



GOVERNMENT OF PUERTO RICO

Puerto Rico Fiscal Agency and Financial
Advisory Authority

Municipal Secondary Market Disclosure Information Cover Sheet Municipal Securities Rulemaking Board (MSRB) Electronic Municipal Market Access System (EMMA)

Additional / Voluntary Event-Based Disclosure

THIS FILING RELATES TO ALL OR SEVERAL SECURITIES ISSUED BY THE ISSUER, OR ALL OR SEVERAL SECURITIES OF A SPECIFIC CREDITOR:

Issuer's Name: Commonwealth of Puerto Rico (CW)

Other Obligated Person's Name (if any): _____

Nine-digit CUSIP* number(s): 745145; 74514L

TYPE OF INFORMATION PROVIDED:

- A. Amendment to Continuing Disclosure Undertaking
 - B. Change in Obligated Person
 - C. Notice to Investor Pursuant to Bond Documents
 - D. Communication from the Internal Revenue Service
 - E. Bid for Auction Rate and Other Securities
 - F. Capital or Other Financing Plan
 - G. Litigation / Enforcement Action
 - H. Change of Tender Agent. Remarketing Agent or Other On-going Party
 - I. Derivative or Other Similar Transaction
 - J. Other Event-Based Disclosures: Financial Oversight and Management Board for Puerto Rico Creditor Mediation Cash Support Materials dated December 17, 2020
-

I represent that I am authorized by the issuer, obligor or its agent to distribute this information publicly.

/s/ Manuel Gonzalez Del Toro

Manuel Gonzalez Del Toro
Puerto Rico Fiscal Agency and Financial Advisory Authority,
as Fiscal Agent for the Commonwealth

Dated: December 19, 2020



Creditor Mediation Cash Support Materials

December 17, 2020



Today's presentation will address several cash related topics

- This presentation builds on the cash restriction materials presented during mediation in October 2019, and which were subsequently disclosed publicly and underlying source materials made available for review
- Materials have been further expanded to reflect commentary from the creditor mediation presentation materials received on December 9th
- The analysis distills a large volume of legal work on cash restrictions that was performed by Government and Oversight Board counsel
- The presentation also responds to several topics in the creditor mediation presentation that made it appear there is significantly more cash available for distribution

Agenda Topics For Discussion	
Cash restrictions	Measures to preserve cash Pro forma cash balances after POA obligations Restrictions on use of cash Account restriction analysis updated for June 30, 2020
Minimum cash	Breakdown of minimum cash analysis by category Approaches used to estimate minimum Commonwealth cash balance and cash needs Key attributes of disaster aid recovery revolving fund PREPA proposed LUMA contract cash need
Detailed responses to claims in creditor presentation	Adjustments to calculations to help everyone better understand the Government's current cash position and cash available for distribution Details on how the new fiscal plan projections impact cash allocated to certain creditors, such as pensions

There are several key points the Oversight Board would like to convey as it relates to cash

	Key point	Supporting detail
Amount of Commonwealth cash	<ul style="list-style-type: none"> While total governmental cash was \$24.7 billion as of June 30, 2020, only \$15.9 billion of that amount is held by Central Government agencies Of the \$15.9 billion, \$5.4 billion are restricted funds, including \$3.8 billion in CARES Act funds and \$1.6 billion in remaining funds classified as restricted \$6.0 billion in cash is contemplated to be allocated to Commonwealth creditors per the latest Oversight Board proposal The Oversight Board continues to work to identify potential additional cash available for distribution beyond the amount already proposed and commits to allocating more cash if it is available 	<ul style="list-style-type: none"> The Oversight Board has worked to (i) increase transparency of cash balances / restrictions and (ii) preserve cash balances, which benefits all creditors (p. 5, 8) <ul style="list-style-type: none"> The existence of these cash balances is the direct result of Oversight Board controls and budgeting The increase in cash balance since the February 28 filed PoA is largely attributable to CARES Act funds (p. 31) <ul style="list-style-type: none"> Excluding CARES Act funds, cash actually decreased \$134 million since January 2020 (p. 31) Much of the \$3.7 billion in ‘excess cash’ described in the creditor presentation is not available for distribution (p. 20, 33, 50)
Cash restriction analysis	<ul style="list-style-type: none"> Significant diligence was completed to assess the restricted and unrestricted nature of the Government’s cash balances The Oversight Board, AAFAF, and advisors continue to review legal restrictions on Commonwealth instrumentalities and accounts to increase visibility on the underlying cash balances 	<ul style="list-style-type: none"> Efforts were made to classify funds as unrestricted based on ability to access funds, not just based on accounting conventions (p. 8, 9) For amounts designated as restricted (~\$1.6 billion), further rationale and explanations are provided (p. 10, 39-43)
Working capital analysis	<ul style="list-style-type: none"> Commonwealth cash requirements account for critical cash needs The Commonwealth cash need should be understood in the context of continuing, deepening projected deficits that will reemerge in the future and need to be filled by other, additional means 	<ul style="list-style-type: none"> Commonwealth estimated minimum cash needs of \$2.5 billion is reasonable as it also includes funding for a Disaster Aid Revolving Fund and the LUMA transaction at PREPA, both of which are further detailed in the presentation (p. 20-24)

Topics for Discussion

Agenda Topics For Discussion

Cash restrictions

- Measures to preserve cash
- Pro forma cash balances after POA obligations
- Restrictions on use of cash
- Account restriction analysis updated for June 30, 2020

Minimum cash

- Breakdown of minimum cash analysis by category
- Approaches used to estimate minimum Commonwealth cash balance and cash needs
- Key attributes of disaster aid recovery revolving fund
- PREPA proposed LUMA contract cash need

Detailed responses to claims in creditor presentation

- Adjustments to calculations to help everyone better understand the Government's current cash position and cash available for distribution
- Details on how the new fiscal plan projections impact cash allocated to certain creditors, such as pensions

The Oversight Board has taken steps to preserve cash

	Key Efforts	Results
Cash discovery & transparency	<ul style="list-style-type: none"> Bank account discovery and quarterly updates Monthly cash reporting requirement Tax expenditure report 	<ul style="list-style-type: none"> Mapping of 150 government entities and programs with 1,862 bank accounts holding ~\$24.7 billion completed as of June 30, 2020 Initiated monthly reporting requirements of TSA Cash Flow, TSA Cash Outlays, B2A versus Liquidity Plan, Cash Account report Published FY17 tax expenditure report highlighting \$21 billion in foregone revenue
Cash preservation	<ul style="list-style-type: none"> Implementation of revenue and expenditure measures Litigation of fiscal laws inconsistent with the Certified Fiscal plan Revenue neutral tax changes Review of rules and regulations to minimize cash loss Enforcement of fiscal plan measures 	<ul style="list-style-type: none"> Since 2018, the Oversight Board has implemented revenue and expenditure measures generating \$1.2 billion in additional surplus annually¹ Active litigation on several laws, including Act 29, 90, 138, 176, 181, 47 Government agreed to halt implementation of Acts 80, 81, 82 Changes in the tax code negotiated with measures to offset impact <ul style="list-style-type: none"> Any reduction in income taxes, B2B taxes and SUT offset by new individual and corporate taxes, limitation / elimination of tax deductions, increases in filing fees, and other revenue enhancing measures
Cash control mechanisms	<ul style="list-style-type: none"> Strict budget control language Cash placed in interest bearing accounts 	<ul style="list-style-type: none"> Budget controls: <ul style="list-style-type: none"> No unauthorized spending, including SRF funds which cannot be spent until the funds are earned and deposited at the agency 2.5% holdback to verify revenue aligns with Fiscal Plan Eliminates spending of unused prior period appropriations Government transferred considerable cash into interest bearing accounts for more active cash management process

1. Revenue \$233m | Expenses - Rightsizing \$591m, Compensation \$131m, Utility \$19m, UPR/Muni Subsidy \$245m

Description of cash account classifications

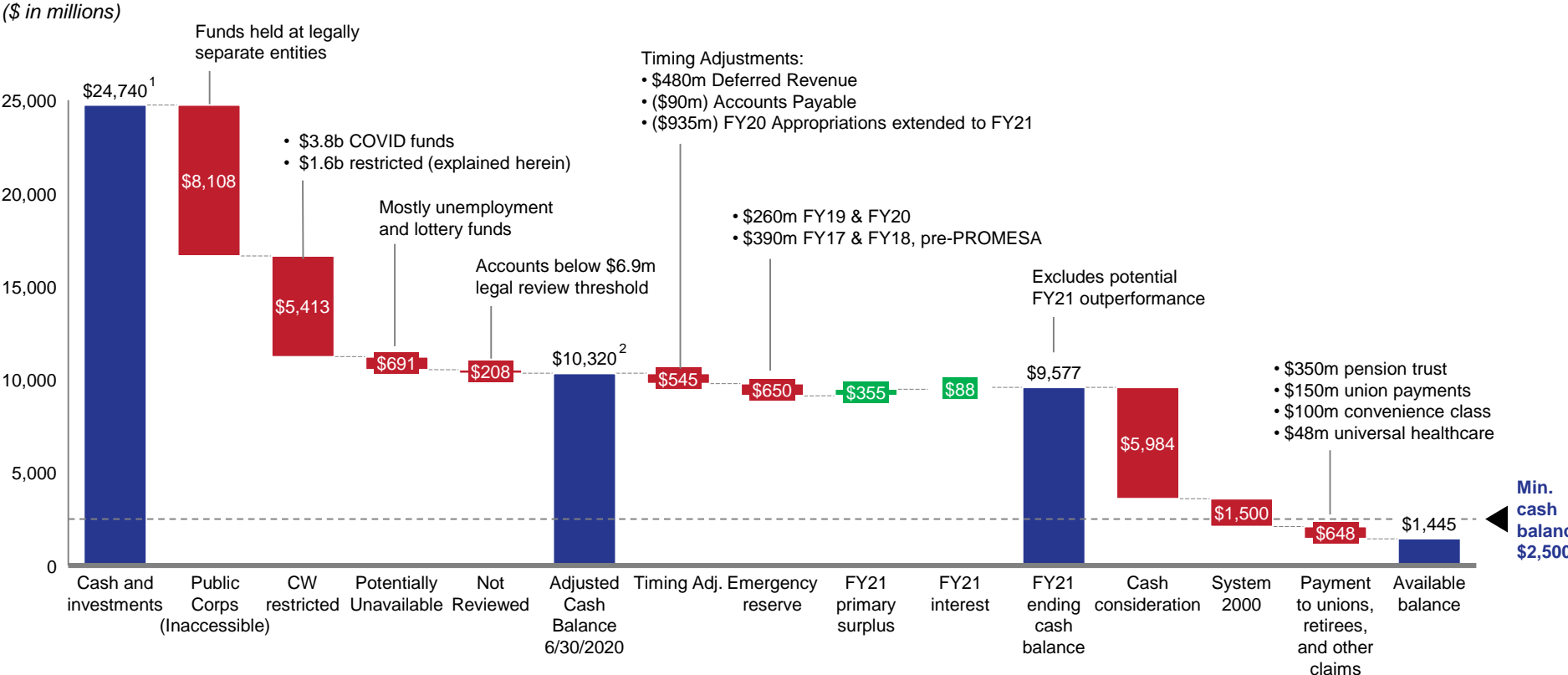
- Significant efforts were made to classify funds as unrestricted based on the ability to access funds, not just based on accounting conventions

Preliminary type	Classification	Description
Restricted	Federal Funds/Law	Funds received from the Federal Government or restricted by federal law or regulation for specific uses
	Third Party Funds	Funds belonging to third parties and held by government entity in custodial or other segregated accounts
	Third Party Contract	Funds restricted for use due to contracts with third parties (e.g., debt service reserve funds held by Trustee)
	Court Order	Federal court order restricting use of funds
	Tax-exempt Bond Proceeds	Tax-exempt bond proceeds with restricted use under the IRC
	Title III	Funds restricted pursuant to Title III cases for a specific debtor
Unrestricted	Unrestricted	Funds that do not have legal restrictions and are not Potentially Unavailable, Potentially Inaccessible or Inconclusive
TSA	Treasury Single Account (TSA)	Funds deposited in the Government’s main pooled operating accounts, which consists of both restricted and unrestricted funds
Other	Not Reviewed	Accounts that fall below the \$6.9 million review threshold
	Potentially Inaccessible	Funds at Public Corporations determined as not available due to minimum cash requirements or due to not receiving a General Fund appropriation
	Potentially Unavailable	Funds determined as not available due to operational or other cash needs. Certain accounts continue to be subject to review

