

ACHIEVEMENT REPORT
2017 - 2019



GOVERNMENT OF PUERTO RICO
Puerto Rico Fiscal Agency and Financial
Advisory Authority

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ACHIEVEMENTS

Since Governor Ricardo Rosselló Nevares came to office, we have been creating, organizing and structuring an agency essential to the operations of the Government of Puerto Rico.

Creating the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF, by its Spanish acronym) was very important for the Government of Puerto Rico given the fact that it is responsible for working with the mandates of the Puerto Rico Oversight, Management and Economic Stability Act of 2016 (PROMESA). In addition, since AAFAF assumed several of the Government Development Bank's responsibilities, we have dramatically improved the fiscal and economic structure of this Administration. In only 12 months, AAFAF developed and implemented multiple wide-ranging projects, such as, the unanimous certification of the Fiscal Plan of the Government of Puerto Rico, of the Puerto Rico Electric Power Authority, of the Puerto Rico Aqueduct and Sewers Authority and of other entities. Moreover, we set in motion the reorganization of the Government agencies, among other achievements that are a testimony to this Administration's transparency in the negotiations and agreements that have been executed. Nevertheless, we still have a long road to travel. We will continue recovering Puerto Rico's trust to get to the capital markets, and getting our Governor Ricardo Rosselló Nevares' policy and the mandate he received under way.

Below is a summary of the achievements of AAFAF, which has an important role in the Government of Puerto Rico:



JANUARY 2017

- A law creating a new Puerto Rico Fiscal Agency and Financial Advisory Authority with greater powers and faculties was enacted to coordinate the use of government resources. Said law authorizes AAFAF as follows:
 - **BUDGET OVERSIGHT:** AAFAF acts as the entity that oversees compliance with the budget and the fiscal plan.
 - **DEBT NEGOTIATIONS:** AAFAF is in charge of initiating conversations with government creditors to reach voluntary restructuring agreements.
 - **AUDITS:** AAFAF is authorized to conduct audits and investigations, as well as order requests for information as part of its fiscal oversight efforts.
 - **ADMINISTRATION:** AAFAF may detect some overspending and can order the cancellation of budget items, appoint receivers, redistribute human resources and change procedures, among other actions.
- Pursuant to AAFAF's enabling act, we form part of more than 60 boards of directors, which provides visibility of the measures and actions taken by the agencies of the Government of Puerto Rico. Some of the boards where AAFAF serves are the boards of:



Autoridad de
Energía Eléctrica



Autoridad de Acueductos
y Alcantarillados



- Puerto Rico Electric Power Authority (PREPA)
- Puerto Rico Aqueduct and Sewer Authority (PRASA)
- Puerto Rico Public-Private Partnerships Authority (P3A)
- University of Puerto Rico (UPR)



- The Puerto Rico Financial Emergency and Fiscal Responsibility Act (Act 5-2017) was enacted. Act 5-2017 maintains a moratorium period, guarantees the provision of essential services and increases the powers of the governor to manage the finances of the island. This law is a step in the right direction and is aimed at reaching agreements with creditors and out-of-court debt restructurings.
- A government liquidity plan and the fiscal condition of Puerto Rico were published for the first time.
- We took the necessary measures to cut short the expiration of Medicaid funds, and we implemented the pay-as-you-go or pay-go model to cover pension payments.
- An agreement was reached with the PREPA bondholder group to extend the restructuring agreement. AAFAF revised the Restructuring Support Agreement (RSA), including its benefits and areas for improvement.
- In addition, AAFAF analyzed whether the RSA leads PREPA towards compliance with the requirements set forth in PROMESA and whether it promotes a sustainable path for Puerto Rico's energy infrastructure.



FEBRUARY 2017

- AAFAF submitted drafts of the Fiscal Plan of the Central Government and its instrumentalities. The fiscal agency submitted to the Fiscal Oversight and Management Board (FOMB) the fiscal documents of the PRHTA, PREPA, PRASA GDB and the Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico (Cossec, by its Spanish acronym).

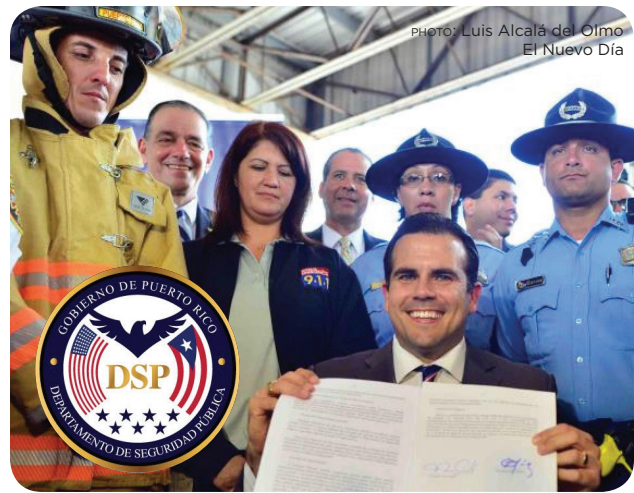
MARCH 2017

- AAFAF recommended to pay \$1.4 million in GO bond interests due in March. The payment to GO bondholders was the first made by the Government of Puerto Rico since July 2016.
- On March 13, 2017, the FOMB unanimously certified the Fiscal Plan of the Central Government.

APRIL 2017

- The Fiscal Plan Compliance Act (26-2017) was passed to implement the measures established in said Fiscal Plan, such as Government expenditure management.
- The Committee for the Evaluation and Disposition of Real Property was created through Act 26-2017. Among other duties, said Committee is responsible for evaluating all applications for purchase or lease of real property in disuse. This Administration has established a process to purchase or lease real property that is fair and transparent and protects the public interest at all times. In addition, the purpose of this Committee is to promote economic development and create jobs while attracting revenues to the state and providing equal opportunities to interested parties.

- We worked on the first agency consolidation. In April, seven public agencies were consolidated into the Department of Public Safety (DPS) to achieve efficiencies in all administrative, operational and inter government processes.



- The different safety services under the DPS are: the Puerto Rico Police Bureau, the Bureau of Firefighters Corps; Forensic Science Bureau; Bureau of the Medical Emergency Corps; Emergency Management and Disaster Administration Bureau; 9-1-1 Emergency Systems Bureau, and the Puerto Rico Special Investigations Bureau. Estimated savings for the Government of Puerto Rico through this consolidation were \$28 million.

MAY 2017

- To protect the People of Puerto Rico, we initiated restructuring processes under Title III of PROMESA. In conjunction with Governor Ricardo Rosselló Nevares, we managed the Title III legal strategy. We've sent representation to AAFAF-coordinated mediations at the following agencies:

- Puerto Rico Sales Tax Financing Corporation (COFINA)
- Highways and Transportation Authority
- Retirement Systems
- Electric Power Authority
- Central Government



- We issued an administrative order (OA-2017-02) instructing Executive Branch agencies and instrumentalities to submit a report providing details of the measures and savings achieved. We ordered agencies and public corporations to take fiscal control measures to achieve savings in different categories, such as, expenses for purchases, eliminating political appointment positions, freezing vacant positions, as well as reducing operational expenses. This administrative order provides a tool for accountability that will allow us to have visibility of agency expense levels.
- We negotiated a preliminary restructuring agreement under Title VI of PROMESA with creditors of the Government Development Bank. This was a GDB debt refinancing agreement that would allow creditors to exchange their current bonds for new bonds. The creditors would benefit of choosing from three types of bonds that would be issued by a new municipal entity.



PHOTO: La Fortaleza

JUNE 2017

- We worked on the budget for FY 2018. In this budget, we made the right decision of including expense reduction, government efficiencies, and pension payments. The FOMB confirmed that the levels of aggregate expenditures were the correct ones. This was the first budget that incorporated pension payments for some 168,800 public service retirees and their beneficiaries through the pay-go system as a direct expenditure of the General Fund.
- To facilitate a voluntary agreement with bondholders of the University of Puerto Rico, AAFAF signed a forbearance with trustee US Bank Trust National Association. In a way, the agreement resumes the obligations of the UPR with its bondholders after the Government suspended the required transfers to certain reserve accounts to pay the public debt. This agreement provides the UPR with a tool to continue its academic endeavor and is a step forward in its fiscal reconstruction.

JULY 2017

- AAFAF contributed to the development of a law that facilitates the restructuring of the Government Development Bank pursuant to the restructuring support agreement that was certified by the FOMB. This law provided the legal frame for restructuring the GDB debt through Title VI of PROMESA. Said law authorized the creation of a Public Entity Trust, which would distribute certain assets of the GDB to pay GDB obligations with other government entities.
- As part of the commonwealth debt adjustment process, AAFAF sent a letter to approximately 600,000 individuals or legal persons informing them that the central government or COFINA owed them money and, therefore, that they were part of the lawsuit under Title III of PROMESA, which provides a process similar to a bankruptcy for the territories.

