



Liquidity Plan

January 28th, 2017

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- Executive Summary
- Liquidity Update: FY 2017 cash flow forecast
- Next Steps

Executive Summary

- At the request of the Financial Oversight and Management Board for Puerto Rico (the “Board”), the Government has worked to develop a Weekly Cash Flow Forecast which can be used to assist in monitoring liquidity and tracking cash receipts and disbursements
- Under the current law, there is a projected \$1.1B negative net balance at the end of February
- If the stay extends to April 30th and no debt-service is paid, cash will grow from \$286M to \$444M by April 30th
- Included in these projections are several near-term levers:
 - Stay extension preventing additional debt-service of ~\$130MM
 - Executive orders aiming to reduce expenses, ~\$25M in 12 months
- While this forecast shows there is breathing room assuming an extension of the stay, as soon as debt-service resumes cash balances become negative
- As a result, the Government will continue to work to identify additional cash generation to increase near-term cash balance and preserve liquidity

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Under current law there is a projected \$1.1B negative net balance at the end of February, an extension of the stay would only delay negative cash balances until May

Current Law Scenario: Stay Expires January 31, 2017 (\$MM)

For the Period Ended:	Actual 1H FY	Fcst 1/31	Stay Expires 1/31	Fcst 3/31	Fcst 4/30	Fcst 5/31	Fcst 6/30	Fcst Total
			Fcst 2/28					
Cash Position, Beginning ¹	\$244	\$286	\$189	(\$1,103)	(\$1,208)	(\$1,042)	(\$1,470)	\$244
Net Cash Flows Pre-Debt ²	41	(96)	62	(40)	232	(362)	(44)	(207)
(-) Continue Transfer of Pledged Revenues	-	-	(43)	(43)	(43)	(43)	(43)	(214)
(-) Debt Service ³	-	-	(1,312)	(23)	(23)	(23)	(866)	(2,246)
Cash Position, Ending¹	\$286	\$189	(\$1,103)	(\$1,208)	(\$1,042)	(\$1,470)	(\$2,423)	(\$2,423)
Est. Checks Outstanding	\$163							
Est. Accounts Payable ⁵	\$1,452	\$1,498	\$1,534	\$1,454	\$1,373	\$1,340	\$1,319	\$1,319

Extension Scenario: Stay Expires April 30, 2017 (\$MM)

For the Period Ended:	Actual 1H FY	Fcst 1/31	Stay Extension Through 4/30			Stay Expires 4/30	Fcst 6/30	Fcst Total
			Fcst 2/28	Fcst 3/31	Fcst 4/30	Fcst 5/31		
Cash Position, Beginning ¹	\$244	\$286	\$189	\$252	\$212	\$444	(\$1,342)	\$244
Net Cash Flows Pre-Debt ²	41	(96)	62	(40)	232	(362)	(44)	(207)
(-) Continue Transfer of Pledged Revenues	-	-	-	-	-	(43)	(43)	(86)
(-) Debt Service ³	-	-	-	-	-	(1,380)	(866)	(2,246)
Cash Position, Ending¹	\$286	\$189	\$252	\$212	\$444	(\$1,342)	(\$2,295)	(\$2,295)
Memo: Ending Cash Balance with Extension Thru 6/30 ⁴	\$286	\$189	\$252	\$212	\$444	\$81	\$37	\$37
Est. Checks Outstanding	\$163							
Est. Accounts Payable ⁵	\$1,452	\$1,498	\$1,534	\$1,454	\$1,373	\$1,340	\$1,319	\$1,319

Positive liquidity until stay expires, when **debt-service resumes, cash balances become negative**

1) Excludes clawback account balance.

2) Includes proceeds and repayment of Tax Revenue Anticipation Notes (TRAN's).

3) Does not include accrued interest from date of missed payment or considers funds released from reserves by trustee to satisfy, or partially satisfy, payment. See page 14 for further detail and relevant footnotes. Assumes projected available clawback funds at Banco Popular are used to satisfy GO payment.

4) Extension through June 30, 2017 shown for illustrative purposes, assumes continued withholding of pledged revenues.

5) Estimate based on Government report dated December 18, 2016.