Pro forma cash balance after payment of Plan of Adjustment obligations is estimated to fall below the minimum cash balance

- Cash balances earmarked for specific purposes are not included in the Fiscal Plan. As a result, there is no double counting, which was a creditor concern
- The creditor mediation presentation uses the \$24.1 billion figure as the value of governmental cash. Funds for separate public corporations, CW restricted, and potentially unavailable balances should, however, all be removed from total Government cash balances
- The Government maintains approximately 2,000 bank accounts. The Oversight Board applied a threshold value of \$6.9 million for the legal due diligence review of accounts which is why certain account values are listed as 'not reviewed'

Cash balance classifications and allocations



1. The Oversight Board's starting balance of \$24,740m is higher than \$24,075m used in the creditor presentation and the October 2020 public board meeting because it includes amounts for ERS (\$709m), Dept of Housing (\$5m), and HFA (\$18m) and other adjustments resulting in a reduction of \$67m. The ERS balance comes from employee defined contribution retirement custody account amounts transferred to ERS pursuant to Act 106-2017.
 2. To go from the \$10.3b adjusted cash balance shown on this page to the \$15.9b of cash held at Commonwealth agencies disclosed elsewhere in the presentation, these adjustments should be made: Add the \$5.4b CW restricted amount shown on p. 9, Add \$540m of CW amounts on p. 18 (\$332m Dept. of Labor and \$208m of traditional and electronic lottery funds), Add \$208m not reviewed due to diligence threshold on p. 9, and subtract \$588m of public corp. with own fiscal plan on p. 11 (\$417m ERS, \$98m PBA)

Of the \$24.7 billion in total cash, ~\$15.9 billion is held by Central Government agencies and ~\$10.3 billion is estimated to be available as of June 30, 2020

(\$ in millions)

	Total	Potentially Inaccessible Cash ¹	Restricted	Potentially Unavailable Cash ²	Potential Eligible POA Cash	Section
Commonwealth Agencies:						
Commonwealth Treasury (TSA + Hacienda)	\$13,531	–	\$4,048 ³	\$82	\$9,400 ⁴	A
Agencies	2,154	–	1,364	458	332	A
Not Reviewed ⁵	208	–	–	–	–	A and E
Subtotal	\$15,893	–	\$5,413	\$540	\$9,733	
Public Corporations:						
Separate Fiscal Plan / Title III Entity ⁶	\$5,531	\$4,999	–	\$18	\$514	B
Receiving General Funds	1,515	1,309	–	133	74	C
Not Receiving General Funds	1,800	1,800	–	–	–	D
Subtotal	\$8,847	\$8,108	–	\$151	\$588	
Total	\$24,740⁷	\$8,108	\$5,413	\$691	\$10,320⁸	F

Notes:

- Potentially Inaccessible Cash amounts in this table comprise the "Minimum Cash Estimate" and "Potentially Inaccessible Cash" columns in the respective sections B, C and D on pages that follow.
- Funds determined as potentially not available due to operational or other cash needs. Certain accounts continue to be subject to review. See Section F for further detail on pages that follow.
- This amount includes \$3.82b of COVID-19 emergency relief funds held in Hacienda accounts opened in April 2020.
- Certain funds held at Hacienda accounts are subject to litigation in which certain parties assert such funds are restricted. Some of the funds are related to ERS, where active litigation with ERS bondholders regarding the scope of ERS bondholders' security interest (Adv. Proc. Nos. 19-00366-LTS and 19-00367-LTS), if ruled in favor of ERS bondholders, may result in certain funds in accounts held by ERS and other agencies on behalf of ERS, including the Department of Treasury, to be restricted for ERS bondholders. Additionally, certain funds subject to other active litigation regarding alleged security interest may result in funds being restricted for certain monoline insurers.
- Entities Not Reviewed are being categorized as "Unreviewed" for purposes of this analysis. These are accounts whose balance is below the legal due diligence threshold of \$6.9m as of June 30, 2020. Refer to Appendix E for further details on pages that follow.
- Includes ERS, COFINA, COSSEC, CRIM, GDB, HTA, PBA, PRASA, PREPA, and UPR.
- There are additional Non-POA accounts outside of the scope of this analysis totaling in aggregate \$0.1m.
- The Potential Eligible POA Cash is reduced by the POA Cash Requirements, Minimum Cash Requirement and Emergency Reserve to arrive at the Potential Remaining Cash.

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Of the \$15.9 billion held by Central Government agencies, \$5.4 billion is estimated to be restricted

A

(\$ in millions)

				Restricted							Potentially Unavailable Cash ¹	Potential Eligible POA Cash	
	Total Cash	Unreviewed	Reviewed Total	Court Order	Federal Funds	Federal Law	Third Party Funds	Tax-exempt Bond Proceeds	Third Party Contract	Total Restricted			
Commonwealth:													
TSA	\$8,775	–	\$8,775	–	\$76	–	–	–	–	–	\$76	–	\$8,699
Hacienda	4,769	12	4,756	22	3,909 ²	–	8	34	–	–	3,972	82 ³	702 ⁴
Commonwealth Subtotal	\$13,543	\$12	\$13,531	\$22	\$3,985	–	\$8	\$34	\$0	\$4,048	\$82	\$9,400	
Agencies:													
911 Emergency System Bureau	\$27	–	\$27	–	–	\$27	–	–	–	–	\$27	–	–
Child Support Administration	94	–	94	–	–	–	94	–	–	–	94	–	–
Controller's Office	10	–	10	–	–	–	–	–	–	–	–	–	10
Dept. of Economic Dev. and Commerce	40	22	18	–	–	–	–	–	–	–	–	–	18
Department of Education	14	1	12	–	–	–	–	–	–	–	–	–	12
Department of Labor	993	9	984	–	–	467	8	–	–	–	475	332	177
Electronic Lottery ⁵	82	(0)	82	–	–	–	–	–	–	–	–	82	–
Office of Court Administration	420	54 ⁶	366	–	–	–	293	–	–	–	293	–	72
Public Housing Administration	502	27	475	–	425	–	–	–	–	50	475	–	–
Puerto Rico Energy Commission	28	7	21	–	–	–	–	–	–	–	–	–	21
Puerto Rico Police Bureau	22	0	21	–	–	–	–	–	–	–	–	–	21
Traditional Lottery ⁵	44	–	44	–	–	–	–	–	–	–	–	44	–
Agencies Total	\$2,275	\$121	\$2,154	–	\$425	\$494	\$396	–	\$50	\$1,364	\$458	\$332	
Not Reviewed ⁷	74	74	–	–	–	–	–	–	–	–	–	–	–
CW and Agencies Total	\$15,893	\$208	\$15,685	\$22	\$4,410	\$494	\$403	\$34	\$50	\$5,413	\$540	\$9,733	

Notes:

1. Funds determined as potentially not available due to operational needs. Certain accounts continue to be subject to review. See Section F for further detail on pages that follow.
2. This amount includes \$3.82b of COVID-19 emergency relief funds held in Hacienda accounts opened in April 2020.
3. This amount represents one account at the Department of the Treasury holding Lottery funds.
4. Certain funds held at Hacienda accounts are subject to litigation in which certain parties assert such funds are restricted. Some of the funds are related to ERS, where active litigation with ERS bondholders regarding the scope of ERS bondholders' security interest (Adv. Proc. Nos. 19-00366-LTS and 19-00367-LTS), if ruled in favor of ERS bondholders, may result in certain funds in accounts held by ERS and other agencies on behalf of ERS, including the Department of Treasury, to be restricted for ERS bondholders. Additionally, certain funds subject to other active litigation regarding alleged security interest may result in funds being restricted for certain monoline insurers.
5. Funds in the Lottery accounts hold both operational funds for the lottery and prize money.
6. The Office of Court Administration maintains 117 accounts totaling approximately \$54m; each account is under the legal due diligence review threshold. According to the Office of Court Administration, the accounts hold third-party funds in custody on behalf of other court municipalities for various purposes, including active legal cases.
7. Entities Not Reviewed are being categorized as "Unreviewed" for purposes of this analysis. These are agencies who have every account below the legal due diligence threshold of \$6.9m as of June 30, 2020. Refer to Section E for further details on pages that follow.

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Restricted cash balances for Commonwealth Agencies

(\$ in millions)

Entity	Number of Accounts	Restricted Balance as of 6/30/2020	Majority of Funds Restricted By	Comments
Hacienda	6	\$3,972	Federal Funds	Majority of funds, totaling \$3.82b (96% of total value), lie in two accounts reserved for COVID-19 uses: <ul style="list-style-type: none"> • \$1,656m – CARES Act • \$2,162m – Economic Impact Payments
Hacienda – TSA	6	76	Federal Funds	Advances related to Medicaid Funds
Dept. of Labor and Human Resources	2	475	Federal Law	98% related to unemployment trust funds pursuant to Section 904 of the Social Security Act (42 U.S.C. § 1104)
Public Housing Administration	15	475	Federal Funds Third Party Contract	90% related to HUD federal funds for low income public housing program. Additional funds are reserved due to Third Party Contracts and are held by the trustee for Public Housing Administration bonds subject to a security interest
Office of Court Administration	9	293	Third Party Funds	Accounts comprised of the following: <ul style="list-style-type: none"> • \$114m in custodial accounts of third-party deposited funds pursuant to Act No. 69-1991 • \$179m in additional custodial accounts of third-party funds in active legal cases
Child Support Administration	1	94	Third Party Funds	Funds are held in a custodial account for child support and alimony collection
911 Emergency System Bureau	1	27	Federal Law	Restricted funds for 911 services pursuant to federal law (Pub. L. No. 110-283)
Total		\$5,413		

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Public Corporations with Own Fiscal Plan / Title III Filing

B

(\$ in millions)

Entity	FY2020 Commonwealth Budget				Cash Balances as of June 30, 2020			
	General Fund	Special Revenue Fund	Federal Funds	Total Budget	Total Cash	Potentially Inaccessible Cash ²	Potentially Unavailable cash ³	Potential Eligible POA Cash
Employee Retirement System (ERS) (Title III POA debtor)¹	\$9	\$38	–	\$47	\$1,126	\$709	–	\$417
COSSEC	–	–	–	–	343	343	–	–
Financial Oversight and Management Board for Puerto Rico	58	–	–	58	63	63	–	–
Government Development Bank	–	–	–	–	65	65	–	–
Municipal Revenue Collection Center	–	–	–	–	59	59	–	–
Public Building Authority (PBA) (Title III POA debtor)	–	127	–	127	107	10	–	98
Puerto Rico Aqueducts and Sewers Authority (PRASA)	–	–	–	–	885	885	–	–
Puerto Rico Electric Power Authority (PREPA)	–	–	–	–	1,400	1,400	–	–
Puerto Rico Highways and Transportation Authority (HTA) ⁴	–	67	–	67	234	234	–	–
Puerto Rico Sales Tax Financing Corporation (COFINA)	–	–	–	–	645	645	–	–
University of Puerto Rico (UPR) ⁵	560	–	–	560	604	586	18 ⁶	–
Total	\$626	\$232	–	\$858	\$5,531	\$4,999	\$18^F	\$514

Notes:

1. Excludes employee loans of \$281m (July 2020 balance), \$287m held at the Dept. of Treasury, and \$75m of private equity investments (July 2020 balance). Certain funds in ERS accounts are subject to litigation in which certain parties assert such funds are restricted. These include litigation with ERS bondholders regarding the scope of ERS bondholders' security interest (Adv. Proc. Nos. 19-00366-LTS and 19-00367-LTS), which if successful for ERS bondholders, may result in certain funds in ERS accounts and certain funds in Commonwealth accounts to be restricted for ERS bondholders.

