

## FEMA approves more federal grants to Puerto Rico

### Headline Story

Puerto Rico's FOMB files suit against several fuel suppliers and laboratories seeking to recover billions of dollars in fraudulent payments made by PREPA

Puerto Rico reports highest Tourism Revenue and Visitor Numbers in the territory's history

FEMA's new Consolidated Resource Center established in Puerto Rico



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## Additional federal funds granted to update building codes in Puerto Rico

On July 2, 2019, the Federal Emergency Management Agency ("FEMA") announced that it has awarded approximately \$12.6 million in additional funds to the territory of Puerto Rico to cover costs related to Hurricane María. These awards bring the amount of funds obligated under FEMA's Public Assistance Program to \$5.8 billion and \$28.2 million under the agency's Hazard Mitigation Grant Program.

Of the additional federal grants awarded by FEMA to Puerto Rico, more than \$5 million were allocated to review and adopt updated building codes on the island, more than \$4 million will be used to fund hazard mitigation planning throughout all 78 municipalities, more than \$2 million were distributed to the Puerto Rico Fire Department for emergency protective measures, and nearly \$1.6 million were assigned to the Barceloneta municipality for debris removal.

According to the agency, the update to Puerto Rico's building code represents the first significant revision since 2011. The codes include hazard resistant provisions that provide for safer and more resilient construction throughout the island. The new codes will be more current than those observed by most mainland states. The codes also follow uses in the 2018 International Building Codes, the model codes and standards used to construct safe, sustainable, affordable and resilient structures. FEMA has expressed that these model codes.

The process of updating building codes on the island will be done by the Puerto Rico's Office of Permit Management, public agencies and members from Puerto Rico's College of Engineers and Surveyors, the

College of Architects and Landscape Architects, the General Contractors Association and the Builders Association, with the assistance from FEMA. Public comment was also considered as the codes were updated.

The Government of Puerto Rico received \$79 million from FEMA's Hazard Mitigation Grant Program to improve code enforcement, which will enable Puerto Rico's Planning Board and the Office of the Permit Management to grow their staff of 11 code compliance officers to more than 200.

State of the art designs pertaining to wind speeds are the most remarkable aspect of the updated construction codes. The codes contain 316 wind micro zone maps specific to every Puerto Rico municipality. The code enforcement and code update projects modernize Puerto Rico's building design and regulation practices. The projects represent a small part of the \$3 billion in hazard mitigation grant funding made available to Puerto Rico during recovery to reduce the risk of loss of life and property from the next disaster.

FEMA obligates funding to the applicant for projects through the Central Office for Recovery, Reconstruction and Resiliency ("COR3").



## FOMB sues several fuel suppliers and laboratories over payments made by PREPA

On June 30, 2019, the Special Claims Committee of the Financial Oversight and Management Board for Puerto Rico ("FOMB") filed a complaint against several fuel suppliers and laboratories seeking to reveal potentially billions of dollars in fraudulent payments made by the Puerto Rico Electric Power Authority ("PREPA"). Fuel oil purchases are PREPA's largest expense.

The Special Claims Committee alleges that between 2002 and 2015 certain fuel suppliers received "massive overpayments and other improper compensation from PREPA, which is required by contract and environmental regulations to purchase only high-grade fuel oil, which is more expensive and cleaner than low-grade oil."

According to the Complaint filed by the Special Claims Committee, fuel companies Trafigra and Vitol allegedly supplied PREPA with oil that "did not meet the applicable contractual or regulatory specifications, but nonetheless received payment from PREPA at the price of the higher quality fuel oil" and also alleges that suppliers were aided by the laboratories Carlos R. Méndez & Associates, Inspectorate America Corp., and Altol, all of which "received payments for falsifying test results concerning the fuel oil supplied to PREPA."

The FOMB stated that these overpayments have contributed to PREPA's insolvency by "increasing the cost of its operations and causing PREPA to slide deeper into debt" and is seeking the U.S. District Court for the District of Puerto Rico for the authority to recover those payments "for the benefit of PREPA's stakeholders". The Special Committee of the FOMB said that based on the facts known, PREPA's customers and creditors were harmed and thus, the committee intends to pursue those claims vigorously.