Weekly cash balances range from a low of \$141MM to a high of \$695MM

Weekly Cash Flow Summary

Weekly Cash Flows: Stay extension through April 30, 2017 (\$MM)

	Actual	1	2	3	4	5	6	7	8	9	10	11	12	13	14
		Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst
For the Week Ended:	1/20	1/27	2/3	2/10	2/17	2/24	3/3	3/10	3/17	3/24	3/31	4/7	4/14	4/21	4/28
Cash Position, Beginning ¹	\$378	\$312	\$279	\$273	\$157	\$231	\$321	\$298	\$145	\$378	\$409	\$212	\$207	\$141	\$695
Receipts	\$305	\$336	\$214	\$246	\$408	\$624	\$139	\$229	\$530	\$377	\$334	\$214	\$390	\$961	\$456
<u>Disbursements:</u>															
Payroll	(\$79)	(\$76)	(\$29)	(\$110)	(\$18)	(\$136)	(\$28)	(\$109)	(\$19)	(\$51)	(\$112)	(\$23)	(\$94)	(\$62)	(\$102)
Pension Benefits	0	(94)	–	(91)	–	(95)	–	(91)	–	–	(95)	–	(91)	–	(95)
Supplier Payments	(46)	(65)	(48)	(28)	(71)	(75)	(65)	(47)	(79)	(98)	(98)	(70)	(70)	(94)	(117)
Other Disbursements	(247)	(134)	(142)	(134)	(244)	(229)	(68)	(136)	(199)	(196)	(226)	(126)	(202)	(250)	(394)
Total Disbursements ²	(\$372)	(\$369)	(\$219)	(\$362)	(\$334)	(\$535)	(\$162)	(\$383)	(\$297)	(\$345)	(\$531)	(\$219)	(\$457)	(\$406)	(\$708)
Net Cash Flow	(\$67)	(\$33)	(\$5)	(\$117)	\$75	\$89	(\$22)	(\$154)	\$233	\$32	(\$197)	(\$5)	(\$67)	\$555	(\$252)
Cash Position, Ending¹	\$312	\$279	\$273	\$157	\$231	\$321	\$298	\$145	\$378	\$409	\$212	\$207	\$141	\$695	\$444
Pending Payments to Other Agencies and Public Corporations ³	\$118														
Outstanding Checks	\$184														

1) Excludes clawback account balance

2) Includes contingency

Key risks in the FY2017 forecast and issues to consider in FY2018

- **Little Cash Flow Visibility Outside of the TSA:** Certain component units with independent treasuries may experience deteriorating liquidity; improving this visibility will be a top priority for the Government
- **TRAN's:** Payments starting in April represent a significant cash flow outlay
- **Litigation Expenses:** After the expiration of the stay the Government is exposed to litigation, which costs are not in the projections
- **Pensions:** Liquid assets of the pension system are expected to be exhausted in early FY2018 or sooner, requiring higher contributions to the pension system or a switch to a full "pay-go" system with even higher future payments; the TSA cash flow herein assumes pension system transfers through FY2017
- **ACA Funds:** Significant risk of \$0.8 Bn in FY2018 (partial year impact), increasing to \$1.5 Bn in FY2019 and will continue to increase in future years
- **Special Revenue Funds:** Non budgeted funds with positive accounting balances without corresponding cash reserves could have a significant impact on liquidity

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Priority of Payments Next Steps:

Treasury Department, OMB and AAFAF's Office of Federal Affairs	Request	Detailed explanation about the guidelines and priorities for payments that your administration is using when making disbursements of funds from covered entities of the Central Government
	Short-term	Production and implementation of procurement and disbursement guidelines
	Medium-term	Development and implementation of transitory procurement process
	Long-term	OMB budget-based procurement process

Appendix

Reconciliation to the Cash Flow Forecast Published on November 18, 2016

(figures in \$mm)

