
Municipalities Income—Sale of Bonds; Authorization

(Substitute to
H.B. 1270 and H. B. 1299)
(Conference)

[No. 64]

[*Approved July 3, 1996*]

AN ACT

To establish the Act which authorized the Municipalities to Puerto Rico to issue and sell bonds and notes; provide for the payment of principal and interest; provide for the procedure related to borrowing; amend Sections 4 and 17 of Act No. 80 of August 30, 1991 as amended, known as the "Municipal

Revenues Collection Center Act"; amend Sections 2.02 and 2.04 of Act No. 83 of August 30, 1991 as amended, known as the "Municipal Property Tax Act of 1991"; repeal Act No. 71 of August 29, 1990, Act No. 66 of July 5, 1985, Act No. 4 of April 25, 1962, Act No. 7 of October 28, 1954, Act No. 382 of May 9, 1951, Act No. 98 of May 12, 1943, Section 9.001, 9.002, 9.003, 9.004, 9.005, 9.006, and 19.002(e) of Act 81 of August 30, 1991, as amended, known as the "Autonomous Municipalities Act"; in order to expedite credit transactions and expedite the financing of the social and economic development of municipalities through a single legislative measure, updated and tempered to the Municipal Reform, which shall be known as the "Puerto Rico Municipal Financing Act of 1996".

STATEMENT OF MOTIVES

The Municipal Reform, which began with the approval of Act No. 81 of August 30, 1991, as amended, considered two fundamental areas: Administrative Reform and Fiscal Reform. The objective of the Fiscal Reform, as stated in the Joint Report on the Substitute to H.B. 1296 of August 20, 1991, was addressed to establishing a satisfactory degree of fiscal autonomy for the municipalities, by furnishing sources of income to provide resources adequate to the demand for municipal services. In harmony with this objective, the Municipal Revenues Collection Center Act (CRIM: Spanish acronym), the Municipal Property Tax Act, and significant amendments to the Municipal License Act, were approved. The Municipal Reform came into being as a joint effort between the Executive Branch, the Legislative Branch and the Mayors, with the purpose of providing the necessary mechanisms so that the latter could assume a central basic role in their social, economic and urban development.

However, during the process of evaluating and approving the laws that governed the administrative and fiscal processes of the municipalities before the Municipal Reform, the legislation that regulated the processes for the financing of fiscal resources in the municipalities, was not considered. At that

time, it was extremely urgent to improve the efficiency of the collection of revenues, establishing mechanisms to control the municipal income and expenditures accounts.

Five years after initiating the Municipal Reform, it is indispensable to temper the present laws that regulate the issue of debt instruments, establishing an updated statute that expedites the credit efforts and the financing of the social and economic development through municipal efforts. This Act repeals the legislation that governs the financing of the municipal efforts and expedites the process of issuing debt instruments establishing an updated act that shall expedite the handling of credit and the means of financing. This Act complements the Municipal Reform efforts initiated on August 30, 1991.

This Act specifically consolidated and clarifies the entire procedure for the issuing, disbursement and payment of bonds and notes for which the municipalities are generally liable, including the duties of the Municipal Revenues Collection Center, in the collection of special surtaxes, whose exclusive purpose is to be the main source for the payment of those obligations, and in the operation of the first lien on the remaining property taxes which serves as additional surety of said payment in case of deficiencies in the product of the surtax. This Act also clarifies the duties of the Government Development Bank for Puerto Rico in the operation of the Municipal Public Debt Redemption Fund where the entire product of the special surtax is deposited.

Be it enacted by the Legislature of Puerto Rico

Section 1.—Title of the Act

This Act shall be known as the “Puerto Rico Municipal Financing Act of 1996”.

Section 2.—Public Policy

It is the policy of our Government and this Legislature to expedite its administrative and operational processes through the reduction of unnecessary duplication of structures, regulations, norms and procedures, as well as of those laws

which hamper the efforts of the public administrations which pursue efficiency.

With this purpose in mind, the statutory provision that expedite municipal financing are compiled in one single statute, also authorizing the municipalities of Puerto Rico to contract borrowing in the form of bonds and notes, as provided in this Act. This Act, which shall be known as the "Puerto Rico Municipal Financing Act of 1996", expedites the process for issuing debt instruments in a uniform and updated manner in the handling of credit and financing mechanisms, thus bringing it into line with the Municipal Reform laws. In this way, the interest of the People of Puerto Rico and the municipal administrations in advancing the economic and social development of the community through needed public works and the efficient handling of municipal finances is bolstered.

It is hereby stated as the public policy of the Government of Puerto Rico that the municipalities are authorized to contract borrowings in the form of advances of the basic property taxes and to issue general obligation bonds or notes, revenue bonds, limited obligation bonds and refinancing bonds, as provided in this Act.

Section 3.—Definitions

For the purpose of this Act, the following words and phrases shall have the meaning indicated below, unless it is otherwise construed from the text:

(a) "Mayor", means the First Municipal Government Executive.

(b) "Assembly", means the legislative body whose members are elected by direct vote of the electors of the municipality in each general election, which has legislative faculties over municipal affairs and is denominated as the Municipal Assembly.

(c) "Government Bank", means the Government Development Bank for Puerto Rico established by virtue of Act No. 17 of September 23, 1948, as amended [7 L.P.R.A. §§ 551 et seq.], and with the powers provided in Act No. 272 of May 15, 1945, as amended [7 L.P.R.A. §§ 581 et seq.], as well as other laws.

(d) "Special Obligation Bonds and Notes", means those obligations evidenced by bonds or notes in advance of bonds or notes issued by a municipality of the prompt payment of which only the revenues or resources derived from one or more specific sources of income authorized by this Act, or any other laws of the Commonwealth of Puerto Rico and the United States of America, including but not limited to basic property taxes imposed by virtue of Section 2.01 of Act No. 83 August 30, 1991, as amended [21 L.P.R.A. § 5001]; a special surtax on any property within the municipal territory, except the special additional tax imposed by virtue of Section 17 of this Act and the special tax for the service and redemption of the general obligation of the Commonwealth of Puerto Rico imposed by virtue of Section 2.02 of Act No. 83 of August 30, 1991, as amended [21 L.P.R.A. § 5002]; grants from Federal funds, grants or appropriations from the Government of the Commonwealth of Puerto Rico, including appropriations under Section 17 of Act No. 80 of August 30, 1991, as amended [21 L.P.R.A. § 5816]; contributions in lieu of taxes; compensations of certain public corporations of the Commonwealth of Puerto Rico; and the uncollected basic property taxes from previous years.