2. Public Corporation cash is potentially inaccessible as these entities have their own debt obligations.

3. Funds determined as not available due to operational needs. Certain accounts continue to be subject to review. See Section F for further detail on pages that follow.

4. Includes funds held at the Department of Treasury.

5. UPR receives ~\$268m in federal receipts in fiscal year 2020 per the 2020 UPR fiscal plan. UPR balance includes both segregated retirement accounts, bond funds held with trustees, and funds for operations.

6. \$18.4m of UPR funds are currently under review.

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Cash balances at public corporations with their own fiscal plan or Title III filing are deemed to be potentially inaccessible

(\$ in millions)

Entity	Total Number of Accounts	Total Cash Balance as of June 30, 2020	Comment
Puerto Rico Electric Power Authority (PREPA)	87	\$1,400	<ul style="list-style-type: none"> \$488m in operating accounts ~\$760m related to pension investments and federal funds
Employee Retirement System (ERS)	21	1,126	<ul style="list-style-type: none"> \$709m are reserved for employee defined contribution pension amounts
Puerto Rico Aqueduct and Sewer Authority (PRASA)	85	885	<ul style="list-style-type: none"> \$885m related to operational expenses, capital improvements (funded through federal funds, Authority revenues and insurance proceeds), debt service and bond reserves
Puerto Rico Sales Tax Financing Corporation (COFINA)	59	645	<ul style="list-style-type: none"> \$644m related to debt payments
University of Puerto Rico	162	604	<ul style="list-style-type: none"> \$574m related to federal projects and debt service
Public Corporation for the Supervision and Deposit Insurance of PR Cooperatives (COSSEC)	6	343	<ul style="list-style-type: none"> \$343m reserved per PR Law, including minimum capital requirements
Highway and Transportation Authority	75	234	<ul style="list-style-type: none"> \$87m related to debt and \$127 related to construction contracts
Public Building Authority (PBA)	33	107	<ul style="list-style-type: none"> \$10m reserved for FEMA disaster relief funds
Government Development Bank For Puerto Rico	9	65	<ul style="list-style-type: none"> Majority related to Title VI settlements
Financial Oversight and Management Board for Puerto Rico	3	63	<ul style="list-style-type: none"> Reserved for operations and professional fees
Municipal Revenue Collection Center (CRIM)	2	59	<ul style="list-style-type: none"> \$59m reserved per PR Law
Total		\$5,531	

Notes:

The information above is included to assist with understanding the types of accounts making up the total cash values at these agencies. Review is ongoing.

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Public Corporations Receiving General Funds

(\$ in millions)

Entity	FY2020 Commonwealth Budget				Cash Balances as of June 30, 2020				Potential Eligible POA Cash
	General Fund	Special Revenue Fund	Federal Funds	Total Budget	Total Cash	Minimum Cash Estimate ¹	Potentially Inaccessible Cash ²	Potentially Unavailable cash ³	
Agricultural Enterprises Development Administration (ADEA)	\$65	\$60	–	\$126	\$105	\$10	\$29	–	\$65
Authority of the Port of Ponce	1	–	–	1	0	–	–	–	0
Center for Research, Education and Services Medical Care and Diabetes	0	0	–	1	0	0	0	–	0
Company for the Integral Development of the "Península de Cantera"	0	1	1	2	1	0	1	–	0
Corporation for the "Caño Martín Peña" Enlace Project	10	4	0	15	12	1	1	10	–
Culebra Conservation and Development Authority	0	0	–	0	0	0	–	–	0
Fine Arts Center Corporation	3	3	–	6	4	0	1	3	–
Fiscal Agency & Financial Advisory Authority ⁴	104	–	–	104	110	–	110	–	–
Institute of Puerto Rican Culture	15	0	1	16	13	0	0	13	–
Local Redevelopment Authority of the Lands	1	1	1	3	2	0	1	–	1
Medical Services Administration of Puerto Rico	72	113	–	184	60	19	–	41	–
Musical Arts Corporation	5	2	–	8	6	0	0	5	–
Puerto Rico Conservatory of Music Corporation	5	4	–	9	5	1	–	5	–
Puerto Rico Health Insurance Administration ⁵	917	364	1,661	2,942	351	337	–	13	–
Puerto Rico Housing Finance Corporation	8	30	159	197	412	31	372	8	–
Puerto Rico Infrastructure Financing Authority	2	6	–	8	330	1	327	2	–
Puerto Rico Integrated Transit Authority	54	38	15	107	23	9	–	14	–
Puerto Rico Public Private Partnership Authority	13	–	155	169	25	25	–	–	–
Puerto Rico Public Broadcasting Corporation	7	2	2	11	3	1	–	–	3
Puerto Rico School of Plastic Arts	2	2	–	5	4	0	1	2	–
Solid Waste Authority	3	1	–	4	12	0	9	–	3
Trade & Export Company	1	13	0	14	14	2	12	–	1
University of Puerto Rico Comprehensive Cancer Center	15	27	4	46	22	5	2	15	–
Total	\$1,306	\$670	\$2,001	\$3,976	\$1,515	\$444	\$865	\$133	\$74

Notes:

1. The Minimum Cash Estimate is calculated as two months of the annual Special Revenue Fund and the Federal Fund budgets.
2. Public Corporation cash over the Minimum Cash Estimate is considered to be potentially inaccessible.
3. Funds determined as potentially not available due to operational needs. Certain accounts continue to be subject to review. See Section F for further detail.
4. Funds held at AAFAF are mostly related to Title III fees.
5. Funds mostly related to Medicaid federal funds.

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Total cash balances for select public corporations receiving General Funds

(\$ in millions)

Entity	Total Number of Accounts	Total Cash Balance as of June 30, 2020	Comments
Puerto Rico Housing Finance Corporation	194	\$412	• Federal fund conduit for securitized bonds
Puerto Rico Health Insurance Administration	23	351	• Conduit for federal Medicaid funds
Puerto Rico Infrastructure Financing Authority	38	330	• \$157m related to Clean Water Loans Repayments fund • \$60m related to Puerto Rico Sales Tax Financing Corp (COFINA) bonds • \$18m related to PRIFA Series 2006 Special Tax Revenue Bonds
Fiscal Agency & Financial Advisory Authority	5	110	• Majority related to accrued and anticipated Title III fees
Agricultural Enterprises Development Administration (ADEA)	42	105	• Conduit for educational, nutritional and agricultural programs. ADEA's cash flows related to coffee are subject to commodity price swings • \$18m related to capital expenditures for rural infrastructure
Medical Services Administration of Puerto Rico	8	60	• Related to capital expenditures and operational liquidity needs
Puerto Rico Public Private Partnership Authority	9	25	• Cash for PPP operating expenses (payroll, admin and professional fees) and operating expenses of COR3, including consulting fees
Puerto Rico Integrated Transit Authority	3	23	• Required for capital expenditures and operational liquidity challenges particularly post COVID-19
University of Puerto Rico Comprehensive Cancer Center	18	22	• Required for operational liquidity needs
Other	112	77	
Total		\$1,515	

Notes:

The information below is included to assist with understanding the types of accounts making up the total cash values at these agencies. Review is ongoing.

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Public Corporations NOT Receiving General Funds

D

(\$ in millions)

Entity	FY2020 Commonwealth Budget				Cash Balances as of June 30, 2020				
	General Fund	Special Revenue Fund	Federal Funds	Total Budget	Total Cash	Minimum Cash Estimate ¹	Potentially Inaccessible Cash ²	Potentially Unavailable Cash	Potential Eligible POA Cash
Agricultural Insurance Corporation	–	\$3	–	\$3	\$8	\$1	\$8	–	–
Automobile Accidents Compensation Administration	–	87	–	87	144	14	129	–	–
Aut. Maritime Transportation of PR	–	–	–	–	1	–	1	–	–
Cardiovascular Center Corporation of Puerto Rico and the Caribbean	–	72	–	72	35	12	23	–	–
Convention Center District Authority	–	28	–	28	17	5	12	–	–
Economic Development Bank of PR	–	12	–	12	130	2	128	–	–
Institutional Trust of the National Guard of Puerto Rico	–	7	–	7	43	1	42	–	–
Land Administration of Puerto Rico	–	8	–	8	21	1	20	–	–
Land Authority of Puerto Rico	–	23	–	23	32	4	28	–	–
Metropolitan Bus Authority	–	–	–	–	0	–	0	–	–
Model Forest Of Puerto Rico	–	–	–	–	–	–	–	–	–
Municipal Finance Corporation (COFIM)	–	130	–	130	99	22	77	–	–
Puerto Rico Development Fund	–	–	–	–	1	–	1	–	–
Puerto Rico Ind., Tourist, Edu., Med., and Envr. Ctrl Fac. Fin. Auth.	–	–	–	–	0	–	0	–	–
Puerto Rico Industrial Development Company	–	42	0	42	180	7	173	–	–
Puerto Rico Municipal Finance Agency	–	–	–	–	253	–	253	–	–
Puerto Rico Ports Authority	–	136	55	190	55	32	23	–	–
Puerto Rico Public Finance Corporation	–	–	–	–	40	–	40	–	–
Puerto Rico Tourism Company	–	105	–	105	140	17	122	–	–
Puerto Rico Tourism Development Fund	–	–	–	–	11	–	11	–	–
Retirement System of Puerto Rico Judiciary	–	–	–	–	36	–	36	–	–
State Insurance Fund Corporation	–	453	–	453	279	76	203	–	–
Teacher's Retirement System	–	16	–	16	157	3	155	–	–
The Children's Trust	–	–	–	–	119	–	119	–	–
Total	–	\$1,121	\$55	\$1,176	\$1,800	\$196	\$1,604	–	F

Notes:

1. The Minimum Cash Estimate is calculated as two months of the annual Special Revenue Fund and the Federal Fund budgets.

2. Public Corporation cash is potentially inaccessible unless there is a General Fund appropriation.

Disclaimer: Amounts included throughout the presentation are subject to material modification based on the receipt of additional information and review by legal counsel. Any assumptions, forecasts, projections, recommendations, conclusions or opinions contained in this Report are solely those of the Oversight Board.

Total cash for select public corporations NOT receiving General Funds

(\$ in millions)

Entity	Total Number of Accounts	Total Cash Balance as of June 30, 2020	Comments
State Insurance Fund Corporation	46	\$279	• \$276m related to workers compensation
Puerto Rico Municipal Finance Agency	22	253	• Related to the bond indentures including DSRF, other reserves required pursuant to the bond docs and also bond proceeds that need to be used for principal paydowns
Puerto Rico Industrial Development Company	30	180	• \$115m reserved for incentive funds per Law 60-2019
Teacher's Retirement System	6	157	• \$110m reserved per PR Law
Puerto Rico Tourism Company	22	140	• \$103m related to CCDA debt reserve
Automobile Accidents Compensation Administration	23	144	• Mostly related to actuarial reserve requirements
Economic Development Bank of PR	20	130	• \$96m appear related to custodial accounts
The Children's Trust	9	119	• Tobacco Settlement Securitization – represents DSRF
Municipal Finance Corporation (COFIM)	84	99	• \$98m reserved per PR Law – Act 18
Puerto Rico Ports Authority	28	55	• \$40m related to capital expenditures and disaster recovery
Institutional Trust of the National Guard of Puerto Rico	8	43	• Reserved funds, including investment portfolio used to fund the National Guard
Puerto Rico Public Finance Corporation	6	40	
Retirement System of Puerto Rico Judiciary	4	36	
Cardiovascular Center Corporation of Puerto Rico and the Caribbean	7	35	• Hospital operation experiencing revenue decline and increased expenditures related to COVID-19
Convention Center District Authority	23	17	• Related to capital expenditures and operational needs
Other	42	73	
Total		\$1,800	

Notes:

The information above is included to assist with understanding the types of accounts making up the total cash values at these agencies. Review is ongoing.

Disclaimer: Information regarding the intended uses of funds for each was gathered per review of information provided by account holders and preliminary review by legal counsel. Amounts included throughout the presentation are subject to material modification based on the receipt of additional information and review by legal counsel. Any assumptions, forecasts, projections, recommendations, conclusions or opinions contained in this Report are solely those of the Oversight Board.

