to the Oversight Board no later than 15

days after the last day of each quarter of FY22 pursuant to Section 203 of PROMESA, the President and the Budget Director of COSSEC shall, at that time, each certify to the Oversight Board that no appropriations of any previous fiscal year (except for the appropriations covered by the exceptions in the Sections above) have been used to cover any expense.

Section 10.- The President and the Budget Director are responsible for not spending or encumbering during FY23 any amount that exceeds the appropriations authorized for FY23. This prohibition applies to every line item set forth in a budget certified by the Oversight Board, including appropriations for payroll and related costs. The President and Budget Director shall also certify to the Oversight Board by September 30, 2022 that no amount was spent or encumbered that exceeded the appropriations in the certified budget for FY22.

Section 11.- If any clause, paragraph, subparagraph, sentence, word, letter, article, provision, section, subsection, title, chapter, subchapter, heading, or part of this document is annulled or declared unconstitutional, the resolution, decision, or judgment entered to that effect will not affect, harm, or invalidate the remainder of this document. The effect of such judgment will be limited to the clause, paragraph, subparagraph, sentence, word, letter, article, provision, section, subsection, title, chapter, subchapter, heading, or part thereof that has been annulled or declared unconstitutional. If the application to a person or circumstance of any clause, paragraph, subparagraph, sentence, word, article, provision, section, subsection, title, chapter, subchapter, heading, or part of this Joint Resolution is invalidated or declared unconstitutional, the decision, opinion, or judgment entered to that effect will not affect or invalidate the application of the remainder of this Joint Resolution to those persons or circumstances in which it can validly apply. It is the express and unequivocal will of the Oversight Board that the courts enforce the provisions and the application of this Joint Resolution to the greatest extent possible, even if any of its parts is set aside, annulled, invalidated, prejudiced, or declared unconstitutional, or even if its application to any person or circumstance is annulled, invalidated, or declared unconstitutional.

Section 12.- This document Resolution will be known as the “Certified Budget for Fiscal Year 2023 for COSSEC.” This budget assumes all measures in the Certified Fiscal Plan will be implemented. Please be advised that any measures not implemented will increase expenditures and result in non-compliance in the Certified Fiscal Plan.