(e) "General Obligation Municipal Bonds and Notes", means those obligations evidenced by bonds, notes in advance of bonds or notes, issued by a municipality, for the prompt payment of which the good faith, credit and unlimited taxing power of the municipality have been encumbered.

(f) "Refinancing Bonds or Notes" means those obligations evidenced by bonds, notes in advance of bonds or notes issued by a municipality under the provisions of this Act, with the purpose of providing for the payment of bonds or notes in effect.

(g) "Revenue Bonds" means those obligations evidenced by bonds issued by a municipality, for the prompt payment of which the revenues of a revenue-generating project have been encumbered.

(h) "Center", means the Municipal Revenue Collection Center established by virtue of Act No. 80 of August 30, 1991, as amended [21 L.P.R.A. §§ 5801 et seq.].

(i) "Special additional tax" means the special additional tax on property that the municipalities shall impose pursuant to Section 17 of this Act and Section 2.02 of Act No. 83 of August 30, 1991, as amended [21 L.P.R.A. § 5002], with the exclusive purpose of paying principal and interest on their General Obligation Bonds or Notes.

(j) "Cost", means the cost of acquiring, developing or constructing and equipping, when it refers to a public work or a revenue-generating project; it also means the costs or expenses incidental to such acquisition, development or construction, including the acquisition of equipment and the cost of financing the same, also including, but without being limited to the following:

(1) Obligations incurred by work completed and the acquisition of materials by contractors, developers or suppliers, related to the construction of said public work or revenue-generating project;

(2) the cost of acquiring by purchase, when said purchase is deemed necessary, and any amount that results from an adjudication, final judgment or stipulation resulting from proceeding to acquire through eminent domain, such properties, lands, rights, rights of way, franchises, liens, or other rights, on lands that are necessary and convenient for the development and construction of said public work or revenue-generating project, purchase options and related partial payments, the cost of filling, draining or improving the land thus acquired, the amount of any incidental or resulting damage from the development or construction of said public work or revenue-generating project;

(3) the fees and expenses of the fiscal agent or disbursing agent, legal expenses and fees, consultant's expenses and fees, finance charges, expenses incurred in the selling and the preparation and issuing of bonds or notes in advance of bonds issued to finance said public work or revenue-generating project, insurance premiums related to said public work or revenue-generating project while under construction, premiums or other expenses that must be incurred to acquire and keep in effect any credit facility related to the bonds or

notes in advance of bonds issued to finance said public work or revenue-generating project;

(4) fees and expenses for the services of architects and engineers related to the preparation of plans, research, and tests needed for the drafting of plans specifications and supervising of the construction project as well as any other expense of this nature related to the construction of said public work or revenue-generating project;

(5) administrative expenses that can reasonably be charged to said public work or revenue-generating project, and all other expenses that have not been otherwise specified in this definition, which are incidental to the acquisition, development or construction of said public work or revenue-generating project, including equipment;

(6) interest paid during the period of construction of said public work or revenue-generating project and during any additional period so determined by the Assembly;

(7) any obligation or expense incurred by a municipality, and any advance made by the municipality, the Commonwealth of Puerto Rico or any of its agencies, or by the Government of the United States, or any of its agencies, or by any other source, for any of the purposes indicated above.

(k) "Emergency", means that the needs of the Municipalities have varied in such a way that it is absolutely necessary to issue the bonds and notes; sell and use the product of said bonds or notes for the purposes the Mayor deems necessary in view of said needs, and thus prevent the welfare of the municipality from being adversely affected.

(l) "Redemption Fund Surplus", means that portion of the annual product of the special additional tax and the deposits in the Municipal Public Debt Redemption Fund which is not directly encumbered for servicing the Municipality's General Obligation Bonds or Notes, and which is therefore available for the early redemption of said General Obligation Bonds or Notes in effect; or for servicing new General Obligation Bonds or Notes that the municipality should issue.

(m) "Credit Facility", means an irrevocable letter or credit, insurance policy for municipal bonds, sureties, purchase contract, credit contract or similar instrument through which

the entity that furnishes said credit instrument commits itself to provide the necessary funds to meet the payments of the principal, premiums, if any, and interest on any bond, notes in advance of bonds, or notes in advance of taxes and revenue issued under the provisions of this Act.

(n) "Municipal Public Debt Redemption Fund", means the trust established by the Center with the Government Bank, in which the Center shall deposit all proceeds of the special additional taxes imposed by the municipalities. This trust shall have an account for each municipality in which the Center shall deposit the total product of the special additional tax imposed by each municipality and any other resources from other sources, as established by Section 17 of this Act, which are needed for the services of the municipality's General Obligation Bonds and Notes. On a quarterly basis, the Bank shall remit the interest generated by the deposits in their accounts in the Municipal Public Debt Redemption Fund, to the municipalities.

(o) "Bidding Board", means the Board constituted by a municipality which has the main responsibility of adjudicating the auctions of purchases of goods and services, and the contracts for the lease or real property and chattels, and nonprofessional services, as provided in Section 11.004 through 11.006 of Act No. 81 of August 30, 1991, as amended [21 L.P.R.A. §§ 4504-4506].

(p) "Municipality", means a geographic demarcation in Puerto Rico with all its wards, which has a specific name and is governed by a local government composed of legislative and executive power, as provided in Act No. 81 of August 30, 1991, as amended [21 L.P.R.A. §§ 4001 et seq.].

(q) "Notes in Advance of Bonds", means notes issued by any municipality, the principal of which shall be paid from the product of other notes in advance of bonds, or of the bonds.

(r) "Notes in Advance of Taxes and Income", means notes issued by any municipality in advance of the collection of basic property taxes or other operating income of the municipality to be collected or received after the date of issue of said notes.

(s) "Revenue-Generating Projects", means any work, structure or project, including equipment, that the municipi-

pality is legally authorized to acquire, develop, or construct, and which constitutes a source of income.

(t) "Redemption", means the settlement of an obligation.

(u) "Prior Redemption", means the settlement of an obligation prior to the date of maturity fixed in its constitutive title.

(v) "Refinancing", means the payment of any obligations, on or before their date of maturity or on their redemption date, with the product of the issue of new obligations.

(w) "Secretary", means the person who fills the office or position of secretary, whether of the municipality, the Assembly or the Bidding Board in the municipality.

(x) "Service", means the periodic payment of principal and interest on an obligation according to the terms established in its constitutive title.