Other Entities Not Reviewed

(\$ in millions)

Entity	Amount
Department of Consumer Affairs	\$0
Department of Correction and Rehabilitation	2
Department of Family ¹	0
Department of Housing	19 ¹
Department of Justice	- ²
Department of Natural and Environmental Resources	0
Department of Public Safety	(0)
Department of Sports and Recreation	- ²
Environmental Quality Board	1
Family and Children Administration	1
Forensics Science Bureau	5
General Services Administration	- ²
Government Ethics Office	6
House of Representatives	2
Independent Consumer Protection Office	1
Joint Special Commission of Legislative Funds	- ²
National Guard of Puerto Rico	4
Office for Community and Socioeconomic Development of Puerto Rico	2
Office of Legislative Services	- ²
Office of the Governor	0
Office of the Solicitor - Special Independent Prosecutor	1
PR Federal Affairs Administration	1
Program of Youth Affairs	1
Puerto Rico Education Council	1
Senate	10
Socioeconomic Development of the Family Administration	1
State Office of Energy Public Policy	4
Statistics Institute of PR	4
Superintendent of the Capitol	3
Telecommunications Regulatory Board	6
Vocational Rehabilitation Administration	1
Total Not Reviewed	\$74

(1) The Department of Housing maintains 19 accounts totaling approximately \$19m dollars; each account is under the due diligence review threshold.

(2) Accounts are still pending information from account holders and/or financial institutions to determine balances.

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Potentially Unavailable Cash

(\$ in millions)

Entity	Amount	Comments
Department of the Treasury	\$82	<ul style="list-style-type: none"> Amount represents one account at Department of Treasury holding Lottery Funds Mostly related to unclaimed prizes and to fund operations of the lottery
Department of Labor	332	<ul style="list-style-type: none"> \$322m held in an account for unemployment benefits. As of September 2020, the funds decreased to \$49m as a result of increased unemployment claims \$9m held in an account for social security funds.
CW - Traditional Lottery	44	<ul style="list-style-type: none"> Mostly related to unclaimed prizes and to fund operations of the lottery
CW - Electronic Lottery	82	<ul style="list-style-type: none"> Mostly related to unclaimed prizes and to fund operations of the lottery
Commonwealth Subtotal	\$540	
UPR	18	<ul style="list-style-type: none"> Account subject to further review
Corporation for the "Caño Martin Peña" Enlace Project	10	<ul style="list-style-type: none"> Related to federal matching funds and donations/grants approved
Fine Arts Center Corporation	3	
Institute of Puerto Rican Culture	13	<ul style="list-style-type: none"> \$9m investment account, \$0.7m related to capital expenditures, \$0.3m FEMA funds
Medical Services Administration of Puerto Rico	41	<ul style="list-style-type: none"> Related to capital expenditures and operational liquidity needs
Musical Arts Corporation	5	
Puerto Rico Conservatory of Music Corporation	5	
Puerto Rico Health Insurance Administration	13	<ul style="list-style-type: none"> Conduit for federal Medicaid funds
Puerto Rico Housing Finance Corporation	8	<ul style="list-style-type: none"> Federal fund conduit for securitized bonds
Puerto Rico Infrastructure Financing Authority	2	
Puerto Rico Integrated Transit Authority	14	<ul style="list-style-type: none"> Cash on hand is largely for dedicated Capex projects; consistent operational challenges, particularly post-COVID
Puerto Rico Public Private Partnership Authority	0	
Puerto Rico School of Plastic Arts	2	
University of Puerto Rico Comprehensive Cancer Center	15	<ul style="list-style-type: none"> Required for operational liquidity needs
Total	\$691	

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Topics for Discussion

Agenda Topics For Discussion

Cash restrictions

Measures to preserve cash
Pro forma cash balances after POA obligations
Restrictions on use of cash
Account restriction analysis updated for June 30, 2020

Minimum cash

Breakdown of minimum cash analysis by category
Approaches used to estimate minimum Commonwealth cash balance/cash needs
Key attributes of disaster aid recovery revolving fund
PREPA proposed LUMA contract cash need

Detailed responses to claims in creditor presentation

Adjustments to calculations to help everyone better understand the Government's current cash position and cash available for distribution
Details on how the new fiscal plan projections impact cash allocated to certain creditors, such as pensions

The minimum cash estimate includes several components that, in total, exceed \$2.5 billion

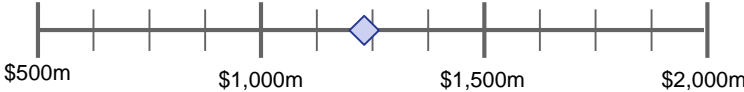





- In addition to the core minimum cash balance required for government operations, the Government has several other critical cash needs, which were reflected in the minimum cash balance estimate
- The fiscal plan has other amounts held outside of the minimum cash balance forecast, but each of those amounts has a specific and distinct purpose
- Not all of the additional amounts are fully funded at emergence from Title III (July 2021)

	Included Within \$2.5 billion Minimum Cash Balance			Additional Amounts <u>Not Included</u> in Min Cash Balance		
	Minimum Cash Balance	Disaster Aid Revolver	PREPA/ LUMA Support	Emergency Reserve	CDBG Match FP Reserve	COVID-19 Related Funds
Description	Minimum cash required for normal government operations	Interim funding for obligated projects unable to access FEMA advancements	Support the funding of operations & maintenance agreement with LUMA	Local fund for disasters based on IMF guidance for hurricane prone areas	Allocation of local cost match funding if CDBG-DR funding is insufficient	Coronavirus relief funding
Size	\$1,200m to \$1,700m	\$750m, enacted as Act 139-2020	Estimated at \$894m	\$1,300m per IMF guidance and \$390m in pre-PROMESA funding ¹	\$600m funded over 13 years ²	\$1,286m CARES Act and \$1,595m Economic Impact Payments ⁴
Rationale	Oversight Board applied multiple approaches to determine minimum cash needed	Immediate liquidity to begin FEMA recovery projects	PREPA cash balances are insufficient to self-fund cash need for LUMA conversion	Local emergency funds to support disaster relief or other emergencies and unforeseen short term cash needs	Reserve in case CDBG-DR local match funding is not permitted ³	Federal fund expenses related to impact of COVID-19
	I	II	III	IV		V

1. Funded at \$650 million as of June 30, 2020. The methodology informed by guidance provided to other Caribbean islands by the International Monetary Fund in defining an adequate emergency reserve (2-4% of GNP, accumulated at 0.5% per year)
 2. FY20 to FY32 – if these funds are unspent at any time they would accumulate and be utilized as part of the emergency reserve fund going forward.
 3. The ability to use CDBG-DR funds for local match requirements is not guaranteed. The funds must follow the program’s national objectives, including (1) Benefit to low- and moderate- income (LMI) persons; (2) Aid in the prevention or elimination of slums or blight; and (3) Meet a need having a particular urgency (referred to as urgent need). <https://www.hudexchange.info/sites/onecpd/assets/File/CDBG-National-Objectives-Eligible-Activities-Chapter-3.pdf>
 4. Values as of October 31, 2020

Several approaches were considered to determine a reasonable level for minimum cash balances

- The Oversight Board applied multiple approaches to estimating minimum cash needs, settling on a range of **\$1.2 billion to \$1.7 billion**
- Given Puerto Rico's lack of access to the capital markets and large cash needs, a higher than average minimum cash balance seems reasonable, especially given GFOA's recommendation and the minimum cash requested by the Government
- Additional cash for revolving funds and other cash needs are supplemental, leading to the conclusion \$2.5 billion in minimum cash was appropriate

Category	Range	Description
Pew 50 State Median		The 50 state median for total balance reserve is 45 days or approximately \$1,240 million of the budgeted expenses of the General Fund.
GFOA Recommendation		The GFOA best practice is 60 days of General Fund operating expenses, this is approximately \$1,650 million of the budgeted expenses of the General Fund.
Municipality comparable		The City of Detroit maintained a minimum cash balance of ~\$75 million or 7.5% of their General Fund expenses. Correspondingly, Puerto Rico would retain \$1,000 million .
Community disaster loans (CDL)		The U.S. Treasury gave Puerto Rico access to CDLs, as needed, until March 2020 (if loans are issued) if the cash reserve falls below \$1,100 million . This was increased from the original balance of \$800 million .
Practitioners Approach		Practitioners retain between 5-10% of budgeted general fund and special revenue expenses as reserves. This amounts to between \$667 million and \$1,333 million .
Government request		The Government is requesting \$1,781 million for minimum cash balance. This reserve is for the TSA, which includes cash flows from general fund, federal funds, and special revenue funds.

The Government has passed legislation establishing a \$750 million Disaster Aid Recovery Revolving Fund, at the recommendation of COR3 and FEMA

Purpose of the Disaster Aid Revolver

- Recommended by COR3 and FEMA to help offset potential delays in reimbursement timing for certain sub-recipients
- When executing federally funded projects there can be a time lag of several months between the need to pay contractors and the availability of federal funds
- This is generally caused by the reimbursable nature of FEMA and the Department of Housing and Urban Development programs and could lead to work stoppages and increased costs to account for the potential of delayed payment
- To assist with these potential issues, the disaster aid revolver would be used to finance advances to provide the liquidity needed to initially fund permanent recovery projects, which will be replenished through collection of other sources of funding (e.g., reimbursements) as they become available
- The fund, will assist with the following five (5) objectives:
 1. Provide a faster means of liquidity to begin Permanent Recovery Projects;
 2. Allow for the segregation and availability of funds for Puerto Rico's recovery;
 3. Assist disaster recovery and reconstruction cash flow;
 4. Assist with Subrecipient cash flow concerns; and
 5. Determine funds are available for project continuity



Key Elements of the Revolver

- \$750 million revolving line of credit facility through June 30, 2025 as enacted by Act 139-2020¹
- Funds made available to FEMA Permanent Work and Hazard Mitigation projects at central government agencies, public corporations, instrumentalities, and municipalities in Puerto Rico
 - Excludes funding for Category A/B emergency work, CDBG-DR related recovery projects, and cost overruns (such as those from Stafford Act Section 428 projects)
- Funding provides liquidity to allow recovery projects to start earlier than otherwise possible and to proceed in the event FEMA/CDBG-DR funding reimbursement process is slower than expected
- Rules and regulations of the program must be approved by the Oversight Board and are expected to include considerable risk mitigation elements around governance and controls, non-payment remediation, project plan, budget, and ongoing reporting requirements
- Sub-recipients fill out application to participate in fund, the approved PW or notice of award, and a budgeted spending plan
- Funding extended only after project worksheet is fully obligated
- Funded projects will be evaluated under several criteria, including: alignment with Recovery Plan, complexity and estimated duration of project, and whether project is for the public benefit

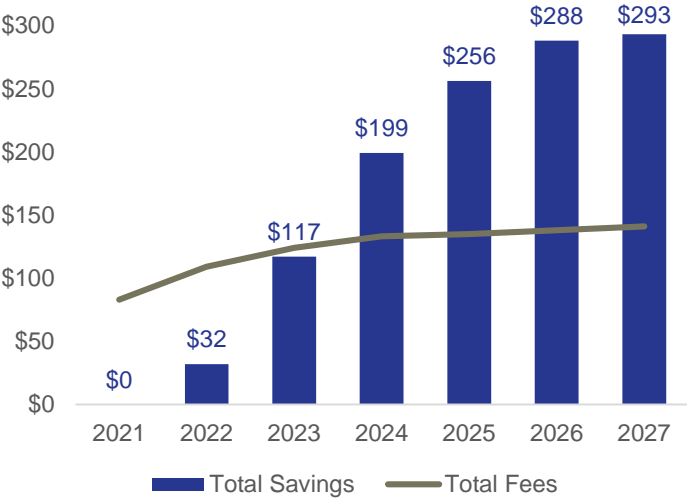
LUMA Contract

- LUMA Energy (“LUMA”) to assume the operation and management of PREPA’s transmission and distribution system (“T&D System”)
- Contract is the result of an over 2 year effort and a key development in PREPA’s revitalization and transformation
- Purpose: transfer management of the T&D System to a private entity formed by a highly qualified consortium of industry-leading companies and to ensure that the T&D System is reliable and efficiently run for the benefit of all PREPA stakeholders. In addition, to secure maximum amounts of federal disaster assistance funding to help rebuild energy infrastructure in the aftermath of Hurricanes Maria and Irma
- Terms: LUMA is obligated to operate at a high standard and to implement the necessary investments in the grid so that it is more reliable, resilient, efficient and allows for the integration of renewable energy. LUMA will be responsible for all aspects of operating, managing, maintaining, repairing, restoring and improving the T&D System