	Actual			Forecast						Total Oct - Jun	Accounts Payable Estimate (b)			
	31-Oct	30-Nov	31-Dec	31-Jan ^(a)	28-Feb	31-Mar	30-Apr	31-May	30-Jun		6/30/16	6/30/17	Dif.	
Nov. 18th Baseline														
Cash Bal Jan 31 - Old Cash Flow	(\$167)	(\$97)	(\$37)	(\$87)	(\$1,311)	(\$35)	\$236	(\$325)	(\$843)	(2,666)	\$1,556	\$1,319	(\$237)	
Variations Better / (Worse)	Contingency	–	–	(\$30)	(\$82.88)	(\$85)	(\$92)	(\$93)	(\$95)	(\$477)				
	Federal Funds	24	3	59	(8)	(18)	(40)	16	16	6	57			
	Income Tax Returns	(3)	(15)	(109)	14	25	25	(25)	(25)	(25)	(138)			
	ERS Transfers	–	(62)	44	(62)	70	–	9	–	–	(0)			
	Other Inflows	6	14	11	7	10	10	10	10	10	88			
	Highway Transportation Authority	–	7	11	13	10	10	10	10	10	82			
	Payroll Expenses	8	7	24	(12)	1	1	1	1	1	29			
	Sales & Use Tax	(0)	6	1	46	–	–	–	–	–	54			
	Supplier Payments	(3)	(14)	(52)	0	–	–	–	–	–	(69)			
	Other	28	57	49	23	(12)	(17)	(24)	(18)	(26)	60			
Subtotal	\$60	\$3	\$38	(\$9)	\$2	(\$96)	(\$95)	(\$99)	(\$119)	(\$315)				
Jan. 28th Baseline														
Cash Bal Jan 31 - New Cash Flow	(\$108)	(\$94)	\$2	(\$96)	(\$1,309)	(\$131)	\$141	(\$425)	(\$963)	(2,982)	\$1,556	\$1,249	(\$307)	
Liquidity Measures	Extend Moratorium	–	–	–	\$1,354	\$66	\$66	(\$1,357)	–	\$129				
	Supplier Deferrals	–	–	–	16	24	24	(4)	9	69				
	Payroll Measures				1	1	1	1	1	4				
	Termination of Non-Essential Services									–				
	Classification of Outstanding Payments (Essential/Non-Essential)									–				
Subtotal	–	–	–	–	\$1,371	\$91	\$91	(\$1,360)	\$9	\$202				
Jan. 28th After Measures														
Net Cash Flow	(\$108)	(\$94)	\$2	(\$96)	\$63	(\$40)	\$232	(\$1,785)	(\$953)	(\$2,780)	\$1,556	\$1,319	(\$237)	
Beginning Cash Balance	\$485	\$378	\$284	\$286	\$189	\$252	\$212	\$444	(\$1,342)	(\$1,342)				
Ending Cash Balance	\$378	\$284	\$286	\$189	\$252	\$212	\$444	(\$1,342)	(\$2,295)	(\$2,295)				
<i>Memo:</i>														
<i>Ending Cash Balance with Moratorium Extension through June 2017</i>	<i>\$378</i>	<i>\$284</i>	<i>\$286</i>	<i>\$189</i>	<i>\$252</i>	<i>\$212</i>	<i>\$444</i>	<i>\$81</i>	<i>\$37</i>	<i>\$37</i>				

a) Includes actuals through January 20, 2017.

b) Preliminary estimate based on publicly available data.

Variance Between Current Forecast and the November 18, 2016 Version Presented to the Board

Ending Cash Balance - June '17 Projection at November 18, 2016	(\$2,181)	Explanations
Other Inflows	88	Accounts for TSA fees and other charges not previously forecasted
Highway Transportation Authority	82	To adjust for year to date expenditure run rate; Offsetting revenue impact is to be determined but considered in the contingency
Federal Funds	57	Reflects year to date favorable variance adjusted for timing differences
Sales & Use Tax	54	Favorable variances to date
Payroll/Pension Benefits	34	Payroll outflows have been lower than previously projected, projection updated to reflect most recent trend
Other	55	Various other inflow and outflow variances
Income Tax Returns	(138)	Reflects variance in policy to stay current with payment of income tax returns
Contingency	(473)	10% Contingency added to pension benefits and other disbursements (ex. payroll and suppliers)
Ending Cash Balance - June '17 Projection at January '17 (No Extension of Moratorium)	(\$2,423)	

Weekly Cash Flows: Stay Extension through April 30, 2017 (\$MM)