Section 4.—Purposes for the Issuing of Bonds or Notes

The Municipalities are authorized by this Act to issue bonds or notes as provided below:

(a) General Obligation Municipal Bonds or Notes to provide funds to pay for the cost of acquiring any equipment, to develop or construct any public work, or any other project for which the municipality is legally authorized; and by exception, for the refinancing of operation debts contracted, subject to the approval of the Government Bank after it considers the general fiscal situation of the municipality in question, and the capability of increasing the operation income to assume the total amount of the operating expenses within a reasonable period of time;

(b) Revenue Bonds to provide funds to pay the cost of acquiring, developing or constructing any revenue-generating project;

(c) Special Obligation Bonds or Notes provide funds to (i) pay the cost of acquiring, developing, or constructing any public work or improvement, revenue-generating project, and all kinds of equipment that the municipality is legally authorized to acquire, (ii) the payment of operating expenses budgeted in any fiscal period, and current obligations incurred for the

payment of said operating expenses; and (iii) for other legal purposes of the municipality;

(d) Refinancing Bonds or Notes to provide for the payment, on or before their date of maturity, of the principal of any bonds or notes in effect, and for the payment of any premium for the prior redemption of said bonds or notes, any interest accrued or to be accrued as of the date of payment of said bonds or notes, any expenses related to the sale or issue of the Refinancing Bonds or Notes, and the maintaining of those reserves required by said Refinancing Bonds or Notes. In the case of Refinancing Bonds or Notes, the municipalities shall not issue Refinancing Bonds or Notes unless the aggregate value of the principal and interest on the Refinancing Bonds or Notes to be issued is less than the present value of the aggregate of the principal and interest on the Bonds or Notes in effect, that are to be refinanced. For the purposes of this limitation, the present value of the Refinancing Bonds or Notes, shall be figured by using a discount rate equal to the yield of said Refinancing Bonds or Notes, and the yield shall be figured by using an actuarial method based on a 360-day year, compounded semiannually, on the price paid to the issuing municipality by the original purchasers of said Refinancing Bonds or Notes.

Section 5.—Notes in Advance of Bonds

Each municipality is authorized to issue notes in advance of bonds to finance one or more of the purposes for which bonds may be issued under Section 4 of this Act. The notes shall be designated as "Notes in Advance of Bonds", it shall be established in them that they are issued in advance of the bond issue, with a general description of the purpose or purposes for which the notes are issued. The notes may be issued at any time, after the ordinance authorizing the bond issue becomes effective, provided the bonds have been authorized by said ordinance or by a subsequent resolution. Notes shall become due no later than one year after the date of issue and may be renewed from time to time for periods that shall not exceed one additional year. However, the term of the notes, including any renewal shall not exceed eight (8) years from the effective date

of the ordinance or the subsequent resolution which authorized them. Any note issued under the provision of this Section may be renewed, whether through the issuing of new Notes in Advance of Bonds, or in any other way, as it may be provided in resolution adopted by the Assembly. Any of said renewals shall be under those terms and conditions and under such interest rate or rates provided in Section 4(d). The issue of these notes shall be authorized with the affirmative vote of at least two thirds (2/3) of the number of members of the Assembly and the approval of the Mayor, with the prior recommendation of the Government Bank. It shall not be necessary to hold public hearings before the approval of a resolution authorizing the issuing of these notes, but if the municipality decides to hold a public hearing, it shall follow the procedure established in Section 7 of this Act.

Section 6.—Notes

Each municipality is authorized to issued notes to be due no later than five (5) years from their dates to finance one or more of the purposes for which notes can be issued pursuant to Section 4 of this Act. Said notes shall be in the form, executed in such a way, shall accrue interest at that rate or rates which does not exceed twelve (12) percent annually, shall be payable in such place or places in or outside of Puerto Rico, may be redeemed on such dates and prices and under such terms and accrued, and shall have those other specifications, as provided by the Assembly through resolution or resolutions prior to the issue of said notes. The issue of these notes shall be authorized by the affirmative vote of at least two third (2/3) of the members of the Assembly and with the approval of the Mayor, and with the prior recommendation of the Government Bank. It shall not be necessary to hold a public hearing prior to the approval of a resolution authorizing the issue of these notes, but if the municipality decides to hold a public hearing, it shall do so pursuant to the procedure established in Section 7 of this Act.

Section 7.—Ordinance Authorizing the Bond Issue

The issuing of General Obligation Bonds, Special Obligation Bonds, Revenue Bonds and Refinancing Bonds shall be

authorized by an ordinance approved by the Assembly with the affirmative vote of at least two thirds (2/3) of the numbers of its members and with the approval of the Mayor.

The ordinance may be approved at a regular session of the Assembly [or] at a special session convoked by the Mayor for this purpose, pursuant to the provisions of Sections 5.003 of Act No. 81 of August 30, 1991, as amended [21 L.P.R.A. § 4203]. The Secretary of the Assembly shall notify each member of the Assembly, by certified mail at least 72 hours in advance, of the date, hour, place and purpose of this session, or otherwise. shall serve said notice personally to each of the members at least 24 hours before said session is to be held.

The Assembly shall hold a public hearing before considering any ordinance for the purposes of this Act. At least (10) days before the public hearing, the municipality shall publish a Notice of Public Hearing at least once, in a newspaper of general circulation in Puerto Rico, and shall place said notice in at least two places that are accessible to the public in said municipality. The Notice of Public Hearing shall include the date, hour and place of the public hearing, and shall include a brief description of the purpose or purposes for which the municipality proposes to issue such bonds or notes, with the amount to be borrowed for each purpose. The contents of the Notice of Public Hearing shall be substantially in accordance with the following:

“NOTICE OF PUBLIC HEARING”

The Assembly of the Municipality of _____, Puerto Rico, proposes to adopt an ordinance entitled “Ordinance Authorizing the Issue of \$_____, in (General Obligation) (Special Obligation) (Revenue) (Refinancing) Bonds of 19___, of the Municipality, of _____, Puerto Rico, and the issue of \$_____, in Notes in (Advance of Bonds)(Advance of Taxes and Revenue) and providing for the payment of principal and interest on said bonds”.

A Public Hearing shall be held on _____, 19___, at _____ (AM) (PM), in the _____, Hall, prior to the consideration of said ordinance. Any taxpayer or any other interested person may attend said public hearing and be heard.

The projects to be financed, and the amount that shall be appropriated for each purpose shall be as follows:

PURPOSE AND AMOUNT OF THE BONDS OR NOTES

A copy of the Ordinance Bill No. ____, Series ____, is on file in the office of the Secretary of the Assembly of the Municipality of _____, Puerto Rico.