Benefits of the LUMA contract¹

Total O&M Savings vs. Total Fees

(\$ in millions)



- Under operation and maintenance (“O&M”) arrangements, (i) PREPA retains legal title to the assets and the revenues and (ii) the private partner’s compensation consists of a fixed fee plus a variable incentive fee based on LUMA exceeding certain performance metrics
- Expected cost savings:
 - Reduction of O&M costs relative to PREPA’s 2019 Fiscal Plan by approximately 20% by 2026, for a net reduction in these costs of approximately \$100 million per year
 - LUMA’s total savings, from both O&M cost reductions and improvements in losses, are projected to reach \$293 million annually by 2027 compared to an inflation-adjusted fee for 2027 of \$141 million, resulting in significant net savings to Puerto Rico on both an annual and cumulative basis
 - Additional possible savings from better capital planning and management and system operations, in addition to improved reliability and resiliency
- Efficient and Reliable Grid:
 - Reliability of the grid will be valuable to commercial users and will contribute to the Commonwealth’s economy

Source: P3A Announcement Presentation, LUMA Forecast (presented December 20, 2019 to the P3A)

1. Assumes LUMA’s fixed fee payments commence in 2021 and savings benefits from O&M and technical losses reduction commence in 2022. LUMA’s fee reflects a 2% inflation rate and assumes achievement of performance metrics

PREPA requires more than \$894 million in funds to execute the LUMA transaction

Rationale for Providing Funds

- Energy reform is one of the most essential structural reforms in the Commonwealth Fiscal Plan
- Will help make Puerto Rico more competitive and pro growth, leading to a contribution of surplus in excess of ~\$11 billion over 30 years that funds creditor recoveries
- If not funded through a loan from the Commonwealth, PREPA would need to fund reserves via alternate means, such as a rate adjustment that would dramatically increase electricity rates in the short term (i.e., the expected period between now and when the reserves will need to be funded)

Key Considerations

- LUMA's service commencement is conditional on the funding of operating and capital accounts
- PREPA has insufficient cash to satisfy the operating and capital accounts ("LUMA Funding Requirement")
- To ensure the Island has a viable and reliable electricity utility, the Commonwealth may loan the LUMA Funding Requirement
- \$51 million of front-end transition costs have already been funded by PREPA to progress the transaction
- In addition, PREPA will also need to fund ~\$500 million in expenses to exit Title III

Note: Totals may not foot due to rounding

1. 4.5 months of year 1 service fee of \$115million per Supplemental Agreement

2. Based on assumed \$753million Federal Funding disbursement schedule for FY22

3. 4.5 months of Total Maintenance Projects (excluding generation), based on PREPA FY21 Certified Budget

Estimated Transaction Costs

(\$ in millions)

Category	Details	Amount
Operating & Capital Account Requirements	Operating Account (4.5 months)	\$272
	T&D Expenses Excluding Service Fee (\$228)	
	LUMA Service Fee (\$43) ¹	
	Fuel & Purchased Power Accounts (2 months)	273
	Capital Accounts (4.5 months)	326
	Federally Funded (\$283) ²	
	Non-Federally Funded (\$44) ³	
	Outage Reserve Account	30
	Contingency Reserve Account	4
	Total Operating & Capital Account Requirements	
	Transaction Closing Costs	[TBD]
	Less: PREPA Projected Cash Available	101
	Projected Funding Requirement	\$894
Bridge to PREPA Projected Cash Available		Amount
	June 30, 2020 Operating Cash Balance	\$488
	Less: Projected FY21 Cash Burn	164
	Projected FY21 Cash Balance	\$324
	Less: PREPA Working Capital Requirements	314
	PREPA Projected Cash Available	\$101



- The Fiscal Plan includes an emergency reserve of \$1.3 billion established over 10 years beginning in FY19, based on IMF guidance.
- There are also \$390 million of pre-PROMESA emergency reserve funds.
- Some of the emergency reserve expenses incurred may qualify for FEMA reimbursement. Once FEMA reimburses funds, the recipient agencies are required to replenish funds back to the emergency reserve

(\$ in millions)

Fiscal Year	Budgeted Amount	Total Expensed	Remaining Balance	
FY2017		\$200	(\$89)	\$111
FY2018		190	(186)	4
FY2019		130	(130)	-
FY2020		130	(48)	83
Subtotal		\$650	(\$453)	\$197
FY2021		130	(23)	107
Total		\$780	(\$476)	\$304

- Majority of Emergency Reserve Funds utilized from FY19 to FY21 were for earthquake disaster and COVID-19 relief

(\$ in millions)

Emergency	Authorized	Total Expensed	Percentage
Tropical Storm Dorian	\$0	\$0	0%
Earthquakes Disaster	134	119	59%
COVID-19 Pandemic	73	70	35%
Tropical Storm Isaiah	5	5	3%
Tropical Storm Laura	6	6	3%
Total	\$219	\$200	100%

Source: "Cuadre Reservas Presupuestarias.xls" provided by the Department of Treasury on December 4, 2020.

Spending status of Coronavirus Relief Funds

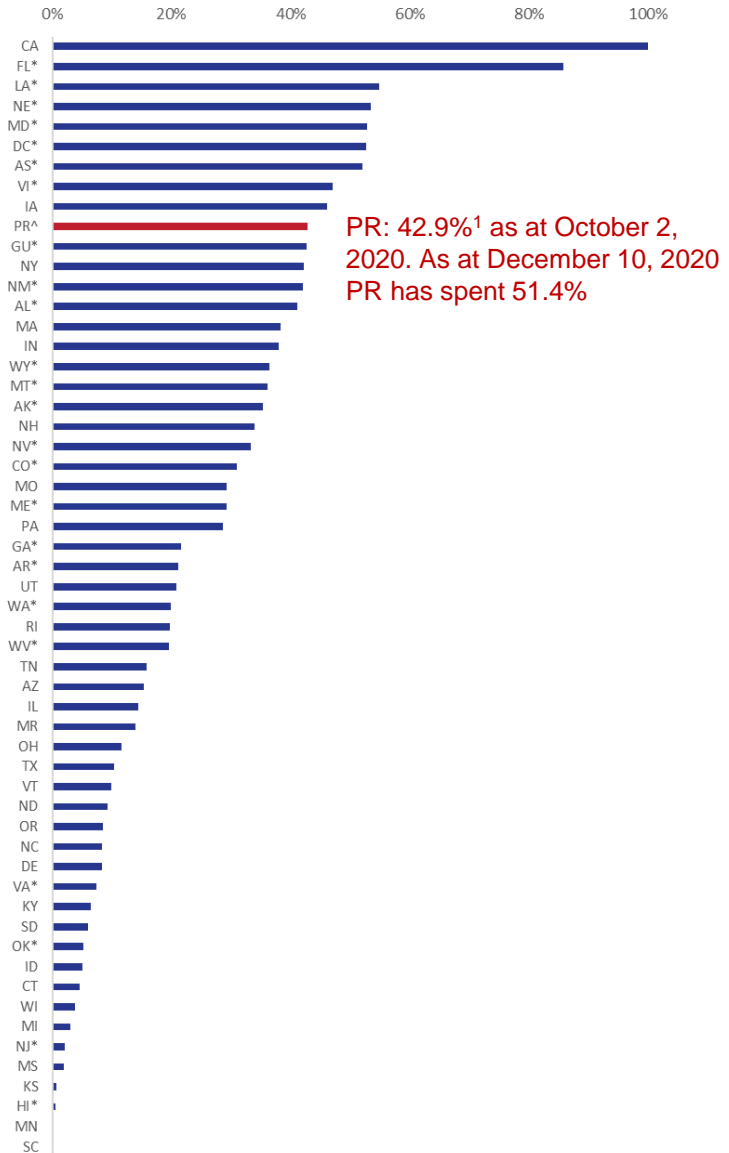
(\$ in millions)

Category	Allocated	Disbursed	Remaining
Business & Individual Tax Incentives	\$339	\$325	4.1%
Private Sector Payroll Protection	350	55	84.1%
Hospital & Healthcare	510	341	33.1%
COVID-19 Testing and Contact Tracing	150	42	72.3%
Unemployment-Related Funds	150	150	0.0%
Municipality Expenses	200	125	37.7%
Tourism Industry Assistance	100	23	76.7%
Remote Work Program	90	50	44.5%
Emergency Expenses in Prisons	10	7	28.3%
Student Technology Solutions	90	27	69.9%
Homeless Assistance	5	0.1	97.3%
FEMA Cost Share for COVID-19 expenses	50	1	99.0%
Administrative Expenses	50	6	88.6%
Reserve	147	-	100.0%
Total	\$2,241	\$1,151	48.6%

Summary of Funding Categories

- **Business & Individual Tax Incentives:** Assistance programs to small and medium businesses. Funds used for losses caused by interruption of operations caused by COVID-19 emergency and / or for necessary expenditures related to COVID-19
- **Private Sector Payroll Protection:** reimburse private employers, up to 50% of payroll they continued to pay to employees during COVID-19
- **Hospitals & Healthcare:**
 - Acquisition of Materials and PPE to be distributed in all gov't facilities
 - Emergency Assistance for Public and Private Hospitals: covers necessary expenditures related to COVID-19 emergency
 - Telemedicine Program in PR: ensures the citizens have access to health services with limiting in-person exposure
- **COVID-19 Testing and Contact Tracing:** funding to continue and expand the contact tracing program to track and isolate people infected with or suspected of being infected with the virus
- **UI Benefits:** cover disbursements to people who have applied for state unemployment benefits due to the emergency of COVID-19
- **Municipality Expenses:** For COVID-19 expenses stated in CARES Act
- **Tourism Industry:** Assistance to hotels and “paradores” for necessary expenditures related to the COVID-19 emergency
- **Remote Work Program:** Implement the remote or distance work program for Government of Puerto Rico employees
- **Emergency Expenses in Prisons:** Non-budgeted expenses in prisons
- **Homeless Assistance:** Covers non-budgeted expenses for assistance and care programs for the homeless population
- **FEMA Cost Share:** Non-Federal Matching Funds Assistance Program for COVID-19 related expenses (this is not for disaster aid response)
- **Administrative Expenses:** for Administering Puerto Rico’s Coronavirus Relief Fund

Notes: Funding must be incurred by December 30, 2020 per current legislation. Disbursed funds are as of December 10, 2020
Source: AAFAF Strategic Disbursement Plan Funding Report, December 10, 2020



Coronavirus Relief Fund Data

The data, originally provided by the U.S. Dept. of Treasury (with certain states updated via the Pandemic Response Accountability Committee²), represents the portion of monies spent from the CRF funds allocated to the states and territories and is a reflection of the self-reported recipient submissions.

Common uses of CRF funding across States³

- Business relief / Economic development
- Healthcare
 - Statewide testing
 - Funding for PPE, equipment
 - Public health and safety initiatives
 - Contact tracing
- Broadband voucher program
- Education
 - Distribution of educational remote learning devices
 - Additional support for children with disabilities
- Non-profit support for basic human services
 - Soup kitchens, homeless shelters, food banks, domestic violence shelters
- Hazard pay for essential works including nurses & doctors
- Support for election processes
- Rent/Mortgage assistance

Chart sources: The Department of the Treasury Office of Inspector General (OIG) Interim Report of Costs through June 30, 2020 report dated August 12, 2020.