Actual	1	2	3	4	5	6	7	8	9	10	11	12	13	14	5/1 - 6/30	
	1/20	1/27	2/3	2/10	2/17	2/24	3/3	3/10	3/17	3/24	3/31	4/7	4/14	4/21		4/28
(\$ in millions)	For the Week Ended:															
General Collections	\$197	\$95	\$61	\$65	\$214	\$309	\$62	\$73	\$360	\$252	\$57	\$69	\$65	\$772	\$182	\$1,358
Sales and Use Tax	13	136	5	9	14	159	5	5	18	13	151	5	17	14	161	397
Excise Tax through Banco Popular	-	-	-	-	53	-	-	-	64	-	-	-	77	-	-	125
Rum Tax	-	-	-	-	-	12	-	-	-	9	-	-	-	9	-	40
Electronic Lottery	-	-	-	-	-	-	-	-	-	-	-	-	-	30	-	30
Subtotal	\$210	\$231	\$66	\$74	\$281	\$480	\$67	\$78	\$442	\$274	\$208	\$74	\$159	\$825	\$342	\$1,950
Retirement System Transfers	-	-	70	56	-	-	-	56	-	-	-	-	127	-	-	113
Federal Funds	83	104	73	116	123	144	57	95	83	104	115	136	105	131	103	948
Municipal Revenue Collection Center	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Inflows	12	0	5	-	5	-	16	-	5	-	11	5	-	5	11	22
Tax Revenue Anticipation Notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Inflows	\$305	\$336	\$214	\$246	\$408	\$624	\$139	\$229	\$530	\$377	\$334	\$214	\$390	\$961	\$456	\$3,033
Payroll and Related Costs	(\$79)	(\$76)	(\$29)	(\$110)	(\$18)	(\$136)	(\$28)	(\$109)	(\$19)	(\$51)	(\$112)	(\$23)	(\$94)	(\$62)	(\$102)	(\$584)
Pension Benefits	0	(94)	-	(91)	-	(95)	-	(91)	-	-	(95)	-	(91)	-	(95)	(372)
Health Insurance Administration - PRHIA / ASES	(95)	(40)	(46)	(45)	(45)	(109)	-	(46)	(46)	(46)	(74)	(54)	(54)	(54)	(54)	(429)
University of Puerto Rico - UPR	(36)	(14)	(18)	-	(36)	(18)	(6)	(18)	(18)	(18)	(24)	(18)	(18)	(18)	(24)	(157)
Municipal Revenue Collection Center - CRIM	(8)	(18)	(8)	-	(15)	(8)	-	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(21)	(75)
PR Highway Transportation Authority - PRHTA / ACT	-	-	(11)	-	-	(6)	(6)	-	(6)	-	(6)	-	-	(6)	(6)	(76)
Public Building Authority - PBA / AEP	(5)	-	-	(5)	(4)	(5)	(5)	-	(9)	(4)	(4)	(4)	(4)	(4)	(4)	(35)
Other Governmental Entities	(33)	(12)	(10)	(3)	(22)	(16)	(15)	(3)	(20)	(9)	(54)	25	(20)	(9)	(54)	(128)
Subtotal - Government Entity Transfers	(\$176)	(\$85)	(\$92)	(\$52)	(\$122)	(\$162)	(\$32)	(\$74)	(\$106)	(\$85)	(\$170)	(\$59)	(\$104)	(\$100)	(\$163)	(\$900)
Supplier Payments	(46)	(65)	(48)	(28)	(71)	(75)	(65)	(47)	(79)	(98)	(98)	(70)	(70)	(94)	(117)	(595)
Other Legislative Appropriations	(18)	(1)	(14)	(1)	(18)	(20)	(4)	-	(24)	(14)	(5)	(2)	-	(38)	(5)	(90)
Income Tax Returns	(2)	(1)	(1)	(1)	(13)	(9)	(4)	(4)	(17)	(20)	(7)	(3)	(35)	(31)	(31)	(200)
Nutrition Assistance Program	(51)	(36)	(22)	(68)	(68)	(18)	(22)	(46)	(33)	(59)	(24)	(51)	(44)	(59)	(22)	(352)
Contingency on other disbursements	-	(12)	(13)	(12)	(22)	(21)	(6)	(12)	(18)	(18)	(21)	(11)	(18)	(23)	(22)	(154)
Other Disbursements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7)
Tax Revenue Anticipation Notes (TRAN's)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(152)	(271)
General Obligation Debt Service - 2017 (1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,125)
Other Debt Service - 2017 (1)(2)(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(465)
Debt Service - FY 2016 Missed Debt Service (4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(656)
Subtotal - Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(\$152)	(\$2,517)
Total Outflows	(\$372)	(\$369)	(\$219)	(\$362)	(\$334)	(\$535)	(\$162)	(\$383)	(\$297)	(\$345)	(\$531)	(\$219)	(\$457)	(\$406)	(\$708)	(\$5,771)
Net Cash Flow	(\$67)	(\$33)	(\$5)	(\$117)	\$75	\$89	(\$22)	(\$154)	\$233	\$32	(\$197)	(\$5)	(\$67)	\$555	(\$252)	(\$2,738)
Cash Position, Beginning	\$378	\$312	\$279	\$273	\$157	\$231	\$321	\$298	\$145	\$378	\$409	\$212	\$207	\$141	\$695	\$444
Cash Position, Ending	\$312	\$279	\$273	\$157	\$231	\$321	\$298	\$145	\$378	\$409	\$212	\$207	\$141	\$695	\$444	(\$2,295)
Clawback Account Balance, Ending	146	146	146	146	146	146	146	146	146	146	146	146	146	146	146	-
Cash Position Including Clawback Account, Ending	\$458	\$425	\$419	\$303	\$377	\$467	\$444	\$291	\$524	\$556	\$358	\$353	\$287	\$842	\$590	(\$2,295)