By order of the Assembly of the Municipality of _____, Puerto Rico.

Secretary of the Municipal Assembly
Municipal[ity] of _____, Puerto Rico

Notwithstanding any provision of law or the municipal by-laws to the contrary, once the Public Hearing is held, it shall be sufficient for the purposes of this Act, for the ordinance to be presented in the session of the Assembly and read completely, and roll call for voting shall be taken for the adoption of the ordinance at said Session.

Section 8.—Appropriation for General Obligation Bonds or Notes

The ordinance or resolution authorizing the issue of General Obligation Bonds or Notes approved by the Assembly, shall constitute the amount appropriated and authorized for the purposes for which the General Obligation Bonds or Notes shall be issued.

Section 9.—Provisions of the Ordinances or Resolutions

The ordinance or resolution authorizing the issue of bonds or notes, as the case may be, shall contain the following provisions:

- (a) The purpose or purposes for the issue of bonds or notes;
- (b) the amount of money that shall be obtained through the bond or note issue and the amount of money that shall be appropriated for each purpose;
- (c) the date or dates of maturity of the notes which shall not exceed the number of years fixed in Section 5 and 6 of this Act;
- (d) the date or dates maturity of the bonds, which shall not exceed the number of years from the date of issue, fixed below:

Type of Bond	Maturity
General Obligation Bonds	25
General Obligation Bonds for the construction of low-income housing project	40
Revenue Bonds	25
Special Obligation Bonds for capital Improvements	25
Special Obligation Bonds for Solid Waste collection, disposal or conversion to energy systems	25
Special Obligation Bonds to finance deficits accrued by the Municipalities up to June 30, 1996	30
Special Obligation Bonds for other purposes	8
	(Shall not be greater than the term that applies to the type of bond to be refinanced).
Refinancing Bonds	

(e) in the case of the General Obligation Bonds, or Notes, the ordinance or resolution shall establish:

(i) That the Municipality has available loan margin and ability to pay, certified by the Government Bank, to incur the debt to be evidenced by the bonds or notes; Provided, that ability to pay shall mean that the deposits in the Municipal Public Debt Redemption Fund and the annual product of the special additional tax, shall be sufficient to pay the bond or note until its maturity.

(ii) the provisions or agreement for debt service of the bonds or notes, including the imposition of the special additional tax, as provided in Section 17 of this Act.

(f) In the case of Revenue Bonds, the ordinance shall establish;

(i) the use and distribution of the revenues or income from the projects, revenue generators, including reserves and maintenance fees, as well as to provide for the payment of operating and maintenance expenses of said projects,

(ii) the transfer of municipal funds to the revenue-generating account or accounts in an amount that reflects the cost of providing goods and services for said projects to the municipality or any of its departments or dependencies,

(iii) the operation and maintenance of the revenue-generating projects,

(iv) the terms and conditions under which the holders of all or part of the revenue bonds, or the trustee of said bonds, shall have the right to have a trustee or a receiver appointed by a court of competent jurisdiction, which trustee or receiver can enter and take possession of the revenue-generating project, its operation and maintenance, establish the rates, fees for services, rental rates and any other charges or prices, and to collect and manage all income of the revenue-generating project,

(v) the terms and conditions under which the income from the revenue-generating projects can be pignored for the debt service of the revenue bonds,

(vi) the provisions for the Government Development Bank for Puerto Rico or an incorporated bank, or an incorporated trust company, in or outside of Puerto Rico, shall act as depositary of the pignored revenues of the revenue-generating projects; and

(vii) the provisions for the Government Development Bank for Puerto Rico, subject to the provisions of Act No. 272 of May 15, 1945, as amended [7 L.P.R.A. §§ 581 et seq.], or an incorporated bank, or an incorporated trust company in or outside of Puerto Rico, acts as registrar, countersigning agent and disbursing agent for the revenue bonds.

(g) In case of Refinancing Bonds or Notes, the ordinance or resolution shall establish:

(i) the surtax or surcharge to be imposed on the property within the municipality's territorial limits, or any other designated resource to be taxed for the payment of special obligation bonds or notes; and

(ii) the provisions for the Center to collect the special tax or surtax, or any designated resource, and deposit it in a special trust account, apart from the other accounts of said municipality, and to authorize the Government Bank to pay

the special obligation bonds or notes with the moneys kept in said special account or accounts.

In the case of Refinancing Bonds or Notes, the ordinance or resolution shall establish;

(iii) that the backing or guaranty to be provided for the Refinancing Bonds or Notes shall be equal to the backing and guaranty provided for the refinanced bonds.

(iv) That the bonds or notes in effect that have been refinanced pursuant to the provisions of this Act, shall not be deemed to be in effect for the purposes of determining the debt limitation established in Section 16 of the Act.

Section 10.—Effectiveness of Ordinances and Resolutions

Ordinances and resolutions shall have the favorable recommendation of the Government Bank and the Center prior to the approval of the Assembly and the Mayor, pursuant to the provisions of this Act. They shall issue their recommendations no later than sixty (60) days after having received said request.

Once the ordinance or resolution authorizing the bond or note issue is approved by the Assembly and the Mayor, a Notice shall be published at least once in a newspaper of general circulation in Puerto Rico, which shall comply substantially with the contents described below, and shall be affixed in at least two public places in the Municipality:

NOTICE

Ordinance (Resolution) No. _____, Series _____, entitled "Ordinance (Resolution) to Authorize the issue of \$_____, in (General Obligation) (Special Obligation) (Revenue) (Refinancing) Bonds of 19____, of the Municipality of _____, Puerto Rico, and the issue of \$_____, of Notes in (Advance of Bonds) (Advance of Taxes and Revenues) and providing for the payment of principal and interest on said Bonds" has been approved by the Assembly on the ____, of _____, of 19____, and approved by the Mayor on the ____, of _____, of 19____." This ordinance (Resolution) shall become effective immediately after the date of publication of this Notice of Approval. No action or recourse based on the nullity of said ordinance (resolution) shall be set forth nor the validity of the ordinance (resolution)

July 3

Act No. 64

thus approved, or the (Bonds or Notes), or the provisions of the ordinance (resolution) for the payment of said (Bonds or Notes), shall be questioned under any circumstance in any Court, except through an action or proceeding initiated within ten (10) days following the date of this notice.

Secretary
Municipality of _____.

This Ordinance shall become effective immediately after the date of publication of this Notice of Approval.