¹ Figure sourced from 10/2/2020 report via AAFAF

² Figures sourced from PandemicOversight.gov represents reporting as of September 30, 2020

³ NCLS

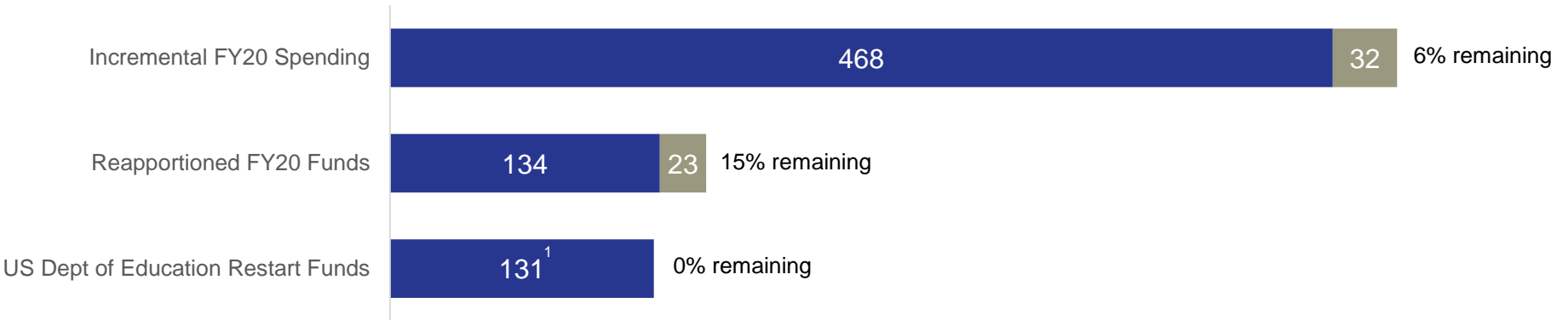
The majority of the COVID-19 Emergency Measures support package has already been authorized



Summary of COVID-19 Emergency Measures

(\$ in millions)

Authorized Remaining



(\$ in millions)

Incremental Spending	Budget	Authorized	Remaining		Reapportioned Funds	Budget	Authorized	Remaining	
			\$	%				\$	%
Direct payment to self employed	\$100	\$94	\$6	6%	Correctional Health Employees	\$2	\$1	\$0	11%
Direct payment to small businesses	60	60	0	0%	Public Sector Nurses	23	16	8	32%
Support to municipalities	100	100	-	0%	Private Sector Nurses	73	73	0	0%
Municipal police and firefighters	12	11	1	6%	Professional Nurses	23	14	9	38%
Hacienda Internal Revenue Agents	1	0	0	0%	Other bonuses	6	4	2	35%
Public safety employees	76	71	5	6%	Public hospitals	30	25	5	16%
Corrections employees	17	15	2	11%	Total	\$157	\$134	\$23	15%
Dept of education materials ¹	124	113	12	9%					
Other	11	4	7	66%					
Total	\$500	\$468	\$32	6%					

1. Spending on devices (including computers and tablets) for students and teachers. Unspent funds will be returned to the TSA.

Source: Information is based on AAFAF COVID-19 Emergency Measures Support Package Weekly Report updated with additional information provided directly by agencies on additional spending not yet reflected in the AAFAF report

Topics for Discussion

Agenda Topics For Discussion

Cash restrictions

- Measures to preserve cash
- Pro forma cash balances after POA obligations
- Restrictions on use of cash
- Account restriction analysis updated for June 30, 2020

Minimum cash

- Breakdown of minimum cash analysis by category
- Approaches used to estimate minimum Commonwealth cash balance/cash needs
- Key attributes of disaster aid recovery revolving fund
- PREPA proposed LUMA contract cash need

Detailed responses to claims in creditor presentation

- Adjustments to calculations to help everyone better understand the Government's current cash position and cash available for distribution**
- Details on how the new fiscal plan projections impact cash allocated to certain creditors, such as pensions**

There are a few areas in the creditor cash presentation that should be adjusted to better understand the cash available for distribution

	Statement in creditor presentation	Oversight Board View
	The Commonwealth has \$24b in total funds. This amount is used as a starting point for many calculations throughout the creditor presentation	A more accurate value of Commonwealth cash is \$15.9b, of which \$9.7b is unrestricted and \$5.984b is offered to creditors. The remaining balance is cash that does not belong to the Commonwealth because it belongs to separate public corporations (some in Title III)
	There is at least \$3.7b of additional cash available for creditor distributions, including: <ul style="list-style-type: none"> • \$856m in FY21 revenue outperformance • \$817m in COVID-19 related federal reimbursements • \$1.2b in excess working capital • \$347m in upfront investments • \$390m in excess emergency reserves • \$128m adjustment to union, retiree, and other claims 	The additional funds suggested are, unfortunately, not available because: <ul style="list-style-type: none"> • Due to the ongoing COVID-19 pandemic, the high concentration of revenues collected in Q4, and the exclusion of tax refund accruals make it difficult to estimate FY21 revenue outperformance • Gov't. identified uses for federal COVID funds • Minimum cash balance needs are higher than the CDL benchmark used by creditors • The reserve and priority investment funding are both needed to promote economic development and protect the Government in the event of emergencies
	No justification has been provided for the increase in minimum cash balance needs or restricted versus unrestricted cash balances	The CDL minimum cash amount cannot be compared to the currently proposed \$2.5b of minimum cash because \$2.5b includes both minimum operating cash and other cash needs. The CDL cash balance level is also not the most commonly used metric of minimum cash needs for Government operations (see minimum cash needs section)
	The Commonwealth's restricted cash balance is unexplainably larger than reported in past CAFRs	The FY20 \$13.8b value listed as restricted in the creditor presentation includes third-party cash. The correct restricted amount for central government cash is \$5.4b, of which \$3.8b is COVID related, leaving \$1.6b that is classified as restricted
1	Creditor's allocation of cash only increased \$123m, despite an increase in the cash balance of \$2.7b between January and October 2020	Once CARES Act funding is removed from the cash balance, total cash has actually declined since January 2020
2	Puerto Rico's cash balance to budget is significantly higher than the top 10 states with the highest debt service-to-own-source revenue	The \$24b in cash figure used by creditors includes (a) \$6.0b earmarked for creditor distributions, (b) \$3.8b in federal COVID funds and (c) \$1.5b in employee contributions to DC accounts. Normalizing for the correct figures, the comparable state ratio is 40% - 48%
3	The Government is significantly outperforming cash, fiscal plan, and budget projections	Current cash outperformance is not as large as shown in the creditor presentation. The FY18 to FY20 outperformance using the Creditor's methodology is estimated to be \$98m
4	Bondholders' recoveries are disproportionately reduced compared to other stakeholders	Many 'improved' recoveries cited by creditors (Medicaid expansion, Christmas bonuses) were not incremental uses of cash. Total pension trust funding declines from \$19.5b to \$2.6b, 87% reduction. FY20 pension trust funding decreased from \$1.3b to \$175m

The creditors perceived increase in cash balances since January 2020 is primarily due to federal CARES Act funding



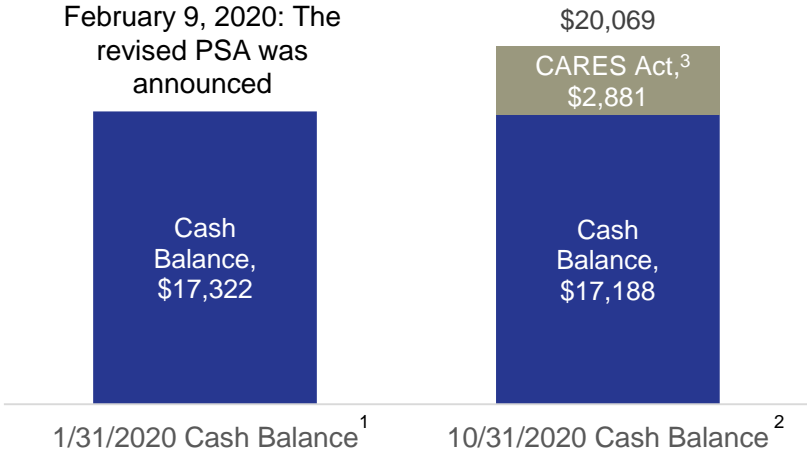
Key considerations

- The creditor mediation presentation indicates the cash balance as of October 30, 2020 is \$2.7 billion higher than when the revised PSA was announced
- However, the increase in cash balance is largely due to the inclusion of \$2.9 billion of CARES Act federal funds
- Excluding the CARES Act federal funds, the current cash balance is slightly lower than the balance as of 1/31/2020
- These cash balances differ slightly from the cash position reported by the Oversight Board because the Oversight Board's definition of cash includes cash equivalents and the cash balance for all governmental entities, not just those in the executive branch



AAFAP reported cash balance

(\$ in millions)



1. Summary of Bank Account Balances – Report 1(E). Published January 2020 by AAFAP
 2. Summary of Bank Account Balances – Report 1(E). Published Nov. 30, 2020 by AAFAP
 3. CARES Act funding consists of \$1.286 billion in remaining Coronavirus Relief Funds and \$1.595 billion in Economic Impact Payments for Individuals. \$3.817 billion referenced elsewhere is amount as of June 30, 2020 not October 31, 2020.

The creditor presentation implies cash balance to budget is significantly higher than the top 10 states with the highest debt service-to-own-source revenue

- The creditor presentation compared Puerto Rico to 10 other states and implied its cash to budget ratio was significantly higher than others, but the numbers in the numerator and denominator for Puerto Rico are different than the other states, so a few adjustments are needed to compare the data
- The comparison of Puerto Rico to other states shown by the Creditors should be corrected to reduce cash or increase the budget amount:
 - The \$24 billion cash shown in the creditor presentation includes funds from public corporations with their own fiscal plans so the budget figure used must also include those entities. The \$22 billion budget figures shown in the creditor presentation, however, excluded the budgets for those entities, specifically: PREPA, PRASA, UPR, HTA, PRIDCO, CRIM, COSSEC and COFINA
 - Also the cash balance 'as of date' for other states was June 2019, which does not include CARES Act funding. Puerto Rico's cash balance used, however, is as of June 2020, and therefore includes the CARES Act funds
 - After normalizing the data, Puerto Rico's cash balance to budget ratio is 40% - 48%, close to the 42% average shown in the creditor presentation

Normalizing adjustments to creditor metrics

(\$ in millions)

	Creditors	FOMB	
		Consolidated PR	Central Gov't
Consolidated Budget	\$22,229	\$28,078	\$22,792
Cash	\$24,078	\$24,740	\$24,740
Less: CARES		(3,817)	(3,817)
Less: Creditor Cash Consideration		(5,984)	(5,984)
Less: DC Employee Contribution		(1,500)	(1,500)
Less: Cash from entities with own FP		-	(4,235)
Adjusted Cash		\$13,439	\$9,204
Adj. cash balance to budget	108%	48%	40%

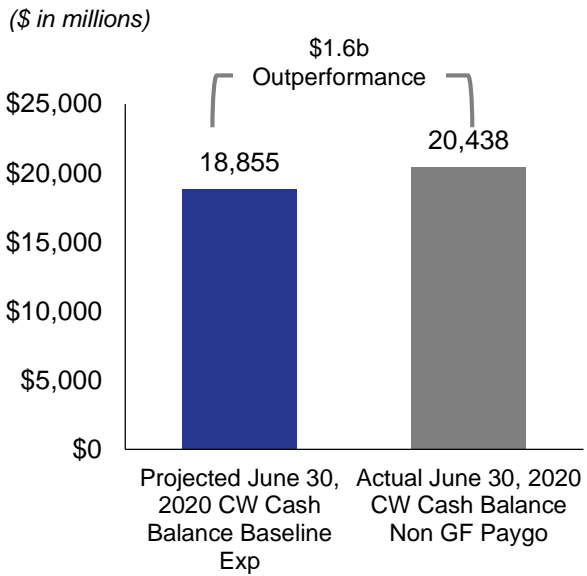
General Fund ("GF")	\$10,045
Federal Funds ("FF")	8,897
Special Revenue Funds ("SRF")	3,286
Central Government (including PayGo)	\$22,229
PREPA	\$2,871
PRASA	1,075
UPR (excludes GF)	650
HTA (excludes GF)	581
PRIDCO	67
CRIM	30
COSSEC	11
COFINA	1
Instrumentalities	\$5,286
Emergency Reserve Replenishment	\$536
Garcia-Garcia Settlement	28
Special Resolution Items	\$564
Total public sector spending	\$28,078

Note: The Oversight Board's starting balance of \$24,740m is higher than \$24,075m used in the creditor presentation and the October 2020 public board meeting because it includes amounts for ERS (\$709m), Dept of Housing (\$5m), and HFA (\$18m) and other adjustments resulting in a reduction of \$67m. The ERS balance comes from employee defined contribution retirement custody account amounts transferred to ERS pursuant to Act 106-2017.