Note: Debt service does not include accrued interest on unpaid amounts. Actual figures through January

- Includes payment of missed contractual FY 2017 debt service due is paid in May 2017 after lapse of moratorium related legislation (assuming extension through April 30, 2017) then continued payment of contractual debt service thereafter as it becomes due.
- Other debt service includes PRIFA rum bonds, PRIFA petroleum products BANS, and General Services Administration debt.
- Includes payment of missed FY 2017 contractual debt service for debt held by the Public Buildings Authority in May 2017 (assuming extension through April 30, 2017) after lapse of moratorium related legislation and continued payment of contractual debt service as it becomes due.
- Figures do not consider any debt service reserves or "set-aside" funds that may have been released by trustee to partially, or fully, satisfy owed payments. Includes missed G.O., PBA (June set-aside), and PRIFA rum bond debt. Excludes HTA, UPR and GDB debt service assumed to be paid from other sources. Missed G.O. debt service has been netted against projected available clawback funds as of May 2017.

Debt Detail on No Extension Scenario (\$MM)

	2/28/17	3/31/17	4/30/17	5/31/17	6/30/17	6-Month Ended 6/30/17
<u>Repayment of 2017 Debt Service (1):</u>						
2017 G.O. Debt Service*	(365)	–	–	–	(760)	(1,125)
2017 Infrastructure Financing Authority (PRIFA)	(35)	–	–	–	(78)	(113)
2017 General Services Administration (GSA)	(0)	–	–	–	(5)	(5)
2017 PRIFA BANs	(73)	–	–	–	–	(73)
2017 PBA*	(183)	(23)	(23)	(23)	(23)	(274)
Subtotal	(656)	(23)	(23)	(23)	(866)	(1,590)
<u>Payment of FY 2016 Unpaid Debt Service:</u>						
General Obligation (GO)	(633)	–	–	–	–	(633)
Public Buildings Authority (PBA)	(23)	–	–	–	–	(23)
Subtotal	(656)	–	–	–	–	(656)
Total	(1,312)	(23)	(23)	(23)	(866)	(2,246)

(1) Includes payment of missed contractual FY 2017 debt service due is paid in February 2017 after lapse of moratorium related legislation then continued payment of contractual debt service thereafter as it becomes due.

* February amounts represent eight months of equal set-aside payments, amounts there after represent monthly set-aside amounts and not actual debt service due.

Notes:

a) Does not consider repayment of moratorium or clawback revenues.

b) Debt service does not include accrued interest on unpaid amounts.

c) Figures do not consider any debt service reserves or “set-aside” funds that may have been released by trustee to partially satisfy owed payments. Includes missed G.O., PBA (June set-aside), and PRIFA rum bond debt. Excludes HTA, UPR and GDB debt service assumed to be paid from other sources. Missed G.O. debt service has been netted against projected available clawback funds in February 2017.