

ECONOMY

Several administrations failed to prudently and appropriately manage our finances



Think Strategically: Know Who We Are

You Understand,
'Estamos Bregando'

BY FRANCISCO RODRÍGUEZ-CASTRO
frc@birlingcapital.com

Know who we are: Planting cut flowers

The late librarian of Congress, Daniel Boorstin, said: "Trying to plan for the future without a sense of the past is like trying to plant cut flowers." The task of planning for the future is as much a review of our history as it is of the plan itself. As we continue to examine the actions in the District of Columbia, we often wonder in what direction history will lead this President and Congress. One thing leads to another. Nothing happens without reason. For every action, there will be consequences.

It seems we elected our officials to strengthen America's leadership, create more jobs, protect the weak and provide increased opportunities for the creation of wealth. We should be confident that these seem self-evident; however, looking at the lack of action and chaos in Washington, we must

believe otherwise. On the horizon is the Republican Senate's attempt to vote on their version of healthcare, which will repeal and replace Obamacare. Our Washington sources have mentioned that Republican Senators do not have enough support to pass the measure. As we have pointed out before, if the Senate cannot pass healthcare before August, it is our belief they will forget about healthcare and tackle Tax Reform. On the issue of taxes, the House passed a bill that repeals certain taxes on the wealthy imposed by Obamacare, which is the 3.8% net investment income tax and the 0.9% Medicare surtax that was due to begin in 2023; we expect the Senate to follow through without incident.

This past week, we saw President Donald Trump end the self-inflicted crisis that alluded he kept recorded conversations of FBI Director James Comey. This ends a crisis that started with a Tweet from the President and ended with a Tweet from the President.

P.R. Update: You understand, 'estamos bregando'

Another of our famous Puerto Rican words or phrases that anyone doing business here must learn is "estamos

bregando." Often when you follow up with someone here, and their response is "estamos bregando," beware this means either I have not done anything, I will not do anything or I forgot completely, and I will do it now. Determining which answer is the right one for your case is very tricky and the real answer may either defy logic or wisdom. We have witnessed the budget process of the Government of Puerto Rico with several encounters with the Financial Oversight & Management Board (FOMB), and it seems we are losing a great opportunity by insisting on maintaining the bloated human resource count and operational inefficiency that the government currently has. More than 85% to 90% of every agency budget is destined to payroll. Thus, only 15% to 10% of their budget is left to perform the essential

services that we are all anxiously waiting to learn what they are.

One of the principal differences of the FOMB is that this is an entity that does not serve to please the Governor or the Legislature. In that regard, we deem it rather important that the FOMB finish the honeymoon period and start dealing with the difficulties of marriage. The FOMB exists solely because of the incapacity of several administrations to prudently and appropriately manage our finances. The FOMB exists because politicians usually seek the easy way out rather than the hard, steep path. The FOMB exists because Congress saw the need for adult supervision. We must choose to honestly, and with absolute transparency, discuss all the difficult decisions that must happen before we can restore growth in Puerto Rico. These decisions involve

job furloughs and elimination, pension and benefit reductions, agency cuts, and extensive use of privatization for roads, hospitals, agencies and most state monopolies. This is a discussion that needs to happen, and we expect nothing less from our elected leaders to follow through with what is right for the many, and not just for the few.

Final word

Some things in this and other columns may seem unreal, so much so that many people doubt they can be done. The fact of the matter is, we must act, we must believe them to be true, and we must persevere for the benefit of every citizen who has not been born and for the many who will call Puerto Rico home. This is a once-in-a-lifetime-legacy opportunity for all parties involved.

IPO Calendar (Trade Date Estimate: Week of June 26, 2017)

Company	Ticker	Deal Size
Blue Apron Holdings	APRN	\$480 million
TPG Pace Holdings	TPGH.U	\$400 million
Akcea Therapeutics	AKCA	\$125 million
Byline Bancorp	BY	\$114 million
Tintri	TNTR	\$100 million
Mersana Therapeutics	MRSN	\$75 million
Dova Pharmaceuticals	DOVA	\$65 million
Aileron Therapeutics	ALRN	\$60 million
Esquire Financial	ESQ	\$35 million
Avenue Therapeutics	ATXI	\$30 million

Francisco Rodríguez-Castro, president & CEO of Birling Capital with over 25 years of experience, has been a key executive in government, global, multinational and public companies as well as a key corporate adviser to multiple entities in a diverse array of market segments. He has participated in structuring over \$10 billion in municipal finance, corporate, commercial, asset-based, P.R. Industrial, Tourism, Educational, Medical & Environmental Control Facilities Financing Authority (Afica), and mergers & acquisitions transactions.