Section 11.—Validity of the Ordinance or Resolution

No action or recourse based on the nullity of said ordinance or resolution shall be set forth nor the validity of the ordinance or resolution thus approved or the (Bonds or Notes), or the provisions of the ordinance or resolution for the payment of said (Bond or Notes) shall be questioned under any circumstance in any Court, except in an action or proceeding initiated within ten (10) days from the date of this notice.

Unless an action or proceeding has been filed before the term of ten (10) days after the notice provided in the previous Section has expired, the ordinance or resolution referred to in said notice shall be presumed to be duly adopted and approved by the municipality, and that it meets the provisions of this Act and any other Act. Neither the validity of said ordinance or resolution or any of its provisions, including the provisions for the payment of the bonds or notes, nor the validity of the bonds or notes authorized by the ordinance or resolution, shall be questioned by any taxpayer or any interested party, regardless of what is provided in this Act or any other acts.

Section 12.—Attributes of the Bonds or Notes

The bonds and notes issued under the provision of this Act shall be of such nature, whether they are registered, with coupons, or electronic entry registry; shall be dated; shall earn interest at such rate or rates or shall provide the formula or formulas to determine such rate or rates of interest, shall be payable on such date or dates; shall be of such denominations; shall be subject to redemption on such date or dates and prices; their principal and interest shall be payable in such place or

places that may be the office of an incorporated bank or trust company in or outside of Puerto Rico, or the Government Bank, and shall be payable in legal tender of the United States of America, which upon that date is used for the payment of public and private debts, as provided in the Assembly's ordinance or resolution. The Municipal Assembly is hereby authorized to delegate authority on the Government Bank, through said ordinance or resolution, to determine the rate or rates of interest or the formula or formulas to determine the rate or rates of interest.

Section 13.—Form of the Bonds and Notes

The bonds and notes issued under the provisions of this Act, shall be signed by or shall bear a facsimile of the signature of the Mayor of the Municipality; and the Corporate Seal of the Municipality or a facsimile thereof shall be printed thereon, and the signature or facsimile of the Secretary of the Municipality or any other official designated by the Assembly to perform such function, in witness of the signature of the Mayor, and of the Corporate Seal, and each bond or note shall be countersigned by a Countersigning Agent that can be a bank or trust company doing business in or outside of Puerto Rico, or by the Government Bank. At least one of the signatures on each bond or note shall be handwritten. The coupons attached to the coupon bonds issued shall bear the facsimile signature of the Mayor.

In the event that any official whose signature or facsimile thereof appears on any bonds, notes, or coupons, should cease in office before said bonds or notes are delivered, said signature or facsimile shall, regardless of the fact, valid and sufficient for every purpose as if said official had remained in office until said delivery. Likewise, any bonds, notes or coupons may have the facsimile signature of, or may be signed by those officials who, at the time of granting and delivering of the bonds, notes or coupons are the officials who are in office and are authorized to sign the bonds, notes or coupons, even though said officials were not in office on the date of said bonds, notes or coupons.

Section 14.—Replacement of Mutilated, Destroyed and Lost Bonds and Notes

Replacement of mutilated, destroyed or lost bonds or notes shall be carried out pursuant to Act No. 20 of May 22, 1956, as amended [13 L.P.R.A. §§ 46-54].

Section 15.—Negotiability

The bonds and notes issued by the virtue of this Act shall be deemed to be negotiable instruments within the meaning established in the Uniform Negotiable Instruments Act of the Commerce Code of Puerto Rico (Act No. 17 of April 22, 1930, as amended) [19 L.P.R.A. §§ 1 et seq.].

Section 16.—Limitations on the Amount of Indebtedness to be Incurred

(a) **General Obligation Bonds or Notes**—No general obligation bond or note in evidence of borrowing shall be issued by a municipality in an amount which, together with the general obligation bonds or notes in effect issued by the municipality to such date, exceeds ten (10) percent of the amount of the total appraisal value of the non-exempt taxable property and the value of the exempt property to be returned to the municipalities by the Department of the Treasury pursuant to Section 2.06 of Act No. 83 of August 30, 1991, as amended [21 L.P.R.A. § 5006].

In determining the available loan margin of a municipality, the amount of the General Obligation Bonds or Notes in effect in said municipality, shall be reduced by the amount that the deposits in said municipality's account in the Municipal Public Debt Redemption Fund exceeds: (1) the sum of the principal and interest due and to become due on the General Obligation Bonds or Notes in effect, for the twelve (12) months following the moment that the loan margin available is determined and (2) that part of the deposits in the Municipal Public Debt Redemption Fund which is encumbered to cover the project deficits for those subsequent years in which the annual yield of the special additional tax is projected to be less than the service of the General Bonds or Notes in effect. The surplus shall remain deposited in the Municipal Public Debt Redemption fund to be used in the service or early redemption

of the General Obligation Bonds or Notes in effect or to be issued by the municipality.

In considering the General Obligation bond or Note Issue, the municipality shall evaluate the municipal debt payable with operation income to determine, with the approval of the Municipal Assembly, whether it shall include it or any part thereof in any General Obligation Bond or Note Issue authorized under this Act. In considering the refinancing of operations, the Government Bank shall consider the municipality's capacity to generate operating income to assume the total operating expenses within a reasonable period. The Government Bank may require the municipalities to submit the last financial statement audited by certified public accountants and any other information it deems necessary, before recommending the approval, or approving these refinancing or the issuing of any municipal debt.

(b) Special Obligation Bonds—No debt to be evidenced by Special Obligation Bonds or Notes payable with operating funds, excluding the resources designated for the payment of principal and interest of the General Obligation Bonds or Notes, shall be issued in an amount that, together with the Special Obligation Bonds or Notes in effect theretofore, do not exceed five (5) percent of the average total recurrent operational income of the municipality obtained in the two (2) fiscal years immediately prior to the current fiscal year in question.

(c) Special Obligation Bonds or Notes—Accrued Deficits—Regardless of any provision established in this Section or any other act, any municipality may issue Special Obligation Bonds or Notes payable with operating resources, to refinance or restructure the deficits accrued by the municipality until June 30, 1996, once quantified and registered in the municipality's accounting books, up to a maximum period of thirty (30) years. The amount equal to the annual payment of principal and interest shall be consigned as an expense item in the municipality's annual budgets.

