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Executive Director

BY ELECTRONIC MAIL

October 8, 2025

Mr. Orlando Rivera Berríos
Executive Director
Office of Management and Budget

Re: Request for Analysis and Certification of Proposed Collective Bargaining Agreements

Dear Mr. Rivera Berríos:

In 2021, the Government of Puerto Rico instructed all government entities to resume collective bargaining agreement (“CBA”) negotiations. In alignment with this directive, the Office of Management and Budget (“OMB”) and the Office of Administration and Transformation of Human Resources (“OATRH,” for its Spanish acronym) issued Joint Special Memorandum No. 10-2021 and No. 19-2021 which sets forth certain requirements for government entities as they engage in CBA negotiations. The Joint Special Memorandum provides that CBAs must comply with applicable laws and regulations, including, but not limited to, Act 26-2017, the Certified Budget, and the Fiscal Plan, as applicable.

Since then, government entities have submitted several proposed CBAs to the Oversight Board for review and approval in accordance with the Fiscal Plan. The submission of proposed CBAs to the Oversight Board does not follow a standardized process, and the CBAs have been transmitted through uncoordinated channels, without any fiscal and budgetary analyses from the OMB.

Further, the documentation related to the proposed CBAs is inconsistent across submissions and raises several concerns regarding consistency with the applicable Fiscal Plans, Budgets, and the Civil Service Reform (“CSR”). For instance, some submissions include certifications from government entities acknowledging a lack of available funds to implement the proposed CBAs. Other submissions include clauses still subject to negotiation with labor unions, incomplete

proposed amendments to existing CBAs, and obligations that are contingent on uncertain or speculative future events.

The Certified Revised 2024 Fiscal Plan for Puerto Rico (the “2024 Fiscal Plan”) highlights ongoing challenges in labor relations, such as fragmented bargaining negotiations across agencies and the lack of a centralized tracking of agreements. It requires a comprehensive, government-wide labor relations strategy that promotes proactive and coordinated negotiations that are aligned with agency goals and ensure fiscal responsibility in accordance with the CSR. This strategy aims to improve negotiation effectiveness, alignment among stakeholders, and predictability of labor costs to support long-term fiscal sustainability.

Accordingly, the Oversight Board requests that OMB submit an analysis and certification confirming that the proposed CBAs listed in Appendix 1 comply with the Fiscal Plan and the Certified Budget. The analysis and certification should include:

- An explanatory memorandum describing how the proposed CBAs comply with the Fiscal Plan and the Certified Budget.
- The total annual financial impact of the proposed CBAs over their full term, in Excel format, including a breakdown specifying the funding sources by type of fund (see Appendix II).
- A signed fund availability certification, with the following breakdown: (i) fiscal year, (ii) type of fund affected (i.e., General Fund, Special Revenue Fund, Federal Fund), (iii) PRIFAS account number or, if outside PRIFAS, the government entity’s accounting system account number and the bank account number from which the funds will be used, as applicable, and (iv) number of employees receiving an increase by type of fund.
- A list of employees covered by the proposed CBAs in Excel format.

We look forward to continuing our work to accomplish the requirements and goals of PROMESA for the benefit of Puerto Rico.

Sincerely,



Robert F. Mujica, Jr.
Executive Director

CC: Mr. Facundo M. Di Mauro Vázquez

Appendix I: List of Proposed CBAs Submitted to the Oversight Board

Public Entity (Spanish Name)	Union(s) (Spanish Name)
Autoridad de Carreteras y Transportación	Programa de Solidaridad de la Unión de Trabajadores de la Industria Eléctrica y Riego en la Autoridad de Carreteras y Transportación (PROSOL-UTIER en la ACT)
Universidad de Puerto Rico	Hermanidad de Empleados Exentos No Docentes de la Universidad de Puerto Rico (HEEND)
Corporación de Artes Musicales (1)	American Federation of Musicians (AFM), Local 555
Departamento de Seguridad Pública - Negociado del Cuerpo de Bomberos	Sindicato de Bomberos Unidos (SBU) de Puerto Rico
Departamento de Vivienda (2)	(1) Coordinadora Unitaria de Trabajadores del Estado (CUTE) (2) Federación Central de Trabajadores (FCT) - 2 CBAs
Oficina del Procurador del Veterano	Programa de Solidaridad de la Unión de Trabajadores de la Industria Eléctrica y Riego en la Oficina del Procurador del Veterano (PROSOL-UTIER)
Departamento de Seguridad Pública - Negociado del Sistema de Emergencias 911	Communications Workers of America (CWA) Local 3010, American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)
Departamento de Seguridad Pública - Negociado del Cuerpo de Emergencias Médicas	Unión General de Trabajadores, Local 1199, Service Employees International Union (SEIU), AFL-CIO
Departamento de Seguridad Pública - Negociado para el Manejo de Emergencias y Administración de Desastres	Sindicato Auténtico de Manejadores de Emergencias de la Agencia Estatal para el Manejo de Emergencias y Administración de Desastres (SAME-CAT)

- (1) This CBA has not been approved by the agency
(2) There are three CBAs negotiated with the same benefits.