AUGUST 2017

- Analysis reports to creditor groups in Title III mediation processes were made public. These reports contain information regarding cash flow and Government bank accounts.
- An Act to Guarantee Payment to Our Pensioners and Establish a New Defined Contribution Plan for Public Employees was passed (Act 106-2017) to reform the Employees Retirement System of the Government of Puerto Rico and the Teachers Retirement System in accordance with Puerto Rico's fiscal and economic reality and the provisions of the certified Fiscal Plan. This law protected the savings of public employees by providing a new defined contribution plan that would be managed by an entity to be selected through an RFP process. The law precluded the Government of Puerto Rico from accessing plan funds. The enactment of this law marked a period of transition during which a registry would be created to register all pensions, benefits and accrued contributions. The law also provided for the creation of a plan to transfer employee, pension benefits and accrued contribution funds.
- We issued an administrative order (OA- 2017-04) establishing a due date for government entities, including Municipalities (townships), that have outstanding public debt to adopt information disclosure policies and procedures that meet municipal bond market requirements. Given the fact that AAFAF is empowered to oversee and audit compliance by Government issuers, this administrative order sought to establish a frame to comply with disclosures regarding public debt and future debt issuances.

SEPTEMBER 2017

- For the first time, the Government released a Treasury Single Account Cash Flow report (TSA) that is regularly posted in the AAFAF website since September 2017. This was a step forward for this Administration's public policy as it provided visibility of the government accounts to the people of Puerto Rico. The TSA is the backbone of government cash operations and is where most government revenues are deposited and from where expenses are defrayed. Receipts in the TSA include tax collections, charges for services, intergovernmental collections, and the proceeds of short and long-term debt issuances, and other receipts. Disbursements from the TSA include important payments, such as, payroll, disbursements to vendors, welfare expenditures, debt service payments, and payments of pension benefits. Publishing TSA cash flow updates on a regular basis promotes the public policy of transparency of this Administration and paves the way to the fiscal responsibility we owe the people of Puerto Rico.

AAFAA Puerto Rico Fiscal Agency and Financial Advisory Authority
Puerto Rico Department of Treasury
Treasury Single Account ("TSA") FY 2018 Cash Flow
 As of October 20, 2017

TSA Status

| TSA Cash Flow Line Item | Schedule | Comments | Status |
|---------------------------------------|----------|--|--------|
| Collections | | | |
| Collections Post Account | A | <ul style="list-style-type: none"> How receiving collections data on a regular basis. Received guidance that the data is preliminary and will be subject to numerous re-classifying journal entries. | ● |
| Agency Collections | B | <ul style="list-style-type: none"> How receiving supporting schedule by agency from Hacienda on a regular basis. | ● |
| SUT | ala | <ul style="list-style-type: none"> Electronic portal for collections (SURS) is operational. Many businesses unable to remit collections to Hacienda due to connectivity issues. Extensions in place for emergency-related sales, no controls in place to ensure compliance. | ala |
| Federal Funds | C | <ul style="list-style-type: none"> How receiving supporting schedule by agency from Hacienda on a regular basis. Separate bank account has been set up to receive all FEMA-related funds. | ● |
| Disbursements | | | |
| Payroll | D | <ul style="list-style-type: none"> After two payroll cycles were advanced per management decision in previous weeks, payroll has resumed its normal schedule. Payroll system (PRISM) is operational with certain limitations. Data has not yet been received this week, though it's expected on 10/26. | ● |
| Vendor Disbursements | E | <ul style="list-style-type: none"> Able to process invoices and release payments. Continuing to make payments < \$10K. For invoices > \$10K, Hacienda is prioritizing federally funded invoices, critical services, and not-for-profits. All TSA agencies able to produce vendor disbursements data with the exception of AICA & ACSMA. | ● |
| Appropriations to Government Agencies | F | <ul style="list-style-type: none"> Able to transfer funds to agencies in accordance with liquidity plan. Advanced November and December scheduled appropriations for ASEM due to immediate liquidity needs. | ● |
| Accounts Payable | G | <ul style="list-style-type: none"> Currently working with GDO team to analyze recorded and unrecorded invoices. The ability to produce a report this week is currently TBD. | ● |

AAFAA ● Able to produce report ● Not able to produce report



- We participated, together with the Government Authorized Representative (GAR), in all the conversations regarding Federal Government assistance. In addition, together with the GAR, we took part in the conversations with the U.S. Treasury on the assistance that Puerto Rico would receive, after the passage of Hurricanes Irma and María, through the Community Disaster Loans (CDLs) managed by the Federal Emergency Management Agency (FEMA).

OCTOBER 2017

- Together with PREPA's Procurement Office Receiver, we established and are working on procurement controls for PREPA. This provides control over PREPA's contracts. Ottmar Chávez, Chief Procurement Officer of PREPA, was appointed as receiver. The initial scope includes reviewing and recommending amendments to the present procurement procedures, optimizing emergency processes, and providing a more transparent frame for emergency efforts in compliance with federal and local requirements. The new office implements procurement compliance with controls, as well as oversight of the process to mitigate any risks of noncompliance by PREPA and the procurement procedures of federal programs and assistance.

NOVEMBER 2017

- AAFAF promoted the first phase of the Voluntary Transition Program providing public employees an opportunity to take advantage of an incentivized resignation. This program served as an alternative for public employees wishing to move to the private sector or non-profit organizations, or to seek other opportunities, such as, starting a new business. The Program furthered the public policy of the Administration aimed at reducing the size of the government responsibly without dismissing employees.



DECEMBER 2017

- The New Government for Puerto Rico Act (Act 122-2017) was passed in order to make the government more efficient, improve services to the people, protect our public employees and be fiscally responsible. This act provides the reorganization process for a new government that includes: consolidations, outsourcing and reorganization of the agencies and corporations of the government and its programs. It seeks to reduce the number of agencies from 118 to 35 more efficient agencies in order to comply with the provisions of the Fiscal Plan and thus achieve expense reductions to deal with the \$7.6 billion inherited deficit.
- For the first time in the history of the Government of Puerto Rico, we provided complete visibility of the Central Government's 800 bank accounts and their balances. This process has helped identify the amount of money the government and its instrumentalities have.



JANUARY 2018

- AAFAF continued pressing the U.S. Treasury and FEMA to disburse the funds appropriated by Congress under the CDL Program. AAFAF, on behalf of the Government, called on the federal agencies to finalize the negotiations that would give the People of Puerto Rico access to the loans, in accordance with the will of the U.S. Congress.
- In the case brought by Assured Guaranty Corp. against the Government of Puerto Rico and PRHTA, U.S. District Judge Laura Taylor Swain held that PRHTA could continue using the money deposited in its accounts to pay for operating expenses. Plaintiffs sought a Court order declaring that PRHTA revenues be used to make payments of bond principal and interest. Nevertheless, the case was dismissed. This decision was issued as part of the debt restructuring process under Title III of PROMESA.
- In another victory for the People of Puerto Rico, Judge Swain issued another decision in the case filed by Puerto Rico GO bondholders in which the Court was asked to rule special property tax revenues and revenues subject to clawback as property of the bondholders. The judge dismissed all claims (9 in total) on the grounds that the arguments made by the bondholders were hypothetical, that the courts cannot issue advisory opinions, and that under PROMESA, the court has no jurisdiction to rule over the matter at the time. These decisions were a significant victory for the People of Puerto Rico and for our Administration given the effect they could have on other cases in court.
- AAFAF and the fiscal and economic team of the Government of Puerto Rico appeared at a public hearing held by the FOMB to explain the inventory of the 800 bank accounts where the government's money is deposited. For the first time, the Central Government revealed that at that time, as of December 31, 2017, the administration had \$6.881 billion deposited in those accounts.



FEBRUARY 2018

- An important achievement in February 2018 was the approval of a \$300 million loan AAFAF requested to provide liquidity to PREPA. The loan provided PREPA with a much needed lifeline that saved the operations of the public corporation.
- Subsequently, AAFAF announced that the Treasury Department disbursed the funds of the emergency loan to PREPA so that PREPA could continue operating and providing services to the residents of Puerto Rico. This loan safeguarded a critical service for Puerto Rico.
- AAFAF submitted to the FOMB initial drafts for the fiscal plans for the central Government and various public corporation.
- AAFAF's Executive Director, together with the Governor of Puerto Rico, Ricardo Rosselló, participated in the "Puerto Rico: Pathway to the Future" forum, which focused on relaunching the island as a business and relocation destination for investors, entrepreneurs and large corporations. At the forum, held in New York, the Administration presented Puerto Rico's plans and new available opportunities after the passage of Hurricane María, as the infrastructure was being rebuilt and the economy recovered.