Section 17.—Provision for the Payment of General Obligation Bonds and Notes and Notes in Advance of the

General Obligation Bond Issue: Principal and Interest, First Lien

The good faith, credit and the power of the municipality to impose unlimited taxes are hereby committed for the prompt payment of principal and interest on all General Obligation Bonds issued under the provisions of this Act. The Assembly shall provide in the ordinance or resolution that authorizes the issue of the bonds or notes, as the case may be, for the annual levying of a special additional tax on the value of the property without limitation with regard to the rate or amount, on all property subject to taxes in the municipality, which is sufficient to pay principal and interest on all the bonds and notes issued under this Act, as said principal or interest becomes due, excluding, however, and interest that has been provided to be paid from the yield of the bonds. The principal and interest on all General Obligation Bonds and Notes, and the interest on all Notes in Advance of General Obligation Bonds issued under this Act, shall constitute a first lien on the yield of the special additional taxes and on all other property taxes imposed by the municipality, except on the surtax for the service of general obligation of the Commonwealth of Puerto Rico.

The special additional taxes and any other property taxes imposed by the municipality shall be collected by the Center. Once the yield of the special additional taxes and all other property taxes subject to the first lien created by this Section, is received by the Center, it shall deposit all the yield of the special additional taxes in the Municipal Public Redemption Fund. In the event that the deposits in the Municipal Public Debt Redemption Fund are not sufficient to cover some of the payment of the principal and interest on all the General Obligation Bonds and Notes in effect, the Center shall deposit into the Fund an amount from the yield of the remaining property taxes subject to the first lien, which together with the deposit to said fund, shall be sufficient to make said payment. The Government Bank, as trustee, shall pay said principal and interest in behalf of the municipality, from the yield of the special additional taxes, the deposits accrued in the Municipal Public Redemption Fund, and if needed from the yield of other

property taxes that are deposited in said fund as provided in this Section, through its designated disbursing agent or agents.

Any municipality that has a surplus in the Municipal Public Debt Redemption Fund may use said surplus for the refinancing of other contracted debts and obligations payable with operating funds; Provided, that refinancing shall be understood as the general obligation bond issue of the municipality evidenced by bonds or notes, for the payment of said debts and obligations, pursuant to the procedures established in this Act.

Section 18.—Self-liquidating Revenue-Generating Projects

The Assembly of any municipality that issues Revenue Bonds by virtue of the provisions of this Act to pay for the cost of revenue-generating projects, shall fix and collect reasonable rates, fees, charges or rental payments for the use of the services provided by said revenue-generating projects, and shall, review said rates, fees, charges or rental payments from time to time, so that said revenue-generating projects shall remain self-liquidating. The rates, fees, and rental payments shall be in sufficient amounts to produce resources to at least:

(a) Pay all operating and maintenance expense of said revenue-generating projects and provide the needed reserves for such purposes; and

(b) pay, at maturity, the principal and the premiums, if any, and the interest on the Revenue Bonds for the payment of which the income from the revenue-generating projects have been committed, or otherwise encumbered, and to provide the corresponding reserves.

Section 19.—Disposal of the Revenue of Revenue-Generating Projects

Income originated by a revenue-generating project shall be used in the order of priority and for the purposes indicated below:

(a) Pay all operating and project-maintenance expenses;

(b) provide reserves for the operation and maintenance and the repair and replacement of the project;

(c) pay, at maturity, the principal, and the premium, if any, and the interest on the Revenue Bonds for the payment of

which the income of the projects has been committed or otherwise encumbered, and to provide the corresponding reserves;

(d) pay the principal of the premium, if any, and the interest on any other obligation which is not backed by an encumbered or other lien on the income of said revenue-generating project, but which were issued to provide resources to pay the cost of said projects; and

(e) any surplus of said income may be transferred to the General Fund of the Municipality and used for any other purpose authorized by law.

Section 20.—Effective and Validity of the Pignoration

Any pignoration or assignment of the income of a revenue-generating project granted under the provisions of this Act, shall be valid and effective without need of any subsequent action. The financial obligations bearing the signature of officials in office on the date of signature shall be valid and demandable, even when before the delivery and the payment thereof, any and all of the persons whose signatures appears on the financial obligations have ceased in their functions in the issuing municipality.

Section 21.—Revenue Bonds that shall not Constitute General Obligations of the Municipality

No holder or holders of bonds or notes issued under the provisions of the Act shall have the right to force the municipality to exercise its power to levy taxes to pay the principal and interest on, and redemption premiums if any, of said bonds or notes, except the General Obligation Bonds and Notes. Except for the General Obligation Bonds and Notes, each bond or note issued under the provisions of this Act, shall have a statement to the effect that the bonds and notes, including the principal, interest, and redemption premiums, if any, shall only be payable from the revenue, income, surtaxes or any other resource encumbered and designated for their payment, and that such bond or note does not constitute a public debt of the municipality within the meaning of any constitutional or statutory provisions in Puerto Rico which

establishes a limit to the maximum amount of public debt that can be incurred by the municipality.

Section 22.—Sales of Bonds or Notes

All bonds or notes issued under the provisions of this Act, can be sold publicly or privately at such price or prices determined by the municipality's Bidding Board or the countersigning agent and ratified by the Assembly, pursuant to the provisions of this Act. In the event the municipality uses a countersigning agent, the adjudication of the bonds or notes or the rejection of the proposals shall be made by the Bidding Board. In the event that the Bidding Board determines that sale of the bonds or notes authorized by this Act in a public sale, and the Assembly ratifies it, the proponents shall be required to deliver together with their offer, a certified check equivalent to two (2) percent of the principal of the bonds or notes, drawn to the order of the municipality against an incorporated bank or a trust company in order to compensate the municipality against any loss from the noncompliance of the terms and conditions of the offer by the proponent. The bonds and notes shall be adjudicated by the Municipality's Bidding Board to the best bidder who meets the terms and conditions of the sale unless all offers are rejected by the Bidding Board. The municipality shall have the right to reject any or all offers.

The bonds and notes issued under the provisions of this Act, can be sold to the Government Bank, the Commonwealth of Puerto Rico, the Government of the United States of America, or to any agency or instrumentality of any of said government in a private or negotiated sale without requiring the deposit indicated in this Section.

Section 23.—Use of the Product of the Sale of Bonds and Notes

(1) The product from the sales of the General Obligation Bonds issue, shall be used for the purpose or purposes specified in the ordinance or resolution that authorizes the issue, as the case may be, up to an amount which shall not exceed that which is provided for such purposes in the ordinance or resolution. In the event that a portion of the product of the

General Obligation Bonds or Notes, or of the Notes in Advance of the General Obligation Bonds is not used as established in the ordinance or resolution, said amount shall be used for the payment of the principal or interest on any of the Municipality's General Obligation Bonds or Notes.