Appendix II: Guidelines for Analyzing the Fiscal Impact of a Collective Bargaining Agreement

This appendix provides a general framework for conducting a fiscal impact analysis of a CBA. Its objective is to promote an accurate assessment of all associated costs, with a clear breakdown of compensation costs, historical payroll data, and projected financial obligations.

All assumptions, including data sources, dates, and reference periods, must be clearly documented.

I. Current Payroll Roster and Compensation Data

A comprehensive payroll roster is essential for evaluating the fiscal impact of the CBA, including the following data for each employee:

- **Employee Identification:** Use unique identifiers to maintain confidentiality.
- **Job Classification:** List each employee's job position or title and employment category. Employment categories should be classified as:
 - **Regular:** Permanent employees with an ongoing employment relationship.
 - **Transitory:** Employees on temporary or fixed-term contracts.
 - **Trust:** Employees appointed to specialized or leadership roles, typically without long-term guarantees.
- **Employment Type:** Indicate whether each employee is full-time or part-time.
- **Years of Service:** Specify each employee's length of service with the agency.
- **Pension Plan Participation:** Describe the applicable pension laws and the employer contribution (usually a percentage of salary), if any. If there is no employer contribution, state "N/A".

Compensation Calculations

For each employee, perform the following calculations:

- **Compensation Details:** Determine the hourly wage rate, standard weekly hours, full-time equivalent (FTE)¹ status, and monthly salary. Include any additional compensation, such as bonuses or stipends.
- **Employer Contributions and Benefits:** Calculate employer-paid benefits related to salary, such as Social Security, Medicare, unemployment insurance, pension contributions, and non-salary benefits such as health insurance costs.

¹ Calculate the FTE headcount by prorating part-time employees based on the hours worked (total hours worked (part-time) divided by full-time standard hours). The FTE assumption standardizes part-time work, reflecting proportional salary costs compared to full-time employees.

- **Total Annual Costs:** Compute the total annual cost for each applicable category by multiplying the monthly amount by 12 months.

II. Historical Payroll Data

Include historical payroll data for at least the past three fiscal years or, alternatively, for the duration of the existing CBA, which may have covered multiple fiscal years. Ensure the data follows the format outlined in Section I. Historical data serves the following purposes:

- **Tracking Changes:** Identify how the number of employees, salary levels, and benefits have evolved over time.
- **Comparison to Previous CBAs:** Evaluate how costs and compensation terms have evolved across CBAs to assess whether the new CBA aligns with past agreements or introduces substantial shifts in financial obligations.

III. Key Compensation Calculations

Using the payroll data provided in Section I and the historical data in Section II, the following calculations should be included:

- **Total Headcount:** Include both full-time and part-time employees, categorized by job type.
- **Total FTE Headcount:** Include the total of FTE employees, categorized by job type.
- **Total Annual Salary Costs:** Include the total salary costs for the payroll as the sum of the annual salaries for each employee.
- **Weighted Average Annual Salary per Headcount:** Divide the total salary costs by the total headcount.
- **Weighted Average Annual Salary per FTE:** Divide the total salary costs by the total FTE headcount.

These calculations will establish key assumptions for analyzing the financial impact in Section IV.

IV. Financial Impact of the Proposed CBA

The financial impact analysis should provide a detailed breakdown of costs, comparing the base-year costs with the projected costs of the new CBA. This analysis may be calculated based on the total headcount in Section III for the current payroll or, alternatively, the FTE assumption can be applied to reflect a standardized comparison across employment types. The calculations should include the following assumptions:

- **Total Salary-Related Costs:** Includes the sum of the annual salaries for all employees, including regular salaries, bonuses, annual liquidations (i.e., sick and vacation leave paid directly to employees, which are typically triggered by resignation, termination or specific policies allowing liquidation), as well as any other compensation adjustments under the existing CBA. For clarity, these costs represent direct compensation under the terms of employment.