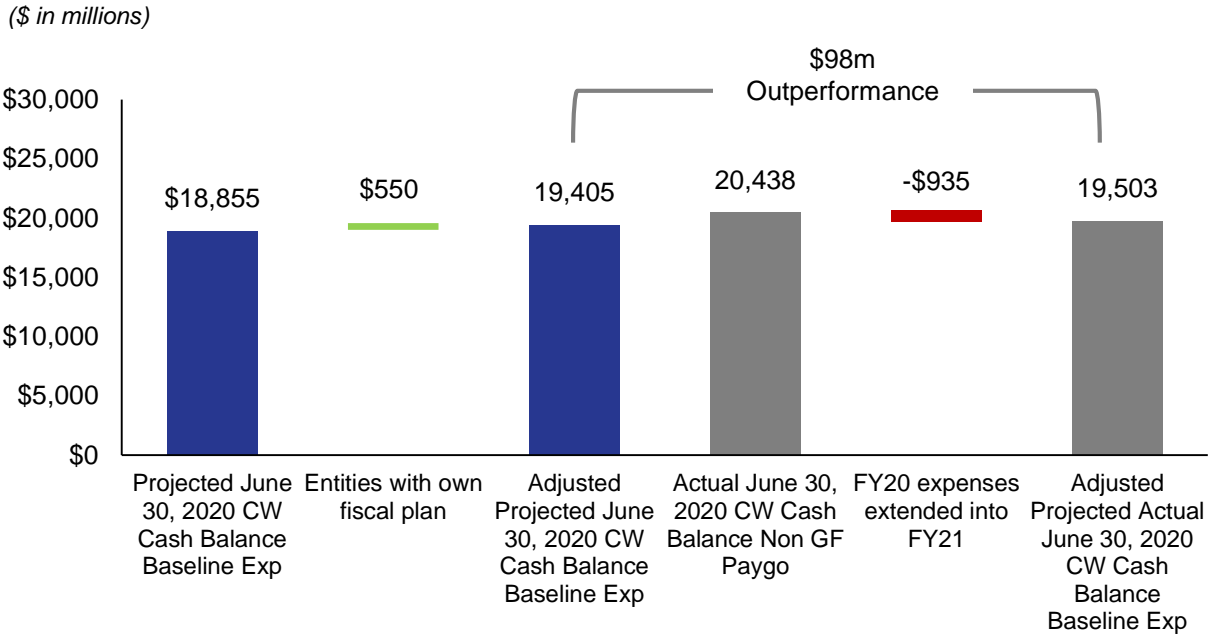
While there might be some outperformance from FY2020 on cash basis, it is likely smaller than what was presented in the creditor presentation

- The creditor mediation presentation states there is a \$1.6 billion cash outperformance from the Projected 6/30/2020 cash balance as compared to the actual cash performance
 - To calculate that value, the creditor mediation presentation starts with a June 2018 governmental cash balance of \$9.498 billion and adds several fiscal plan surpluses to arrive at the projected June 2020 cash value of \$18.855 billion
 - The surplus values used in the creditor mediation presentation, however, does not include surpluses generated by entities with their own fiscal plans or account for FY20 budgeted expenses extended into FY21
 - The 6/30/2020 actual cash balance includes the balances of those entities with their own fiscal plan, however, the projected 6/30/2020 cash balance being compared against does not
- By making those adjustments, the projected cash outperformance is estimated to be approximately \$98 million. This figure is derived by adjusting for:
 - \$550 million of cash surpluses from entities with separate fiscal plans not included in the Oversight Board's projected amounts for FY19 and FY20
 - Approximately \$935 million of FY20 budgeted expenses are extended into FY21

Creditors Presentation (p. 10)



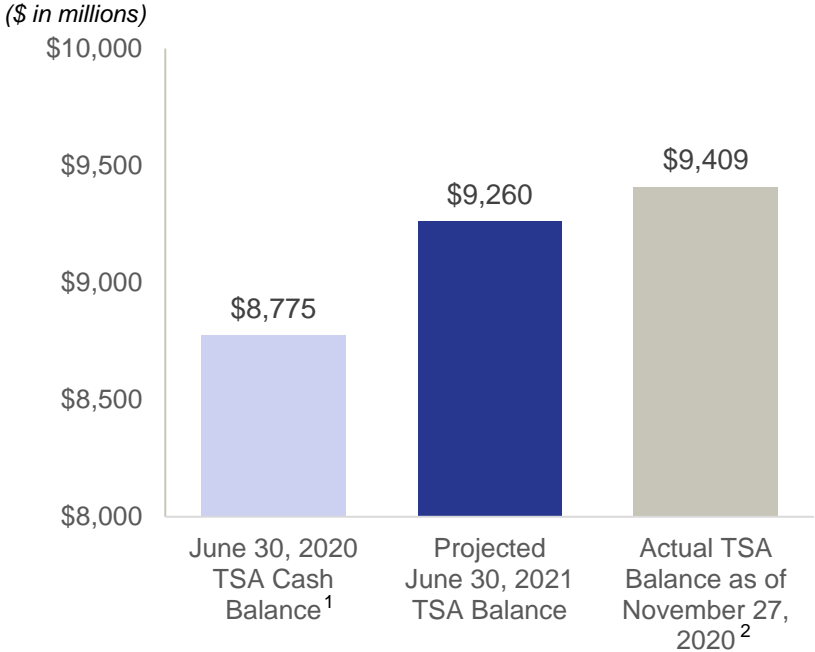
Adjusted cash balance performance



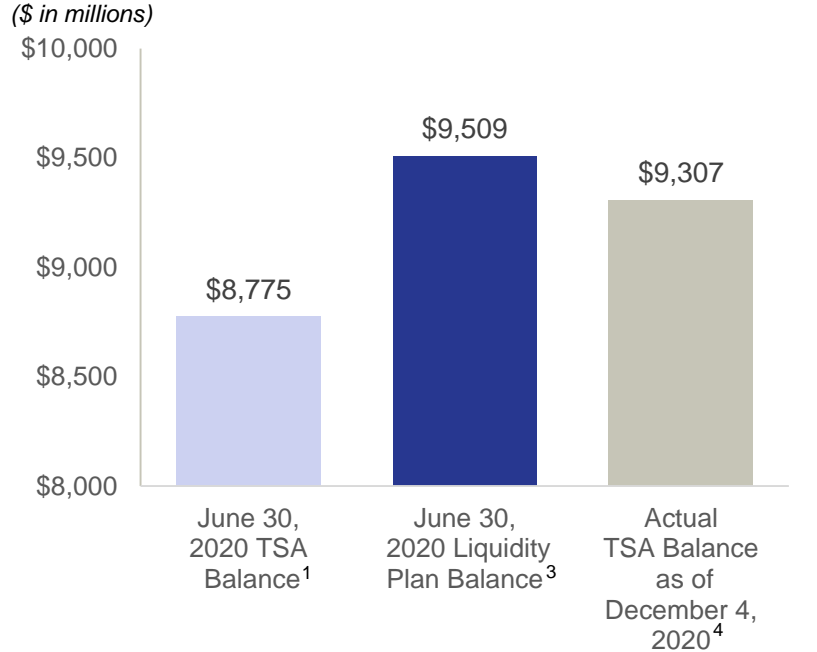
Creditor statement that actual cash collections are greatly outperforming the TSA forecast is overstated because FY21 TSA forecast is understated

- The creditor presentation cites a current projected ending FY21 TSA balance of \$9.26 billion, but shows a current actual cash balance in the TSA as of November 21, 2020 of \$9.409 billion.¹ Therefore, the creditor presentation states that actual cash collections are greatly outperforming the TSA forecast
- However, the Liquidity Plan projects FY21 cash to be \$9.5 billion, which exceeds the TSA balance of \$9.3 billion on December 4, 2020.
- Due to the ongoing COVID-19 pandemic and high concentration of revenues collected in Q4, it is difficult to estimate FY21 revenue outperformance
 - Furthermore, the cash receipts do not include tax refund accruals

Creditor Projected Cash Balance (p. 11)



Adjusted Projected Cash Balance



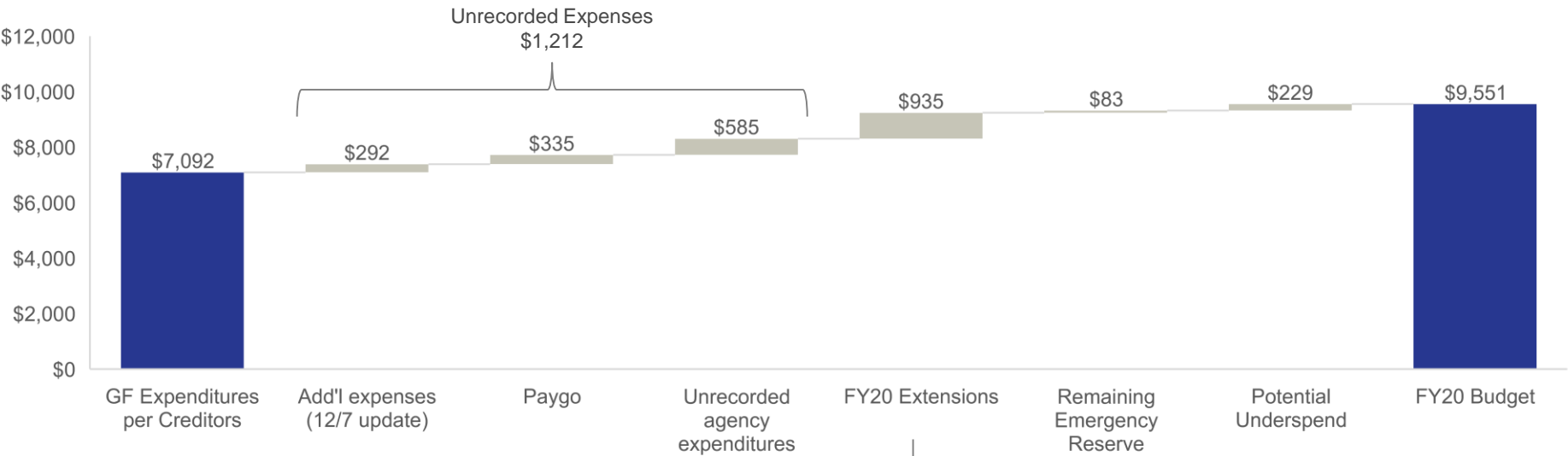
1. Includes TSA sweep account balance of \$1,074 million as of June 30, 2020.
 2. Includes TSA sweep account balance of \$83 million as of November 27, 2020.
 3. Per Liquidity Plan numbers.
 4. Includes TSA sweep account balance of \$72 million as of December 4, 2020.