A group of PREPA customers had already filed a lawsuit against the fuel suppliers and laboratories, as well as PREPA insiders and the utility itself. That class action litigation is subject to the stay the U.S. District Court put in place under the Puerto Rico Oversight, Management, and Economic Stability Act of 2016 (PROMESA). The Special Claims Committee adopted the allegations of the class complaint in support of the claims of overpayments.



Almost two months ago, the Special Claims Committee filed more than 230 lawsuits against several businesses and individuals to recover payments that "were in conflict with the United States Bankruptcy Code and Puerto Rico", to ensure that about \$4.2 billion in payments to vendors and contractors who worked for the Government of Puerto Rico were appropriately and fairly spent.

## Puerto Rico reports highest Tourism Revenue and Visitor Numbers

The Destination Marketing Organization ("DMO"), Discover Puerto Rico, announced earlier this month that Puerto Rico tracks towards a record-breaking year, with a year-to-date revenue of \$445M as of May, the highest in the territory's history, and with 1.67M passenger arrivals across the San Juan, Ponce, and Aguadilla airports.

According to the DMO, consumers likelihood to visit Puerto Rico increased 6 points over the past year and among meeting planners, post-Maria perception of Puerto Rico as a fully recovered or ready for business destination has increased from 8% to 41% over the past year. Meanwhile, desirability for booking meetings and conventions has grown almost three times, from 24% to 71%, this year.

It was also announced that media coverage of areas outside San Juan has grown four times since last July, and there has been a significant growth in the number of visitors outside of San Juan. Arrivals into Aguadilla are 44% higher than the previous record from 2017, and the airport is on pace to receive 800,000 passengers this year, which would break the existing record.

In the meetings and conventions business, leads-generated and contracted events are the highest they have been in five years and requested and contracted rooms are also at an all-time high. Furthermore, conversions on bookings are up 121%, from 14% to 31%. The DMO estimates over \$92M in economic impact, with groups already signed and another \$288M in potential impacts from opportunities in the pipeline.

The DMO reported that according to their data, Puerto Rico's tourism is the strongest it's ever been.





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## FEMA's new Consolidated Resource Center Atlantic established in Puerto Rico

The Government of Puerto Rico, the Central Office of Recovery, Reconstruction and Resilience ("COR3"), and the Federal Emergency Management Agency ("FEMA") have established a Consolidated Resource Center on the island to help move recovery forward. The Consolidated Resource Center Atlantic ("CRC") is FEMA's fourth center, with three others in Virginia, Texas and California processing over 100 disasters.

The Federal Disaster Recovery Coordinator for Puerto Rico, Jonathan Hoyes, said that the Consolidated Resource Center Atlantic is more than a center to process the island's permanent projects, but a symbol of the collaboration between the Government of Puerto Rico and FEMA to effectively focus on the historic recovery that lies ahead for the residents of Puerto Rico.

FEMA explained that establishing a center is part of the broader framework within the national Public Assistance delivery model, which was initially implemented in disasters beginning in September 2017 and is currently in use in Puerto Rico to improve efficiency, accuracy and transparency in the Public Assistance process.

With the establishment of this CRC in Puerto Rico, the Government of Puerto Rico seeks to solidify its collaboration with FEMA, which they expect will result in a better, swifter and more efficient processing of estimates, according to the Executive Director of the COR3, Omar J. Marrero.

Currently, local FEMA staff on the island represent over 82% of the long-term disaster recovery workforce, and nearly 150 temporary jobs can be filled by local staff at the Consolidated Resource Center Atlantic. Teams of qualified FEMA staff are training both local Public Assistance and COR3 personnel to ensure effective project formulation.

FEMA announced that as Puerto Rico heads into its long-term recovery, the CRC stands as an important milestone that will help shape the way the territory faces disasters in the future. FEMA has already awarded nearly \$70 million for disaster case management in Puerto Rico and there are 600 case managers available to meet with people across the island in community recovery centers. The agency mentioned that over 100,000 people have visited and continue to visit community recovery centers.



More than \$8.5 billion has been granted so far for Public Assistance, Individual Assistance and Mitigation grants. While the initial focus of the center is the processing of Public Assistance projects in Puerto Rico, the new center is a permanent operation that will eventually support disasters nationwide.