- **Total Employer Contributions:** Includes costs such as payroll taxes (e.g., Social Security, Medicare, unemployment insurance), pension plan contributions or health insurance premiums.
- **Total Non-Salary Related Costs:** Includes other non-salary benefits granted to employees that impact financial projections, paid time off used during employment (e.g., holidays, accrued sick and vacation leave, or any other authorized paid absences), training programs, professional development initiatives, employee assistance programs, among others. For clarity, these costs do not represent additional payments beyond the regular salary to the employee but do represent a financial burden to the agency. Consider leveraging historical data to establish trends or project estimates.
- **Provisions with Unique Financial Implications:** Highlight specific provisions with distinct financial impacts. These could include compensation adjustments, benefit modifications, or changes in work conditions that significantly impact financial obligations (i.e., new salary bonuses, expanded overtime policies, or additional paid time leave).

The cost-breakdown must include the total annual cost as outlined above for the following:

1. **Base-Year Costs:** List the costs for the final year of the existing CBA, serving as the baseline for comparison with the projected costs under the new agreement.
2. **Projected Costs:** Include the projected costs for each year of the new CBA, factoring in salary increases, employer contributions, and other contractual adjustments as outlined in the proposed agreement. These projected costs are added to the base-year costs, meaning the total should reflect both the base-year costs and the additional projected costs the agency will incur under the new CBA.

When projecting costs for long-term CBAs, consider inflation rates and anticipated increases to ensure accurate projections over the agreement period. Additionally, assess shifts in employee classifications, compensation levels, and benefit adjustments that could impact future costs. For example, compensation adjustments such as step increases or bonuses can impact payroll expenses, while changes in benefits – such as health insurance coverage – could either decrease or increase costs.

3. **Total Incremental Cost:** Calculate the difference between the projected costs and the base-year costs. This figure represents the financial impact introduced by the new CBA and serves as an important indicator of the additional funds required to meet the new terms.
4. **Cash Flow Projections:** Estimate the additional funds required to cover the incremental costs for each year of the CBA to assess the agency's liquidity and overall financial stability. These projections will reflect:
 - The financial impact (incremental costs) resulting from the new CBA and how these costs will be distributed over its duration.
 - Identification of funding gaps to help allocate resources to meet the increased financial commitments.

5. **Funding Sources:** Identify available funding sources that will be used to cover the incremental costs of the CBA throughout its term. List any internal or external funding sources, including reprogramming appropriations from other areas to support CBA costs, projected increases in operating revenue or other alternative funding mechanisms. It is important to distinguish between recurring and one-time funds to ensure a clear financial strategy.

Example table (not exhaustive):

Cost Component	Category	Base-Year Costs (Final Year of Existing CBA)	Projected Costs (New CBA)	Total Incremental Cost	Assumptions /Details	Cash Flow Impact	Funding Sources/ Recurrence
Salaries	Salary-Related	\$10,000,000	\$10,500,000	\$500,000	Projected 5% salary increase under new agreement.	\$500k increase in payroll costs. Additional funds needed.	Request for additional funding from General Fund. Recurring.
Payroll Taxes	Salary-Related	\$905,000	\$950,250	\$45,250	Impacted by a 5% salary increase.	\$45k increase in employer contribution costs.	Identified savings from elimination of positions. Recurring.
Bonuses (Art. No. B)	Salary-Related	\$300,000	\$400,000	\$100,000	New bonus structure included in the new CBA	\$100k one-time increase in bonus distribution.	Identified savings from departmental savings. Non-recurring.
Health Insurance (Art. C)	Non-Salary Related	\$800,000	\$850,000	\$50,000	Impact by expanded coverage under the new CBA.	\$50k increase in monthly premium payments.	Identified savings from Other Operating Expenditures. Recurring.
Paid Time Off (Art. D)	Non-Salary Related	\$600,000	\$650,000	\$50,000	Additional PTO (+1 day) introduced in the new CBA.	\$0 impact. Actual accruals are enough to cover projected liquidations.	N/A
Total Annual		\$12,605,000	\$13,350,250	\$745,250	Total cost comparison	Projected incremental increase in costs.	Request for additional GF (\$500k), savings identified within Certified

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							Budget (\$195k).
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By adhering to these guidelines, the fiscal impact analysis will provide a clear, detailed, and transparent assessment of the financial obligations resulting from the proposed CBA. This process ensures that all potential costs are evaluated, and that the agency is prepared for any financial adjustments that may be required throughout the CBA's term.