(2) Provided, however, that if the amount used for any of the purposes specified in the ordinance or resolution is less, the remainder after each purpose is fulfilled may be reprogrammed as provided below:

(a) The Assembly may, through an ordinance approved by the Mayor, with the favorable recommendation of the Government bank and the Center:

(i) authorize the use of the unused surplus of the resources for any of the purposes specified in the original ordinance or resolution, or similar purposes to those specified in the original ordinance or resolution.

(ii) when the remainder of the product of said bonds or notes does not exceed twenty thousand (20,000) dollars or ten (10) percent of the maximum amount stated in the original ordinance or resolution, whichever is greater, the use of said amount can be authorized for any other legal public purpose not specified in the original ordinance or resolution.

(b) After holding a public hearing, the Assembly may provide the following pursuant to Section 5, 6, 7, and 8 of this Act:

(i) When the remainder from one or more of the purposes for which it was appropriated exceeds twenty thousand (20,000) dollars, or ten (10) percent of the sum specified in the original ordinance or resolution, whichever is greater, the use of said sum may be authorized for any legal public purpose or purposes not specified in the original ordinance or resolution;

(ii) If it is deemed necessary to desist from any purpose, it shall not authorize the use of the remainder of the product of the bonds or notes for any legal public purpose not specified in the original ordinance;

(iii) The use of the bonds or notes for legal public purposes not specified in the original ordinance or resolution, when the Governor of Puerto Rico declares an emergency in the municipality in question.

(3) The product of the sale of bonds and notes which are not General Obligation Bonds and Notes and Notes in Advance of General Obligation Bonds, shall be used as provided in the ordinance or resolution which authorizes said bonds or notes. If a portion of the product of said bonds or notes is not needed to comply with the purpose specified in the ordinance or resolution, said sum shall be used for the payment of the principal or interest on any of said bonds or notes. Any premium received from the said or bonds or notes shall be applied to the payment of interest on said bonds or notes.

Section 24.—Provisional Receipts

Each Assembly may authorize the delivery of provisional receipts to the purchasers of bonds or notes until the definite bonds or notes are prepared, through a subsequent ordinance or resolution.

Section 25.—Notes in Advance of Taxes and Income

Each municipality is hereby authorized to issue Notes in Advance of Taxes and Income with the prior recommendation of the Center, for any purpose for which it is legally authorized to appropriate resources, including the payment of current expenses, and to issue notes to renew such Notes in Advance of Taxes and Income. Nevertheless, the resources obtained through the issue of said notes shall not be used to readjust the current functional budget. They shall be deemed as a mechanism to pay the appropriations budgeted in the current fiscal period in the measure they are incurred, and prior to receiving the income and resources budgeted for said fiscal period.

The notes authorized under the provisions of this Section shall be designated as "Notes in Advance of Taxes and Income of the Municipality of _____, Series _____", and a year or letter, or both, shall be inserted to identify the specific issuance. The notes shall become due on a date that shall not exceed thirty (30) days after the close of the fiscal year in which said notes were issued, (provided: that no note issued to renew another note shall become due after said date) and shall provide for all other details or indications as followed under this Act.

The notes authorized by the virtue of this Section shall be authorized through an ordinance adopted by the Assembly with the affirmative vote of two thirds (2/3) of the number of its members, without having to hold a public hearing. Said ordinance shall be approved by the Mayor with the prior recommendation of the Government Bank and the Center. The ordinance shall become effective immediately after receiving the endorsement of the Secretary of Justice without any additional public notice. The notes may be sold in a public or private sale for the price or prices approved by the Bidding Board and ratified by the Assembly.

No tax or income received by the municipality in the following fiscal year shall be used for the payment of the notes issued in the current year.

The Assembly shall specify in the ordinance that authorizes the note issue, the taxes, income or combination of both, in advance of which the notes shall be issued. All taxes and income, as specified by the Assembly in the ordinance shall be collected by the Center and deposited in a special fund in trust which shall be denominated as the "Special Fund for the Amortization of Notes in Advance of Taxes and Operating Income", until the amount deposited in said Fund is sufficient to pay the principal and interest on such notes or any note issued to renew said Notes, and shall not be used for any other purpose. These taxes or income shall be subject, however, to the first lien established by virtue of Section 17 of this Act for the service of the General Obligation Bonds or Notes, or the interest on the Notes in Advance of General Obligation Bonds.

The good faith, credit and the taxing power of the municipality are not committed for the payment of the notes issued under the provisions of this Section and said notes shall be payable only from the funds deposited in the special fund for the amortization of the notes provided in this Section.

Section 26.—Tax Exemption

All bonds and notes issued under the provisions of this Act, as well as the interest thereon, shall be exempted from the payment of all taxes imposed by the Commonwealth of Puerto Rico and its Municipalities. Furthermore, as long as a

municipality is the owner of a revenue-generating project, the property and revenues generated by said revenue-generating project shall be exempted from all taxes imposed by the Commonwealth of Puerto Rico and its Municipalities.

Section 27.—Loans from Special funds

Municipalities are authorized to borrow money through obligations evidenced by notes, from the Special Funds for Loans to Government Entities, established by virtue of Section 11 of Act No. 465 of May 15, 1947, as amended [15 L.P.R.A. § 121], under the administration and custody of the Government bank. The municipalities shall pay these notes from funds budget[ed] for regular expenses that are not expressly encumbered for other purposes. The procedure for the issuing of these loans shall be governed by Section 6 and 9 of this Act.

Section 28.—Emergency Financing

Notwithstanding any other provision in this Act, concerning the approval of municipal financing, when, in the Governor of Puerto Rico's opinion there is an emergency, the Assembly shall adopt, and the Mayor shall approve any ordinance authorizing a special obligation bond issue without the need to hold a public hearing. The ordinance shall specify the nature of the emergency as determined by the Governor of Puerto Rico. The bonds may be negotiated and sold to the Government Development Bank for Puerto Rico, or through it, solely to private financing institutions.

Section 29.—Fiscal Agent

Notwithstanding any provision of this Act to the contrary, the Government Development Bank for Puerto Rico shall be the Fiscal Agent of the Municipalities by virtue of the provisions of Act No. 272 of May 15, 1945, as amended [7 L.P.R.A. §§ 581 et seq.], including acting as trustee, registrar, transfer agent, disbursing agent, or countersigning agent. The Government Bank shall establish through regulations, the norms, terms and conditions for the granting of the obligations authorized under this Act. These norms shall be designed in such a way that a uniform application can be provided to all

municipalities and the procedure for the approval and disbursement of the obligations authorized by this Act is expedited, to the extent possible.