- In February 2018, AAFAF's Executive Director informed the citizens that final notices had been sent to creditors as part of the proceedings under Title III of PROMESA. Notices were sent by regular mail to potential creditors of the Commonwealth, COFINA, the Employees Retirement System of the Government, PRHTA, and PREPA.

MARCH 2018

- During the visit of U.S. Treasury Secretary Steve Mnuchin's representatives to AAFAF, we clarified most of the terms and conditions to grant the \$4.7 billion CDL loan, approved by Congress in October 2017.
- After several conversations with the U.S. Treasury Department, in the month of March, the Governor announced the agreement on the terms to disburse the Community Disaster Loans. The Governor and the Executive Director of AAFAF indicated that there would be access to the full amount of CDL funds, in accordance with the needs of Puerto Rico until March 2020.



- After months of hard work, the Government submitted new versions of the fiscal plans of the Government and its instrumentalities. AAFAF was the agency in charge of preparing the fiscal document.
- AAFAF and the GDB amended the GDB Restructuring Support Agreement after reaching an agreement with a significant group of GDB bondholders. The amendment simplified the GDB restructuring transaction and provided the municipalities (townships) with an additional relief of approximately 300 million dollars.
- AAFAF posted in its website several working documents submitted to the FOMB in April 2017 as part of the process to develop the budget for the current fiscal year. The documents prepared by the Office of Management and Budget (OMB) contain data from the consolidated budget and the General Fund budget for FY 2018.

ECONOMIA **FINANZAS**

Aval general a reestructuración del BGF
 Alcaldes y bonistas locales favorecen las enmiendas anunciadas por el gobierno

Alcaldes y bonistas locales favorecen las enmiendas anunciadas por el gobierno. Los municipios no se oponen a la reestructuración del BGF, que establece un manejo diferente en el proceso iniciado el pasado año y que ahora «entendrán» resultará más «justo» para los acreedores.

Alcaldes entrevistados por EL VOCERO señalaron que el nuevo acuerdo responde al reclamo que desde hace tiempo le habían planteado tanto al BGF como a la Autoridad de Asesoría Financiera y Agencia Fiscal (AAFAF). Mientras, sectores de los bonistas también dijeron que de aprobarse las enmiendas, esto les brindaría mayor confianza a todos.

Las enmiendas, hechas públicas ayer y que se espera sean respaldadas por otros acreedores del BGF durante la próxima semana, simplificarán la transacción de reestructuración del banco y proveerá un alivio mayor a los municipios, de aproximadamente \$300 millones.

Una de las enmiendas al ISA establece que al cierre de la transacción, se aplicará la totalidad de los depósitos de cada municipio que el BGF contra el balance de cual:

quier préstamo que estos adeuden al banco. En caso de haber algún sobrante, entonces corresponderá devolverlo a los ayuntamientos.

Además, el intercambio de bonos por tres nuevas opciones de swap, ahora se limitará a una alternativa igual para todos los acreedores.

«Los municipios nos negamos a ser parte de los acuerdos que no atiendan la situación como correspondía. Ahora logramos que nuestros reclamos fueran escuchados y nos devolvieron lo que era nuestro. A los municipios, no nos están dando dinero del estado, sino dinero que le pertenece a los municipios», señaló el presidente de la Asociación de Alcaldes, Rolando Ortiz.

Dijo que ahora el acuerdo cumple con lo más sensato que era hacerle llegar el dinero que le pertenece a los municipios.

Por su parte, el presidente de la Federación de Alcaldes, Carlos Molina avaló el acuerdo por entender que no está muy lejos de lo que se había presentado, aunque exigió un poco más para que se dé el mismo trato a los resultados del CAE (contribución municipal retenida). La partida del CAE solo se devolvieron el 55%, dijo Molina. Recomendó que el restante 45% de esa partida se adjudique también.

En torno a la posibilidad de que los sobrantes sean superiores al total de los préstamos controlados por los municipios, Molina aseguró que es muy difícil que eso ocurra.

«El acuerdo logrado le brinda a los municipios un respiro, porque elimina lo que provocaban porque nunca lo desembolaban. Lo único que

Los municipios nos negamos a ser parte de los acuerdos que no atiendan la situación como correspondía. Ahora logramos que nuestros reclamos fueran escuchados y nos devolvieron lo que era nuestro.

Rolando Ortiz presidente Asociación de Alcaldes

En el caso de los municipios que tienen tanta necesidad de flujo de efectivo, dijo comentó que el acuerdo les cometa el recambio lo que tenían, al responder con los activos del banco y volviendo en una mejor posición económica. Por el otro lado de la ecuación, el de los bonistas, mencionó que también un recorte de 45% de la misma posición en que se encuentran en la disolución, lo presenta una estructura

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APRIL 2018

- AAFAF and the GDB announced that the requisite number of holders of Participating Bond Claims executed the amendment to the GDB Restructuring Support Agreement, which became effective pursuant to its terms on Friday, April 6, 2018. AAFAF and GDB stated that this agreement represented significant progress towards the consensual restructuring of GDB under Title VI of PROMESA.

PROGRAMA DE TRANSICIÓN VOLUNTARIA
 SEGUNDA FASE
 A PARTIR DEL
1º DE MAYO DE 2018

NUEVA OPORTUNIDAD para que los servidores públicos elegibles puedan transicionar al sector privado o al tercer sector, mientras continúan devengando su salario por el periodo establecido para las agencias y corporaciones públicas participantes.

#TRANSICIONVOLUNTARIAPR

GOBIERNO DE PUERTO RICO


- AAFAF, on behalf of the Government of Puerto Rico, issued four administrative orders to establish the Voluntary Transition Programs for the employees of the Government and the Judiciary of the Commonwealth of Puerto Rico (ERS), the Teachers Retirement System (TRS), the Department of Economic Development and Commerce (DEDC) and its attached entities, the Department of Public Safety (DPS), including all its bureaus, and the Department of Education (DE).

- AAFAF published financial and economic information supporting the draft Fiscal Plan submitted by the Government of Puerto Rico to the FOMB. The information published by AAFAF, which supported the financial aspects of the draft Fiscal Plan, included the following points: macroeconomic projections (including the inflation rate, changes in the Gross National Product, population growth in the island); the multiplier effect of the measures included in the Fiscal Plan of the Government; the impact of said measures on Government expenses and revenues; the effect of federal reconstruction funds and private insurance payments related to damages caused by Hurricanes Irma and María; the economic impact of the structural reforms proposed by the Government (such as, the earned income tax credit, the tax reform, the energy reform and the job creation programs), among others.

MAY 2018

- In order to maintain the ongoing commitment to transparency in government processes, AAFAF posted the first liquidity report for the principal 14 public corporations of the Government of Puerto Rico. This document presents the actual operational cash flow results of these public corporations, a variance analysis of pre- and post-hurricanes Irma and María forecasts, and a revised projection at the end of FY 2018.
- AAFAF was authorized to proceed with the restructuring of the GDB under Title VI of PROMESA. In addition, the amendment to the GDB Restructuring Support Agreement was certified as a Voluntary Agreement and a Qualifying Modification, in each case pursuant to PROMESA. Moreover, the appointment of Epiq Bankruptcy Solutions, LLC as Calculation Agent and Information Agent was approved and the Pools of Bond Claims as proposed by AAFAF and GDB were established, in each case pursuant to PROMESA.
- The Government submitted the consolidated Budget for FY 2019 to the FOMB. The General Fund budget for FY 2019 totaled \$8.73 billion while the consolidated budget totaled \$25.323 billion. The General Fund budget experienced a net reduction of \$56 million compared to the version submitted to the FOMB on May 4, 2018.

