



**Puerto Rico
Aqueduct and
Sewer Authority**

GOVERNMENT OF PUERTO RICO

Financial Preliminary Results - Budget to Actuals Report for Fourth Quarter of Fiscal Year 2019

August 2, 2019

Disclaimer



The Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”), the Puerto Rico Aqueduct and Sewer Authority (“PRASA” or the “Company”), the Government of Puerto Rico (the “Government”), and each of their respective officers, directors, employees, agents, attorneys, advisors, members, partners or affiliates (collectively, with AAFAF, PRASA and the Government instrumentalities the “Parties”) make no representation or warranty, express or implied, to any third party with respect to the information contained herein and all Parties expressly disclaim any such representations or warranties. The Parties do not owe or accept any duty or responsibility to any reader or recipient of this presentation, whether in contract or tort, and shall not be liable for or in respect of any loss, damage (including without limitation consequential damages or lost profits) or expense of whatsoever nature of such third party that may be caused by, or alleged to be caused by, the use of this presentation or that is otherwise consequent upon the gaining of access to this document by such third party.

This document does not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation or review services in accordance with standards established by the American Institute of Certified Public Accountants or any other organization. The projections set forth in this presentation were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the officers of the Government or its agencies or instrumentalities responsible for the preparation of such information, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of such officers’ knowledge and belief, the expected course of action and the expected future financial performance of the Government and/or its agencies and instrumentalities, as applicable. However, this information should not be relied upon as being necessarily indicative of future results, and readers of this presentation are cautioned not to place undue reliance on the prospective financial information. Future events and actual results may differ materially from any estimates, projections, or statements contained herein. Nothing in this document should be considered as an express or implied commitment to do or take, or to refrain from taking, any action by AAFAF, PRASA, the Government, or any government instrumentality in the Government or an admission of any fact or future event. Accordingly, the Parties do not express an opinion or any other form of assurance on the financial statements or any financial or other information or the internal controls of the Government and the information contained herein.

Any statements and assumptions contained in this document, whether forward-looking or historical, are not guarantees of future performance and involve certain risks, uncertainties, estimates and other assumptions made in this document. The information included in this presentation may contain certain “forward-looking” statements. These forward-looking statements may relate to the fiscal and economic condition, economic performance, plans and objectives of the Government of Puerto Rico and/or its agencies and instrumentalities. All statements contained herein that are not clearly historical in nature are forward-looking, and the words “anticipates,” “believes,” “continues,” “expects,” “estimates,” “intends,” “aims,” “projects,” and similar expressions, and future or conditional verbs such as “will,” “would,” “should,” “could,” “might,” “can,” “may,” or similar expressions, are generally intended to identify forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, estimates, and assumptions by the Government and/or its agencies and instrumentalities that are difficult to predict. The economic and financial condition of the Government and its agencies and instrumentalities is affected by various financial, social, economic, environmental, and political factors. These factors can be very complex, may vary from one fiscal year to the next, and are frequently the result of actions taken or not taken, not only by the Government and/or its agencies and instrumentalities, but also by entities such as the government of the United States of America or other nations that are not under the control of the Government. Because of the uncertainty and unpredictability of these factors, their impact cannot, as a practical matter, be included in the assumptions underlying the Government’s or its agencies and instrumentalities’ projections.

This presentation does not constitute, nor does it form part of, an offer to sell or purchase, or the solicitation of an offer to sell or purchase, any securities or an offer or recommendation to enter into any transaction. This presentation has been prepared for informational purposes only. Nothing in this document shall be considered a solicitation, recommendation or advice to any person to participate, pursue or support a particular course of action or transaction, to purchase or sell any security, or to make any investment decision. By accepting this document, the recipient shall be deemed to have acknowledged and agreed to the terms of these limitations. This document may contain capitalized terms that are not defined herein, or may contain terms that are discussed in other documents or that are commonly understood. You should make no assumptions about the meaning of capitalized terms that are not defined, and you should consult with advisors of PRASA should clarification be required.

Considerations



- These reporting is being submitted to comply with Section 203 (a) of the “Puerto Rico Oversight, Management, and Economic Stability Act”, also known as “PROMESA”
- FY2019 budget amounts included herein are presented based on the budget certified as compliant by the Fiscal Oversight and Management Board on September 24, 2018 as amended and certified on March 3, 2019.
- The information included herein is preliminary and subject to change
- All amounts are presented in \$ thousands unless otherwise indicated

PRELIMINARY SUBJECT TO CHANGE

Budget to Actual Reporting for Fourth Quarter of Fiscal Year 2019



(\$000's)	Source	Jun, 30, 2019 - YTD				Ref
		Actual	Budget	Variance (\$)	%	
<u>Authority Revenues</u>						
1 Operating Revenues	Cash Flow	1,102,912	964,695	138,217	14%	
2 Miscellaneous & Insurance (BI)	Cash Flow	3,088	52,000	(48,912)	-94%	
3 Total Authority Revenues	Formula	1,106,001	1,016,695	89,306	9%	A
4 Senior and Senior Sub Debt	Cash Flow	(223,447)	(230,790)	7,343	-3%	
<u>Operating Expenses</u>						
5 Payroll & Related	OPEX.SAP	(313,058)	(331,867)	18,809	-6%	B
6 Electricity	OPEX.SAP	(114,462)	(132,487)	18,025	-14%	
7 Maintenance & Repair	OPEX.SAP	(55,364)	(51,608)	(3,756)	7%	
8 Chemicals	OPEX.SAP	(32,423)	(31,090)	(1,333)	4%	
9 Other Expenses	OPEX.SAP	(178,673)	(198,346)	19,673	-10%	C
10 FEMA / Insurance Reimb.	Cash Flow	104,519	26,872	77,646	289%	D
11 Expense Capitalization	OPEX.SAP	-	26,970	(26,970)	-100%	E
12 Total Net Operating Expenses		(589,461)	(691,555)	102,094	-15%	
14 Operating Reserve Fund	Cash Flow	(30,774)	(30,754)	(20)	0%	
15 Capital Improvement Fund	Cash Flow	(61,269)	(26,230)	(35,039)	134%	F
16 Commonwealth Payment Fund	Cash Flow	(46,731)	(37,228)	(9,503)	26%	G
Balance		154,319	138	154,181		

As required by the certified Fiscal Plan as of 8/1/2018, variances which are >10% and >\$1M or >\$10M are explained below:

- A Increase in billings and collections from government accounts
- B Lower headcount level
- C Reduction in contracted services
- D Reimbursement of expenses incurred in FY2018 and 2019
- E Expense capitalization in process of calculation to be recorded for the final report
- F CIP deposits as of the Budget amended day where higher than revised budget
- G Change due to requirements of Forbearance Agreements with EPA and RD