Section 30.—Covenant of the Commonwealth of Puerto Rico

The Commonwealth of Puerto Rico hereby commits itself and agrees with any person or persons who subscribe or acquire Municipal General Obligation Bonds or notes, to not limit nor alter the rights, obligations and faculties which are hereby conferred on the Municipalities, the Center and the Government Bank, in such a way as to constitute a violation of the rights of the holders of the bonds or notes, until such bonds or notes, issued on any date, together with the interest thereon, have been fully paid up and withdrawn.

Section 31.—Severability

The provisions of this Act are severable and if any of them were to be declared null or unconstitutional by any competent court, the decision of said court shall not affect nor alter any of the other provisions of the Act.

Section 32.—Subsection (b) of Section 4 of Act No. 80 of August 30, 1991, as amended [21 L.P.R.A. § 5803], is hereby amended to read as follow:

“Section 4.—General Powers and Duties of the Center

The Center shall have the following general powers and duties:

(a) ...

(b) Collect the property taxes established in Section 2.01 and 2.02 of Act No. 83 of August 30, 1991, as amended [21 L.P.R.A. §§ 5001, 5002], corresponding to each municipality, according to the tax rates that each of these provides through a municipal ordinance to such effects, including the surtax for the amortization and redemption of general obligation of the Commonwealth of Puerto Rico.”

Section 33.—Section 17 of Act No. 80 of August 30, 1991, as amended [21 L.P.R.A. § 5816], is hereby amended to read as follows:

“Section 17.—Distribution of Funds in Trust

The funds in the general trust that the Center establishes with the Government Development bank for Puerto Rico, pursuant to subsection (c) of Section 4 of said Act, shall be distributed by the Center in the Following order of priority:

(a) The amount that corresponds to the surtax for the service and redemption of the general obligation of the Commonwealth of Puerto Rico, shall be deposited in the Commonwealth Debt Redemption Fund.

(b) The amount that corresponds to the special additional tax for the service and redemption of the general obligation of the municipalities, and any other amount needed for said purpose, shall be deposited in the Municipal Public Debt Redemption Fund.

(c) The amount that corresponds to the provision for the payment of statutory obligations or debts of the municipalities shall be withheld and referred to the corresponding paying agent.

(d) The amount that corresponds to the provision for the operations and administration expenses of the Center shall be deposited in the account designated by the Center.

(e) The unencumbered remainder of the other property taxes, and other income shall be distributed to the municipalities according to the provisions of this Act.”

Section 34.—The first paragraph of Section 2.02 of Act No. 83 of August 30, 1991, as amended [21 L.P.R.A. § 5002], is hereby amended to read as follows:

“Section 2.02.—Special tax for the amortization and redemption of general obligations of the Commonwealth and the municipalities. Exemptions

A special tax of one point zero three (1.03) percent per annum on the appraised value of all personal and real property in Puerto Rico not exempt from taxes is hereby levied for the 1992-93 fiscal year and for each subsequent year for the amortization and redemption of the general obligations of the Commonwealth. Furthermore, the municipalities are authorized and empowered to levy an additional special tax

subject to the requirements of the Puerto Rico Municipal Financing Act of 1996, and whose exclusive purpose shall be that of servicing and redemption of the general obligations of the Municipalities as evidenced by bonds or notes issued pursuant to said Act. The latter additional special tax shall be in addition to all other tax imposed by virtue of other laws in effect. The Collection Center is hereby empowered and ordered to annually collect this and any other property tax authorized by law.”

Section 35.—Section 2.04 of Act No. 83 of August 30, 1991, as amended [21 L.P.R.A. § 5004], is hereby amended to read as follows:

“Section 2.04.—Collection and Entry of Taxes in Funds and Application of the Product of Taxes

The product of the taxes imposed under Section 2.01 and 2.02 of this Act [21 L.P.R.A. §§ 5001, 5002] shall be entered into the general trust established by the Collection Center with the Government Development Bank, pursuant to subsection (c) of Section 4 of ‘The Municipal Revenues Collection Center Act’.

(a) The product of the surtax on property imposed by Section 2.02 shall be entered, in turn, into a trust established by the Secretary of the Treasury with the Government Development Bank for Puerto Rico, known as the Commonwealth Debt Redemption Fund. The product of said surtax shall remain in said Fund and shall be applied by the Government Development Bank for Puerto Rico solely for the payment of the principal and interest on the existing and future general obligation of the Commonwealth of Puerto Rico evidenced by bonds or notes, or to the early redemption of said obligation, including the payment of any premium that is required for said early redemption.

(b) The collection Center is bound to deposit the product of the 1.03% property tax, no later than the fifteenth working day after payment has been made by the taxpayer.

(c) The product of the special additional tax on property authorized under Section 2.02 shall be entered, in turn to a trust established by the Collection Center with the Government Development Bank for Puerto Rico, known as the

Municipal Public Debt Redemption Fund. The product of said special additional taxes shall remain in said Fund and shall be applied by the Government Development Bank solely for the payment of the principal and interest on the existing and future general obligations of the municipalities evidenced by bonds or notes or the early redemption of said obligations, including the payment of any premium required for said early redemption.

(d) The early redemption of the general obligation of the Commonwealth and of the municipalities evidenced by bonds and notes, shall be executed with the approval of the Government Development Bank for Puerto Rico.

Section 36.—Repeals

The following laws or part of laws, as they have been amended, as hereby repealed:

Act No. 71 of August 29, 1990 [21 L.P.R.A. §§ 711-725]; Act No. 66 of July 5, 1985 [21 L.P.R.A. §§ 922(a), (c), 922nt], Act No. 4 of April 25, 1962 [21 L.P.R.A. § 929a], Act No. 7 of October 28, 1954 [21 L.P.R.A. §§ 921-936]; Act No. 382 of May 9, 1951 [21 L.P.R.A. §§ 701-706]; Act No. 98 of May 12, 1943 [21 L.P.R.A. §§ 736-744] and Sections 9.001, 9.002, 9.003, 9.004, 9.005, 9.006, and 19.002(e) of Act No. 81 of August 30, 1991 [21 L.P.R.A. §§ 4401-4406, 4902(e)], known as the "Autonomous Municipalities Act".

The holders of bonds or notes issued and the contracts or agreements of any nature executed by any municipality under the provisions of the laws that preceded this Act, shall retain all rights that emanate from said laws until the maturity of said bonds, notes, contracts or agreements, as if they had not been repealed.

Section 37.—Effectiveness of the Act.—This Act shall take effect immediately after its approval.

Approved July 3, 1996.