April 30, 2018


GOVERNMENT OF PUERTO RICO
 Puerto Rico Fiscal Agency and Financial
 Advisory Authority


Component Unit Liquidity

FOR THE MONTH ENDED MARCH 31, 2018

EXECUTIVE SUMMARY – OPERATING LIQUIDITY ACTUALS VS. FORECAST:
\$M

| COMPONENT UNIT | HIGHLIGHTS | FY18 Bgt. Balance | ACTUAL 3/31/18 | Q4 FY17/18 |
|---|--|-------------------------|-------------------|---------------|
| PR PORTS AUTHORITY | Expected to run out of cash by May, mainly due to PayGo charges (\$2.5M for Q4, \$3.5M for Q1) as an increase in FY 18 – post-hurricane – forecasts and Q4s distributions. | 12.2 | 14.6 | -2.4 |
| MEDICAL SERVICES ADMINISTRATION | Revised forecast expects cash depletion by February, not managed by receiving advance of GP appropriation, Q4 and Q1 due to post-hurricane operations, revised FY18/GP/18. | 5.1 | 1.1 | -4.0 |
| PR INTEGRATED TRANSIT AUTHORITY | Actuals were forecast due to special variance and Cashs deferral. Expected to run out of cash by May, in line with post-hurricane forecasts, although revised Fiscal charges added \$7.2M to Q1. | 7.4 | 8.6 | -1.4 |
| STATE INSURANCE FUND CORPORATION | Actuals 25% better than forecast, due to deferrals expected to reverse Q4 forecast points to \$0.5M by year-end. Cash build driven by late adjustments due to hurricanes Irma. | 37.2 | 202.0 | 67.4 |
| HEALTH INSURANCE ADMINISTRATION | Actuals and revised Q4 projections reflect overperformance vs. forecast mainly due to better than expected operational performance. | 197.8 | 270.2 | 870.7 |
| PR HIGHWAYS & TRANSIT AUTHORITY | Actual results are above forecast mainly due to unspent Cashs build, planned to be spent by year-end, which would drive ending cash balance back towards the forecast. | 82.1 | 144.7 | 83.7 |
| PUBLIC BUILDINGS AUTHORITY | Pre-hurricane forecast assumed cash burn of approximately \$30M, revised due to lower than requested of appropriations in the FY18 budget. | 62.4 | 43.9 | 16.3 |
| CARDIOVASCULAR CENTERS FOR PR & THE CARIBBEAN | Actuals show permanent favorable variance due to higher than estimated patient activity. \$2M expected increase in Q4, rate of purchased services could worsen result. | 6.8 | 8.7 | 10.9 |
| HOUSING FINANCE AUTHORITY | Actual results above forecast due to timing of Federal fund receipts and Q4s. Q4 receipts in above the forecast due to lower subsidy payouts and investments. | 71.1 | 50.6 | 47.8 |
| PR TOURISM COMPANY | Actuals and revised Q4 projections reflect overperformance vs. forecast mainly due to better than forecasted day machine and room tax collections. | 18.1 | 33.2 | 31.4 |
| PR FISCAL AGENCY & FINANCIAL ADVISORY AUTHORITY | Positive results vs. forecast expected to reverse unperformance vs. forecast mainly due to better than forecasted day machine and room tax collections. | 16.1 | 24.7 | 18.9 |
| DEPARTMENT OF ECONOMIC DEVELOPMENT & ECONOMIC | Actuals above forecast from delayed investments beyond FY18. Increase to \$18.6M by Q4, primarily due to development project investments. | 10.8 | 12.6 | 15.2 |
| PR GOVERNMENT CENTER DISTRICT AUTHORITY | Actuals show permanent favorable variance due to less events after the impact of hurricane María. | 8.5 | 7.6 | 7.0 |
| PR AGRICULTURAL DEVELOPMENT ADMINISTRATION | Actual results above forecast due to timing of distributions, increased to \$20.1 in Q4. Cash burn in Q4 is due to other Q4s (\$3.6M) and PayGo charges (\$8.5M). | 43.5 | 45.1 | 25.9 |

■ IN LINE WITH FORECAST
 ■ BELOW FORECAST OR NEGATIVE CASH BALANCE
 ■ ABOVE FORECAST


 Past Hurricane Forecast, where applicable



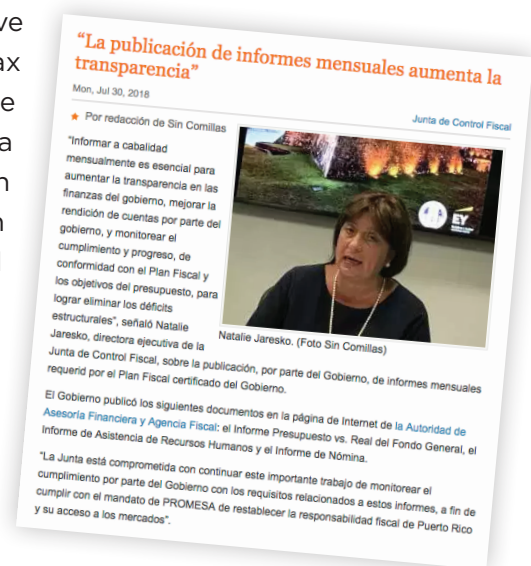
JUNE 2018

- AAFAF, on behalf of the Government, signed an administrative order to centralize the negotiation and contracting of medical insurance plans for public employees, including those that work in public corporations, pursuant to Act 26-2017. Said order instructs public corporations to take part in the process that the Health Insurance Administration (ASES, by its Spanish acronym) is doing for employees of the Central Government under Act 95-1963. This initiative allows procurement at a greater scale, which is expected to generate efficiencies and savings while maintaining the same services and benefits for public employees. This is another step on the Government's path towards fiscal responsibility while mobility and the concept of single employer are implemented. This measure does not affect the employer contribution of the Government of Puerto Rico and the public corporations to pay for the medical insurance plans for employees.
- The period for public employees of the Retirement Systems (ERS and TRS), DE, DPS and DEDC to avail themselves of the Voluntary Transition Program, which offered public employees the opportunity to transition to the third sector or to the private sector for a tax-exempt economic incentive, ended on June 30, 2018. Over 4,500 employees applied for the incentivized resignation program.



JULY 2018

- In the month of July, AAFAF repealed the administrative orders that established the Disbursement and Tax Concession Authorization Committee because said Committee had successfully prepared a comprehensive inventory of all tax credits, which provided the Government of Puerto Rico with visibility of the number of tax credits granted and their impact on tax revenues.
- Fulfilling its responsibility of providing true and correct financial information to bondholders and to the markets, AAFAF published three reports that provide greater transparency and more visibility into the administration of public finances:
 - General Fund budgeted expenditure vs. actual expenditure
 - PayGo and Individual Contribution Debt by Entity
 - Attendance report specifying the number of public employees who are on the government payroll.





- In July, AAFAF and the Government of Puerto Rico achieved significant agreements with creditors, which represented savings of over \$23.5 billion for the people of Puerto Rico.

GDB (*savings of approximately \$3 billion in total debt service*)

PRINCIPAL: the Governor's agreement saves \$2.7 billion in principal, reducing the debt to \$2.6 billion from \$5.3 billion.

10-YEAR DEBT SERVICE: the Governor's agreement saves \$1.4 billion in debt service, reducing debt service to \$1.9 billion from \$3.3 billion.

TOTAL DEBT SERVICE: reduced to \$2.5 billion from \$5.4 billion, a \$2.9 billion reduction.



PREPA (*\$3 billion saved in principal*)

PRINCIPAL: the Governor's agreement saves \$3 billion in principal, reducing the debt to \$6.6 billion from \$9.6 billion.

10-YEAR DEBT SERVICE: the Governor's agreement saves \$4.5 billion in debt service, reducing to \$3.6 billion from \$8.1 billion.



COFINA (*\$17.5 billion savings in total debt service*)

PRINCIPAL: the Governor's agreement saves \$6 billion in principal, reducing the debt to \$11.9 billion from \$17.9 billion.

10-YEAR DEBT SERVICE: the Governor's agreement saves \$3.9 billion, reducing debt service to \$5 billion from \$8.9 billion.

TOTAL DEBT SERVICE: decreases over \$17.5 billion, to \$32.3 billion from \$49.9 billion.





- In July, AAFAF, in its capacity as fiscal agent, financial advisor and reporting agent for the Government of Puerto Rico and all its instrumentalities, assembled Governor Ricardo Rosselló Nevares' cabinet to advise them on the effective and responsible implementation of the fiscal measures established in the Fiscal Plan. Present at the meeting, which took place over the course of two consecutive days, were the Governor, the Chief of Staff Raúl Maldonado, the President of the GDB, who is presently Executive Director of AAFAF, Christian Sobrino, the Chief Investment Officer, Gerardo Portela Franco and other representatives of AAFAF.

- In July, the Governor also appointed Christian Sobrino as the new Executive Director of AAFAF and Gerardo Portela Franco as Chief Investment Officer of Puerto Rico.

EL VECERO DE PUERTO RICO... LUNES 4 DE AGOSTO DE 2018

“Yo voy a hacer una revisión entera”

Christian Sobrino afirma que procurará maximizar los poderes de la Autoridad de Asesoría Financiera y Agencia Fiscal (AAFAF)

En la agenda de la semana pasada, el gobernador Ricardo Rosselló anunció un cambio en el equipo de trabajo que dirige la AAFAF. El nuevo presidente de la entidad es Gerardo Portela Franco, quien reemplazará a Gerardo Portela Franco. Christian Sobrino, quien fue el primer gerente de la AAFAF, se quedará en la entidad, pero en un rol de asesor. Sobrino también anunció que se quedará en la entidad, pero en un rol de asesor. Sobrino también anunció que se quedará en la entidad, pero en un rol de asesor.

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EL VECERO DE PUERTO RICO... LUNES 4 DE AGOSTO DE 2018

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AUGUST 2018

- In August, for the first time, the Government of Puerto Rico published three reports on the finances and operations of the Government. These reports, which promote government transparency, provide details on government employee attendance, payroll, and General Fund expenditures for FY2018.
- It was in August 2018 that the Governor announced that the FOMB, as representative of COFINA in the judicial process under Title III of PROMESA, the Government of Puerto Rico and a substantial number of the COFINA bondholders had reached an agreement in principle to restructure the debt of COFINA. The agreement in principle represented a reduction in the aggregate debt of COFINA of approximately one third of the COFINA debt, savings of \$17.5 billion in future debt service payments, and provided terms and conditions for the debt restructuring.

Subsequently, the parties agreed to support confirmation of a Plan of Adjustment implementing the transactions contemplated therein, in an effort to restructure the debt of COFINA to terms that were aligned with the fiscal reality of Puerto Rico.

- AAFAF and GDB announced the commencement of the solicitation of votes seeking creditor approval of the previously announced qualifying modification of GDB under Title VI of PROMESA. At that time, the launch of the solicitation process was one of the last steps required in the ultimate resolution of the GDB. Both AAFAF and the GDB thanked the stakeholders for their continued commitment to a consensual transaction and good faith negotiations.
- In order to continue with the efforts to fulfill the promise of speedily transforming the Government and achieving a government structure consistent with Puerto Rico's fiscal reality, the Government announced the reorganization plan of the Public Service Regulatory Board. This consolidation projected savings of \$12 million in its first year and approximately \$70 million in five years. As part of this consolidation, the Energy Board was also granted, by law, the independence afforded to others.
- AAFAF, together with the Governor, submitted a new fiscal plan that included the funds needed for PRITS, highways, Recovery Office, teacher and police salary increase, Christmas bonus, and other funds needed for the progress of the Island and the protection of the most vulnerable sectors, such as, public employees and pensioners. In addition, the plan included updated data for several key indicators, such as population growth, gross national product, inflation, federal transfers, among others.



SEPTEMBER 2018

- The executive director of AAFAF offered a live presentation to the investment markets during which he discussed several matters in connection with Puerto Rico's debt restructuring and the financial situation of the island one year after the passage of Hurricanes Irma and María.
- In September, the Government of Puerto Rico stated it was pleased with Judge Laura Taylor Swain's decision denying the motion of the Unsecured Creditors Committee in the Title III process to apply the automatic stay to the GDB Title VI process and its Restructuring Law, which gave way to the GDB debt adjustment.
- In September, a Public Notice was issued requesting proposals from qualified parties interested in implementing and operating the new Defined Contribution Plan for employees of the Government of Puerto Rico.



OCTOBER 2018

- In October, the Governor introduced a bill of law that would implement the COFINA agreement with its creditors. The bill enabled the economic benefits and debt service savings contained in the agreement. Sobrino Vega stated that said bill was key in the COFINA debt restructuring process.
- Pursuant to AAFAF Administrative Order OA-2018-13, Puerto Rico Chief Financial Officer Raúl Maldonado Gautier announced the third phase of the Voluntary Transition Program, which allowed public employees who opted-in to the program to voluntarily resign and transition to the private sector or the third sector while receiving their salary corresponding to a six-month period in one installment to be disbursed in December 2018. The Voluntary Transition Program was established in order to continue reducing government spending without dismissing public employees.

VIERNES, 26 DE OCTUBRE DE 2018
BREVES PLANEA P2 NOTICIAS AHORA P47 OPINIÓN P48 ECONOMÍA P51 ESCENARIOS P24 CLASIFICADOS P90 DEPORTES P98

Paso para achicar el gobierno

► La Fortaleza espera generar ahorros de \$55 millones para el año 2020 con una tercera ventena de retiro voluntario

Yurteva Rivera Clemente
@YurtevaRivera

El secretario de la Gobernación, Raúl Maldonado, y el jefe de Finanzas del gobierno, Francisco Peña Montañer, anuncian los detalles del programa.

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NOVEMBER 2018

- In November, the Government announced the commencement of the Request for Qualifications (RFQ) process for companies interested in managing and operating all aspects of PREPA's power distribution and transmission system through the P3 mechanism. This RFQ process allowed identifying private companies that met the minimum requirements needed to undertake the transformation and modernization of Puerto Rico's electric power system.
- Federal Bankruptcy Judge Laura Taylor Swain gave the go-ahead for the GDB debt restructuring under Title VI of PROMESA. This was a historic accomplishment for the ultimate resolution of the GDB and a decisive victory for Puerto Rico's fiscal recovery. It was the first consensual restructuring transaction approved by the United States District Court under Title VI of PROMESA.



This decision demonstrated the credibility of Governor Ricardo Rosselló Nevares administration and the commitment to regain access to the capital markets through good faith negotiations.

4c PRIMERA PLANA

EL VOCERO DE PUERTO RICO > MIÉRCOLES, 7 DE NOVIEMBRE DE 2018

Aprueban acuerdo de la deuda

En lo que es el primer arreglo aceptado por el Tribunal de Distrito federal, la jueza Laura Taylor Swain favoreció el acuerdo con los acreedores que permitirá la reestructuración de lo adeudado por el BGF

La Junta Federal de Control Fiscal y analistas del mercado de bonos, se expresaron a favor del acuerdo avalado por la jueza encargada de la quiebra de la isla y anticiparon resultados positivos en otras negociaciones. "Me alegra que hemos tomado estos pasos hacia la edificación de un nuevo Puerto Rico", expresó la jueza Swain en la vista de ayer.

Si bien el caso del BGF no representa el de mayor cuantía ni el de mayor complejidad, es el primero en ser aprobado y también marcó con resultados positivos el ensayo de las políticas diseñadas para el manejo de la nómina, sin que representara una cesantía masiva de empleados públicos al cierre de esa corporación pública.

Luego de meses de negociación, el acuerdo consensual con los participantes del 73.85% de los tenedores de bonos del BGF de los cuales el 97.42% favoreció el plan de reestructuración.

"Esto es un logro histórico para la resolución final del BGF y una victoria decisiva en la recuperación fiscal de la isla. Es el primer acuerdo consensual aprobado por el Tribunal de Distrito Federal en virtud del Título VI de PROMESA. Una vez más, evidenciamos la credibilidad de la gestión del gobernador Ricardo Rosselló Nevares y nuestro compromiso de recuperar nuevamente el acceso a los mercados de capital mediante negociaciones de buena fe, siempre protegiendo los mejores intereses de

los puertorriqueños y de los municipios", expresó Christian Sobrino, presidente del BGF y director ejecutivo de la Autoridad de Asesoría Financiera y Agencia Fiscal (AAFAF).

Por su parte, Natalie Larroque, directora ejecutiva de la Junta Federal de Control Fiscal (JFCF), expresó satisfacción por la decisión de la jueza. El pasado 2 de noviembre, la Junta fiscal certificó que —sujeto a la aprobación del tribunal— se cumplieron los condiciones para la efectividad de la Modificación Calificatoria según la sección 601(m) de PROMESA.

"La aprobación por parte del tribunal representa un hito importante en la re-

estructuración de las obligaciones de deuda de Puerto Rico. Felicitamos al gobierno de Puerto Rico por su esfuerzo y esperamos continuar con nuestros esfuerzos para lograr otros acuerdos consensuales", anticipó Jaresko.

Mientras, la analista del mercado de bonos, Cate Long, dijo a **EL VOCERO** que el anuncio "marca un punto histórico para el mercado de bonos municipales".

"El funcionamiento del Tesoro de los Estados Unidos, como Antonio Weiss, dijeron que el proceso del Título VI no era viable debido a que la acumulación de la deuda de Puerto Rico era demasiado compleja. La aprobación del acuerdo, que involucró a tenedores de bonos individuales, fondos de cobertura, aseguradores de bonos

el cual es apoyado por una gran cantidad de tenedores de bonos locales y oficiales electos del gobierno, ayudará a poner fin a años de incertidumbre financiera en Puerto Rico. Además, los términos del acuerdo aseguran que los bonistas locales recuperen una parte razonable y van la renudación de los pagos de intereses sobre sus ahorros, lo que representa un ingreso esencial para muchos jubilados y bonistas locales promedio".

Destacaron que el 33% de la deuda pública llegó a estar en manos de residentes puertorriqueños para el 2012 y fue Cofina el bono principal, entre los bonistas locales.

"El plan negociado de reestructuración le ofrece al gobierno miles de millones en alivio de la deuda, ya que reduce el servicio o pago de la deuda en más de \$20 mil millones o 40%. Además, aumenta la cuota anual del gobierno de los ingresos que recibe por el impuesto sobre las ventas o IVU, haciendo que haya más recursos disponibles para el financiamiento de servicios públicos. Este acuerdo consensual también permitirá al gobierno ahorrar millones de dólares en gastos legales y abrir la puerta en el futuro a la emisión de bonos de titulización de bajo costo (low-cost securitization bonds) algo que Puerto Rico necesita para fomentar un desarrollo económico sostenido y estabilidad financiera", señalaron.

Celebra la junta fiscal

Christian Sobrino, presidente del BGF y director ejecutivo de la Autoridad de Asesoría Financiera y Agencia Fiscal (AAFAF).

Pendiente por Cofina

Por ahora, quedan los demás procesos y en el caso de la Corporación del Fondo de Interés Apremiante (Cofina), el acuerdo preliminar debe pasar por la aprobación de la Cámara y el Senado.

En este caso, el grupo Bonistas del Pato y la Coalición de Bonistas Senior de Cofina indicaron que "el plan de reestructuración de Cofina,

Carlos Antonio Otero
@oteroapropante

- In mid-November, the Governor signed into law the bill that allowed restructuring the COFINA debt. This allowed to reduce the debt by 32%, or \$17.5 billion, with over \$400 million going every year to the General Fund to take care of the more vulnerable people.
- AAFAF and GDB announced the closing of the GDB restructuring under a qualifying modification pursuant to Title VI of PROMESA.



●●● Aunque plagada de cuestionamientos, la renegociación de la deuda del BCF es la primera de su tipo en la historia de los procesos de bancarota estadounidense

MANABÁ FENOLÍZ

Desde mediados del 2017, cuando el gobernador Alejandro García Padilla declaró que la deuda de Puerto Rico era "irreparable" según se entendía con Negocios... El acuerdo de Puerto Rico al ser un acuerdo histórico por muchas razones...

Christian Sobrino, director ejecutivo de la Autoridad de Energía y Agua de Puerto Rico...



Hito en la ruta fiscal de la isla

de que existieran problemas de un gobierno estatal y porque la solución legal al impago de la isla se volcaría al impago de los poderes judiciales del Estado...



de corporaciones públicas como la Autoridad de Acueductos y Alcantarillados (AA) y la garantía que el banco fiduciario a la construcción de proyectos...

plantas que mientras se fue afinando el cuadro financiero del BCF, se trabajó en el plan fiscal de la Dependencia que finalizará la JSF aprobada... Según Sobrino Vega, el pacto con el BCF fue posible porque en parte...

"Se necesitó una cantidad importante de liderato de todas las partes para lograr este acuerdo"

PACTO CON ACREDORES

55 CENTAVOS de dólar en la recuperación que recibieron los bonistas del BCF

NUEVA OBLIGACIÓN \$2,597

MILLONES es el monto de la deuda emitida por la entidad acreedora del BCF para intercambiar unos \$4,000 millones antes de fin de año

estas consideraciones para continuar con el acuerdo, dijo Meyer al destacar en el caso de este acuerdo que el BCF actuó como "un socio" del proceso de negociación...

- The closing of the GDB debt restructuring was a historic milestone in Puerto Rico's road to economic recovery. The closing of the qualifying modification for GDB was clear evidence that Puerto Rico had the credibility and resolve necessary to resolve its fiscal challenges. Moreover, this agreement represented savings of approximately \$1.9 billion in bonds and approximately \$6 billion in deposits.

DECEMBER 2018

- In December, the P3A received the qualifications from five private proponents interested in managing and operating all aspects of the energy distribution and transmission system of PREPA through the P3 mechanism. This high-impact project would provide greater stability, reliability and efficiency to the energy system of Puerto Rico.
• On the other hand, and with the purpose of continuing to promote this project successfully, the executive Director of the P3A, Omar J. Marrero, the executive director of AAFAF, Christian Sobrino, and the Puerto Rico Energy Bureau (PREB) signed a collaboration agreement whose purpose was to facilitate the implementation of the public energy policy. Specifically, it sought to facilitate transactions for the sale, disposal or transfer of the assets, operations, functions, and services of PREPA through the P3 mechanism.



- In less than one year, the GDB and AAFAF were able to sell 6 of their properties, which produced revenues in excess of \$30 million. Eight of the properties in the portfolio went to the GDB Debt Recovery Authority, which would be in charge of managing and liquidating the assets.
- In December, AAFAF was able to recover the moneys from the Puerto Rico state revolving funds after they had been frozen in the GDB by the previous administration, and two trusts were created to safeguard the operation of the federal program overseen by the Environmental Protection Agency.
- State revolving funds are mainly used to modernize wastewater and drinking water systems and plants throughout the Island, including those that are not part of the network of PRASA.
- In December, for the first time, the Government of Puerto Rico, in its effort to promote government transparency, published a cash flow report for the University of Puerto Rico.

BGF liquida cartera de propiedades

En el año antes de su eliminación, el BGF vendió por \$30.4 millones seis terrenos mientras otros ocho quedan por ser liquidados por la entidad sucesora del Banco

En poco menos de un año el extinto Banco Gubernamental de Fomento (BGF) vendió seis de sus propiedades, logrando recaudar de \$30.4 millones, dinero que fue repartido casi en su totalidad entre las bonistas y depositantes de la instrumentalidad pública durante el proceso de reestructuración voluntaria de la deuda. Otras ocho propiedades pasaron a la Autoridad de Recuperación de la Deuda del BGF, entidad que se encargará de administrar y liquidar los activos de extinto banco gubernamental. Estas propiedades, si son vendidas, podrían generar hasta \$23 millones adicionales si logran precios de ventas similares a la última tasación. La valoración más vieja de estas propiedades data de octubre de 2013.

Según Christian Sobrino, último presidente del BGF, estos fondos fueron parte de los \$490 millones que se distribuyeron tras completar el proceso de distribución, con descuentos, las viejas obligaciones del antiguo agente fiscal del gobierno.

Desde que nosotros comenzamos el proceso en el Banco, los ingresos que se generaban se separaban de la liquidación del Banco, en una cuenta que tenía como propósito distribuirlos a los acre-

PROPIEDADES DEL BGF EN LIQUIDACIÓN

| PROPIEDAD | DESCRIPCIÓN | UBICACIÓN | TAMAJO | ESTATUS | VALOR EN LA ÚLTIMA TASACIÓN | PRECIO DE VENTA |
|------------------------------|--|----------------------------|--------------------------|------------|-----------------------------|-----------------|
| Antiguo Leprosarios | Junto al sur del Centro Comercial Plaza Trujillo | Trujillo Alto | 103,270 metros cuadrados | Sin vender | \$4,000,000 (2016) | --- |
| Fincas Poeta | Son terrenos no cortados ubicados cerca del desarrollo conocido como Santa Rita, Están adyacentes a la P-2 | Fajardo | 38,456 metros cuadrados | Sin vender | \$5,325,000 (2014) | --- |
| Fisca Machuelo | Esta propiedad está ubicada junto al lado del hospital San Lucas | Ponce | 307,812 metros cuadrados | Sin vender | \$5,000,000 (2015) | --- |
| Antiguo Hospital Pinar Soler | Consiste del terreno y la antigua estructura hospitalaria. Esta localizada en la cuartera P.R. 2 | Bayamón | 3,662 metros cuadrados | Sin vender | \$2,470,000 (2018) | --- |
| Área del Acospeyos | Esta propiedad está localizada junto frente al Colegio de Puerto Rico | Hato Rey, San Juan | 6,390 metros cuadrados | Sin vender | \$2,400,000 (2013) | --- |
| Antigua Escuela Luchetti | Estos terrenos están junto al lado de un área comercial y residencial en la P.R. 10 | Arecibo | 31,958 metros cuadrados | Sin vender | \$1,960,000 (2014) | --- |
| Guaymas | Esta propiedad es nombrada por el banco en que se encuentra en Yabucoa | Yabucoa | 221,010 metros cuadrados | Sin vender | \$260,000 (2015) | --- |
| Antiguo mingolf | Por esta propiedad el BGF no llegó a recibir ofertas de compra | Trujillo Alto | 14,222 metros cuadrados | Sin vender | \$185,000 | --- |
| Antiguo Sears | Esta propiedad está ubicada al lado de la Estación Pinar del Sur, Ómnibus y Terminal de San Juan | Hato Rey, San Juan | 34,588 metros cuadrados | Vendida | --- | \$1,600,000 |
| Casbar | Esta es una parcela de terreno ubicada junto al lado del Club Marino de San Juan | Puerta de Tierra, San Juan | 9,620 metros cuadrados | Vendida | --- | \$1,900,000 |
| Parláre | Esta propiedad está ubicada en la avenida Las Cometas, cerca del casco urbano de Guaynabo | Guaynabo | 3,677 metros cuadrados | Vendida | --- | \$625,000 |
| Río Bayamón Norte | Estos terrenos están ubicados cerca de la Estación de Jardines de Coopers del Tren Urbano | Bayamón y Guaynabo | 729,591 metros cuadrados | Vendida | --- | \$12,000,000 |
| Lote Guardia Nacional | La propiedad forma parte del Distrito del Capitolio | Puerta de Tierra, San Juan | 14,973 metros cuadrados | Vendida | --- | \$1,000,000 |
| Parcela B | Esta propiedad está ubicada junto al lado de la Estación Sagrado Corazón del Tren Urbano | Santurce, San Juan | 20,809 metros cuadrados | Vendida | --- | \$3,300,000 |

el que se espera en una economía vibrante y con un vendedor capitalizado. Cuando estropear eso al escenario del Banco que estaba quedando pues el patrimonio es más complicado", sostuvo Sobrino.

Aun así, según el también director ejecutivo de la Autoridad de Asesoría Financiera y Agraria Fiscal (Aafaf), solo dos de las propiedades vendidas estuvieron por debajo del precio de tasación, el edificio de la Guardia Nacional se vendió por un millón de dólares, cuando estaba valorado en \$2 millones, debido a que el comprador fue el propio Fideicomiso de la Guardia Nacional de Puerto Rico. La otra propiedad fue la llamada Parcela B, ubicada junto al lado de la Estación de Sagrado Corazón del Tren Urbano en Santurce. En esta propiedad, la última tasación, de octubre de 2016, sugería un precio de venta de \$3.5 millones. Sin embargo, se trató por una venta de \$3.3 millones con la empresa Santurce Ambulatory Surgical Center Holding tras dos procesos de licitación abortados. Los licitadores en estos procesos previos ofrecieron menos de \$3 millones por el terreno que hasta hace poco era usado como estacionamiento. Sobrino explicó que el valor de

Emiten \$9 millones en bonos para mejoras a la escuela Baldwin

Es la primera emisión de Afica en más de una década



La Autoridad para el Financiamiento de Facilidades Industriales, Turísticas, Educativas, Médicas y de Cuantía Ambiental de Puerto Rico (Afica) emitió hoy millones en nuevos bonos para financiar la construcción y el desarrollo de una biblioteca, centro de ciencias y otras mejoras para la Escuela Baldwin.

Así lo anunció en un comunicado de prensa el director ejecutivo de la Autoridad de Asesoría Financiera y Agraria Fiscal de Puerto Rico (Aafaf), Christian Sobrino Vega.

La emisión ocurrió el pasado 28 de diciembre.

Sobrino Vega destacó que los nuevos bonos de Afica no están garantizados por el gobierno de Puerto Rico ni por ninguna de sus instrumentalidades y que el pago de principal e intereses de dichos bonos provendrá únicamente de la institución educativa.

"Esta es la primera emisión de bonos de Afica desde diciembre de 2012 y la primera emisión Afica para nueva inversión desde principios de la década del 2000. Esto representa que Puerto Rico continúa recuperando la confianza del sector inversionista al estar dispuestos a comprometer capital en proyectos educativos de la isla. Al mismo tiempo, estamos muy complacidos de que esta emisión se realice para una entidad sin fines de lucro que promueve la excelencia académica", expresó el también presidente de la Afica.

Afica fue creada en 1977 para emitir bonos y prestar el producto de la venta de dichos bonos para proporcionar financiamiento a proyectos educativos. No recibe calificación crediticia ya que actúa como un emisor conducto para el beneficio de entidades privadas.

JANUARY 2019

- In January, it was announced that the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority (AFICA, by its Spanish acronym) was authorized in December 2018 to issue up to \$9 million in new bonds for the construction and development of a library, a science center and other improvements for Baldwin School of Puerto Rico. This was the first AFICA bond issue since December 2012, which reflected that Puerto Rico continued to recover the investors' trust as they were willing to invest their capital on educational projects in the Island.



JOSÉ MARÍA GONZÁLEZ
asesor en el departamento de finanzas de la JFPR

COFINA
El plan de ajuste de la Corporación del Fondo de Inversión Apoyante

El plan de ajuste de la Corporación del Fondo de Inversión Apoyante (COFINA) puede comenzar a hacerse realidad en marzo próximo, cuando se le presente al gobernador y al consejo de ministros el borrador de la ley que crea la institución pública con el nombre de Inversión y Pagos de la JFPR. Negocios que se le han hecho de manera informal desde la creación de la JFPR, se incorporarán a la estructura de la nueva entidad. El plan de ajuste de la JFPR se divide en dos partes: la primera, que se refiere a la administración de la JFPR, y la segunda, que se refiere a la creación de la nueva entidad.

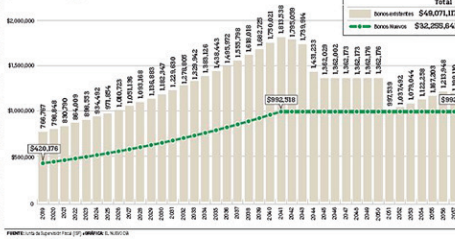
COFINA
LOS DOS LADOS DEL PRIMER ACUERDO BAJA EL TÍTULO III DE PROMESA

El borrador de la ley que crea la nueva entidad de inversión y pagos de la JFPR, una vez que sea aprobada por el gobernador y el consejo de ministros, se presentará al gobernador y al consejo de ministros para su aprobación. El plan de ajuste de la JFPR se divide en dos partes: la primera, que se refiere a la administración de la JFPR, y la segunda, que se refiere a la creación de la nueva entidad.

LOS MEMBROS DEL AJERDO
En febrero, el gobernador y el consejo de ministros aprobaron el plan de ajuste de la JFPR.

Cofina antes y después del Título III

El plan y el acuerdo de distribución del FUI Aprobado por la JFPR Laura Yraeta Swain están las bases para que el cabo de 40 años, Puerto Rico ahorre unos \$16,875 millones en pagos a los bonistas.



Hito fiscal cargado de riesgos

● Aunque el plan Cofina elimina el riesgo de un hito millonario y prolongado, el pacto golpea a los bonistas subordinados de Cofina y transfiere al gobierno, la gente y las empresas el peligro de incumplir ante la realidad de una economía estancada

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“Se cree que la ley Promesa da a Puerto Rico los mecanismos para invalidar una deuda como Cofina y reducir a cero. Promesa da un foro para disputar la acreencias, no para eliminarlas”

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FEBRUARY 2019

- In February, the U.S. District Court for the District of Puerto Rico confirmed the *Third Amended Title III Plan of Adjustment of Puerto Rico Sales Tax Financing Corporation dated January 9, 2019*. This marked the first ever plan of adjustment under Title III of PROMESA to be confirmed. In addition, COFINA's emergence from Title III of PROMESA was an important step towards the policy goal of attaining fiscal responsibility and returning to the capital markets. The Plan of Adjustment garnered overwhelming support from its creditors and provided COFINA with more than \$17 billion in debt service savings. In addition, it reduced Puerto Rico's debt by ten percent. The confirmation of the Plan of Adjustment demonstrated the Government's commitment to working closely with the FOMB, creditors, and other stakeholders to develop sophisticated, reliable and fair solutions for Puerto Rico's various restructuring challenges. The Plan of Adjustment became effective one week later, and COFINA issued approximately \$12 billion of new sales tax revenue bonds pursuant to the Plan. In addition, after it became effective, new members were appointed to COFINA's Board of Directors.
- After the successful AFICA bond issuance in December 2018 and in order to continue promoting Puerto Rico's economic development, in February, AAFAF and AFICA organized the relaunching of AFICA as an alternate mechanism to finance industrial, commercial, educational, environmental, agricultural, tourist and medical facilities projects through an issuance of AFICA tax-exempt bonds.



Financiamiento clásico para un nuevo Puerto Rico

Mucho se ha discutido en diferentes medios y eventos sobre cuán importante es la inversión de capital para el adecuado y ordenado desarrollo económico de Puerto Rico. Sin embargo, en ocasiones queda descubierto el tema de la correlación que esta tiene con la capacidad de obtener y, más recientemente, brindar el financiamiento necesario para promover el desarrollo.

Contar con alternativas de financiamiento permite florecer al sector privado y que se le reconozca como motor de una economía. Esto requiere el respaldo de una política pública que facilite el progreso, incluido el avance de las industrias que, contra viento y marea, han sobrevivido a los estilos del pasado.

El gobierno de Puerto Rico cuenta con la Autoridad de Puerto Rico para el Financiamiento de Facilidades Industriales, Turísticas, Educativas, Médicas y de Control Ambiental (Afica),

INVERSIÓN DE CAPITAL



Christian Sobrino Vega
Director Ejecutivo de la Autoridad de Asesoría Financiera y Agencia Fiscal de Puerto Rico

una corporación pública que sirve de vehículo para que entidades privadas (debidamente calificadas) obtengan financiamiento a términos competitivos sin gravar el crédito público. Creada en 1977, Afica cobra hoy mayor relevancia por la naturaleza de los proyectos que está autorizada a financiar que, además de los de su nombre, incluyen iniciativas agrícolas y comerciales (como centros comerciales).

Destaco que el repago de la deuda no recae en el gobierno de Puerto Rico ni en ninguna de sus instrumentalidades. Es decir, los bonos que emite Afica para respaldar a quienes interesan invertir en el desarrollo de la isla no están garantizados por el Estado y, tanto el repago como el colateral de los mismos, son responsabilidad de la entidad corporativa a la cual se le presta el producto de dicha emisión. Ello ofrece el incentivo particular de que el ingreso de intereses que reciben tenedores o proveedores está exento del pago de contribuciones de los Estados Unidos, incluyendo Puerto Rico.

El proceso para solicitar el referido financiamiento comienza con una reunión en que todas las partes que han de involucrarse en el proceso dialogan sobre la naturaleza del proyecto, el interés primordial de su dueño y los procedimientos a seguir. Una vez se determina que el proyecto es elegible para financiamiento con

Afica, se requiere una exposición más formal del proyecto, su impacto en el empleo y la infraestructura de servicios tradicionalmente públicos (agua, alcantarillados y energía), datos de capacidad y responsabilidad financiera, así como el historial de uso, manejo y abandono de otras instalaciones bajo responsabilidad de la parte interesada. En general es un proceso dinámico, interesante y dirigido a resultados.

La Ley Núm. 121 del 27 de junio de 1977, según enmendada, autoriza a Afica a emitir instrumentos de deuda para financiar parcial o totalmente el desarrollo y la construcción de nuevos proyectos elegibles o refinar deudas permanentes de proyectos elegibles. Recientemente Afica apoyó a una institución educativa sin fines de lucro en un financiamiento de \$9 millones. Es tiempo de apreciar la oportunidad que toca a nuestra puerta hoy. Para más información sobre el programa Afica, les invito a visitar www.aafaf.org/pr.

- In addition, in February, \$20 million were authorized by AAFAF for clean water management, sanitary sewers and environmental infrastructure projects. These funds came from the Clean Water State Revolving program, a federal grant program, revived in December 2018, together with the Drinking Water State Revolving program. Both programs were funded by the Government with approximately \$195 million in state funds, which had been previously frozen and decapitalized during the previous administration due to the GDB's insolvency. The Government announced seven infrastructure projects that would be developed with such funds for the benefit of communities in Patillas, San Juan, Carolina, Bayamón, Naranjito and Caguas.

MARCH 2019

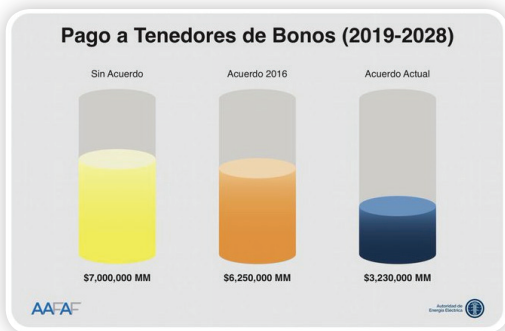
- In March, AAFAF issued the new *Investment Policy Guidelines of 2019* that would govern the investments made by all government entities in Puerto Rico, including public corporations. This was part of the fiscal responsibility measures that were being implemented, which would allow all public fund investments to be made in a prudent and transparent manner in accordance with the best practices in the field. This strengthened AAFAF's role as financial advisor of all the entities of the Government of Puerto Rico.
- AAFAF declared a receivership for the Persons with Disabilities Advocacy Office (PDAO) in order to address certain serious deficiencies identified by the U.S. Department of Health that were jeopardizing the availability of federal grants under programs that had a direct impact on persons with disabilities in Puerto Rico. As part of the receivership, AAFAF would temporarily support and oversee the administrative and financial structure of the PDAO to promptly assess program deficiencies and findings stated by the federal agency, and to meet the required standards.



- AAFAF approved \$23 million for PREPA and clean water management infrastructure projects in the towns of Camuy and Villalba. The funds came from the Clean Water State Revolving Fund and would be managed by the Department of Natural and Environmental Resources (DNER), and supervised by Puerto Rico Infrastructure Financing Authority and AAFAF, as fiscal agent and financial advisor.
- AAFAF drafted a performance-based budget for FY2020 requesting a \$25 million, or 36%, reduction of the General Fund. This was due, in part, to the fact that said budget took into account a new business model through which AAFAF would become an internal contractor of the Government and provide financial, human resources and operating services through paid contracts with other agencies.
- As mandated by, and pursuant to PROMESA, AAFAF submitted the Fiscal Plan for Puerto Rico for FY2020 to the FOMB.

APRIL 2019

- In April, AAFAF, on behalf of PRIFA, entered into a restructuring support agreement (RSA) with the Ad Hoc Group of holders of certain Series 2011 PRIFA-Ports Authority bonds. This RSA joined the agreements that had already been reached with the bondholders of COFINA and the GDB, and was an important step towards recovering access to the capital markets.



MAY 2019

- In May, the FOMB, PREPA and AAFAF reached a restructuring support agreement with a substantial portion of PREPA bondholders. The Agreement was the result of good faith negotiations with the Ad Hoc Group of PREPA bondholders and bond insurance company Assured Guaranty Corp. The Agreement represented a monumental step in the overall transformation of the energy sector in Puerto Rico; it reduced PREPA's debt service by \$3 billion, and defined the route for the end of PREPA's bankruptcy under Title III of PROMESA.
- AFICA issued \$21,600,000 in AFICA bonds to finance the construction and development of a new student housing complex, parking facility, and related amenities for the Inter American University of Puerto Rico. In keeping with the nature of the bonds issued by AFICA, which acts as a conduit issuer, this issuance was not guaranteed by the Government of Puerto Rico nor any of its instrumentalities, and the payment of interest and principal of the bonds was to be made solely by the Inter American University. This issuance showed that Puerto Rico continued recovering the investors' trust as they were willing to invest their capital on educational projects in the Island.

- Because federal grants were in jeopardy, AAFAF declared a receivership for the Council on Developmental Disabilities (CDD), an entity attached to the Puerto Rico Planning Board (PRPB), but operated with federal funds. AAFAF's decision to place the CDD in receivership was made in order to immediately address the findings of the federal Government and submit a Corrective Action Plan to address the deficiencies and provide the people much needed services.
- The Government submitted to the FOMB the consolidated budget for FY2020, balanced and adjusted to the fiscal reality of Puerto Rico. The FY2020 General Fund budget totaled \$9.527 billion, while the consolidated budget totaled \$26.124 billion.

JUNE 2019

- AAFAF, on behalf of the Puerto Rico Industrial Development Company (PRIDCO), entered into a restructuring support agreement (RSA) that contemplated the financial restructuring of certain outstanding PRIDCO revenue bonds through a Qualifying Modification under Title VI of PROMESA.
- The Government submitted a joint resolution to the Legislature that would fund the individual retirement System 2000 accounts of public employees with \$1.4 billion. This is the defined contribution system for those who joined public service after the year 2000. Simultaneously, the Government maintained the position that it was not necessary to reduce the pensions of Government of Puerto Rico retirees.
- COFINA released its Audited Financial Statements for FY2017 and FY2018. With the completion of the audits and publication of said financial statements, COFINA expressed its commitment to provide timely financial reporting. In fact, in connection with the issuance of the Restructured Sales Tax Bonds, COFINA executed a Continuing Disclosure Agreement setting forth its financial disclosure commitments for future financial reports. This was evidence of COFINA's commitment to meet its obligations to its bondholders in order to regain access to the capital markets.



- In June, AAFAF began publishing the following new reports: Consolidated TSA Cash Outlays (including agency detail), General Fund & Special Revenue Budget to Recorded Revenue and Expenditure Variance Reporting, Invoice Processing KPI's, and Macroeconomic Indicators.

JULY 2019

- In order to address the urgent need of revitalizing the community of Río Piedras in San Juan, the Government, through the Evaluation and Disposition of Real Property Committee, authorized the transfer of the Old Paradise Theater to the Río Piedras Development Trust.
- Through administrative order OA-2019-01, AAFAF launched a Voluntary Transition Program (VTP) for the employees of the Puerto Rico Public Broadcasting Corporation (WIPR Station). Said program would allow WIPR Station employees who opted in and met the requirements to transition into the private sector or the third sector in exchange for an economic incentive equal to seven months of salary, to be disbursed in one installment. The VTP also provided for an additional \$875.00 stipend to be disbursed in one installment for the health plan of the employee's choice. The VTP was established in order to continue reducing the government expense without laying off public employees.
- On July 31, 2019, Omar Marrero was appointed Executive Director of AAFAF and Chief Financial Officer of the Government of Puerto Rico.