FY20 General Fund budget expenditures are significantly higher than currently reported

- The perceived underspending in FY20, which makes it seem like surpluses are very large and forecasts are inaccurate, is not accurate because:
 - There are approximately \$1.2 billion in unrecorded expenses due to a delay in governmental reporting those costs
 - There is a rollover of approximately \$935 million in FY20 costs that are available to spend in FY21
- In total, the Oversight Board's currently believes there could be a small amount of underspending from FY20 (approximately \$229 million), which is still subject to due diligence. This seems reasonable given the impact COVID-19 has had on certain expense categories

Reconciliation between reported FY20 expenses and FY20 budget

(\$ in millions)



Updated FY20 file provided by AAFAF has higher expenditures

Paygo is not fully recorded in the PRIFAS system

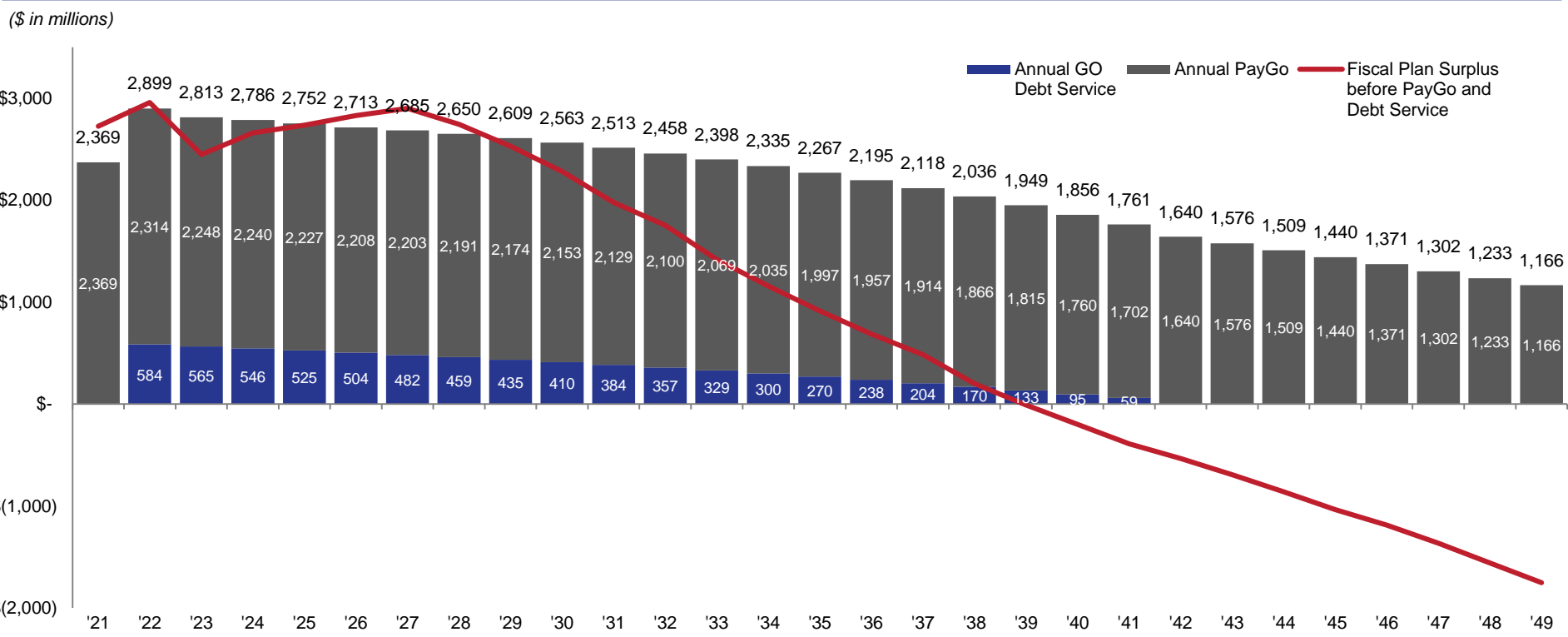
- ASES - \$378m
- COVID-19 Emergency Measures - \$134m
- Repayment of Fed Funds at GDB - \$76m
- Hacienda & DOH People Soft - \$41m
- Dept. of Edu. Corrected Exp. - (\$43m)
- Total Unrecorded Disbursements: \$585m**

- Capex Extensions: \$462m
- Other Operating Extensions:
 - COVID-19: \$192m
 - Other: \$136m
- Utilities Reserve: \$17m
- UPR Scholarship: \$38m
- ASES FY21 transfer: \$89m
- Total Extension: \$935m**

Fiscal plan surpluses before Debt Service and PayGo are projected to fund 96% of total Debt Service, but only 51% of PayGo obligations

- The fiscal plan forecasts deficits will reemerge in the future. Outperformance or further actions will be required to close those deficits
- By the time deficits emerge, under the current October 2020 proposal, a significant deleveraging will have occurred and bonded creditors newly restructured Commonwealth issued debt will have already been mostly paid off, although COFINA debt service remains
 - By 2030, there will only be \$2 billion of Commonwealth issued debt remaining, but there will still be a \$27 billion pension liability remaining
- The pension trust was an important mechanism to offset that situation, but, under the new proposal the pension trust goes mostly unfunded

Debt and pension treatment in February 2020 Plan of Adjustment relative to October 2020 offer



Appendix

Reconciliation of Government reporting as of June 30, 2020

Below is a reconciliation of differences in Government reporting of accounts held by the instrumentalities of the Puerto Rico Government.

(\$ in millions)

Cash Reconciliation	6/30/20 Balance	No. of Accounts
Accounts reported by AAFAF	\$20,438	1,668
Removed ¹	238	(280)
Out of AAFAF Scope ²	1,963	303
Additional Accounts Identified ³	2,101	171
Total FOMB reported Cash	\$24,740	1,862⁴
Reconciling confirmed cash differences ⁵	(72)	-
All Confirmed Cash	\$24,668	1,862⁴
Non-Title III Entities ⁶	(7,546)	(1,330)
Total Title III Accounts⁶	\$17,121⁷	532

1. This adjustment removes accounts that were consolidated or eliminated during the analysis period, or duplicates included within the AAFAF reporting.

2. These differences are attributable to the exclusion of specific agencies from AAFAF's scope, as noted in their monthly Summary of Bank Account Balances reports.

3. These differences relate to additional accounts identified at agencies reported on by AAFAF.

4. The number of accounts represents the entire population of known accounts, including accounts for which financial institution support may not have been provided to substantiate cash balances.

5. This item is due to accounts for which financial institution support has not been provided and balance confirmations are still pending review.

6. Classification of Public Corporations and Non-Title III Entities is subject to legal review and is ongoing.

7. Commonwealth agencies make up approximately \$15,888 million of the total \$17,1 million. Variances in the totals above are attributable to rounding.

Disclaimer: Amounts included throughout the presentation are subject to material modification based on the receipt of additional information and review by legal counsel.

Legally restricted cash accounts review for Commonwealth agencies

(\$ in millions)

Legally Restricted Accounts at the Commonwealth and the Commonwealth Agencies						
#	ID ¹	Account Holder	6/30/2020 Balance	Legal Restriction	Account Description	Restriction Basis
1	Six TSA accts	Department of Treasury	\$76	Federal Funds	Federal funds portion of the TSA accounts with pooled funds ²	Funds provided by federal government for designated uses
			\$76	Total Restricted: Federal Funds – TSA		
2	106/BCP-22-8701	Public Housing Administration	145	Federal Funds	Account designated to receive funds from U.S. Department of Housing and Urban Development (“HUD”) for low income public housing program	Funds provided by U.S. HUD for low income public housing program use
3	106/BCP-15-9001	Public Housing Administration	99	Federal Funds	Account designated to receive funds from HUD for low income public housing program	Funds provided by U.S. HUD for low income public housing program use
4	25/BCP-23-6373	Department of Treasury	92	Federal Funds	Account holding state cost share for Federal Emergency Management Agency (“FEMA”) disaster assistance and federal transfers from FEMA	Funds provided by FEMA for disaster relief use
5	106/BCP-07-3485	Public Housing Administration	44	Federal Funds	Account designated to receive funds from HUD for low income public housing program	Funds provided by U.S. HUD for low income public housing program use
6	106/BCP-20-8418	Public Housing Administration	30	Federal Funds	Account designated to receive funds from HUD for low income public housing program	Funds provided by U.S. HUD for low income public housing program use
7	106/FIR-04-2719	Public Housing Administration	27	Federal Funds	Account designated to receive funds from HUD for low income public housing program	Funds provided by U.S. HUD for low income public housing program use
8	106/BCP-06-6445	Public Housing Administration	19	Federal Funds	Account designated to receive funds from HUD for low income public housing program	Funds provided by U.S. HUD for low income public housing program use
9	106/BCP-03-6402	Public Housing Administration	18	Federal Funds	Account designated to receive funds from HUD for low income public housing program	Funds provided by U.S. HUD for low income public housing program use
10	106/BCP-221-0023	Public Housing Administration	15	Federal Funds	Account designated to receive funds from HUD for low income public housing program	Funds provided by U.S. HUD for low income public housing program use
11	106/BCP-220-0022	Public Housing Administration	10	Federal Funds	Account designated to receive funds from HUD for low income public housing program	Funds provided by U.S. HUD for low income public housing program use
12	106/BCP-30-1762	Public Housing Administration	9	Federal Funds	Account designated to receive funds from HUD for low income public housing program	Funds provided by U.S. HUD for low income public housing program use
13	106/BCP-28-0898	Public Housing Administration	8	Federal Funds	Account designated to receive funds from HUD for low income public housing program per correspondence with HUD	Funds provided by U.S. HUD for low income public housing program use
			\$517	Total Restricted: Federal Funds (excluding in TSA accounts)		

Notes:

1. “ID” is a unique identifier used by the Board advisors to identify a specific bank account. The last four digits of ID (e.g., 5875 in “24/BCP-66-5875”) represent the last four digits of the bank account number. The full ID is provided here in order to distinguish multiple accounts that may have the same last four digits of the account numbers at the same bank by the same account holder.
2. This represents the amount of federal funds retained at the TSA as of the quarter-end date before the funds are disbursed to the intermediate or ultimate beneficiary. As of June 30, 2019, there was approximately \$177 million of federal funds in the TSA, comprised of \$72 million Medicaid funding and \$105 million Federal Emergency Management Agency and disaster relief funding. As of June 30, 2020, there was approximately \$76 million of federal funds in the TSA, comprised entirely of Medicaid funding, per review by Conway McKenzie.

Legally restricted cash accounts review for Commonwealth agencies

(\$ in millions)

Legally Restricted Accounts at the Commonwealth and the Commonwealth Agencies						
#	ID ¹	Account Holder	6/30/2020 Balance	Legal Restriction	Account Description	Restriction Basis
14	67/UST-01-5091	Department of Labor and Human Resources	\$467	Federal Law	Account holding unemployment funds in accordance with Section 904 of the Social Security Act (42 U.S.C. 1104), which established within the U.S. Treasury a trust fund known as the "Unemployment Trust Fund"	Funds governed by federal law (Section 904 of the Social Security Act, 42 U.S.C. § 1104) to be used only for designated purposes (i.e., payment of unemployment compensation)
15	121/BCP-02-5238	911 Emergency System Bureau	27	Federal Law	Account holding funds to be used for 911 emergency services in accordance with the New and Emerging Technologies 911 Improvement Act of 2008, Pub. L. No. 110-283, which requires that 911 fees be "used in support of 911 and enhanced 911 services, or enhancements of such services, as specified in the provision of State or local law adopting the fee or charge"	Funds governed by federal law (Pub. L. No. 110-283) to be used only for designated purposes (i.e., in support of 911 and enhanced 911 services)
			\$494	Total Restricted: Federal Law		
16	10/CIT-01-1014	Office of Court Administration	100	Third Party	Custodial account holding funds deposited by parties in legal cases. Act 69-1991 provides authority for the Office of Court Administration ("OCA") to hold under custody third-party funds until the custody owner is determined	Funds deposited by parties in active legal cases to be held under custody by the OCA until resolution
17	124/BCP-01-5372	Child Support Administration	94	Third Party	Account holding collection of child support and alimony payments. Article 22-A of Act No. 5 of 1986, as amended, provides the Administrator of the Administration for Child Support may collect, receive, endorse, deposit and distribute the amount of child support payments to participants	Funds to be provided to child support or alimony recipients
18	10/BSA-03-0088	Office of Court Administration	70	Third Party	Custodial account holding funds in dispute in legal cases	Funds deposited by parties in active legal cases to be held under custody by the OCA until resolution
19	10/BSA-01-0045	Office of Court Administration	60	Third Party	Custodial account holding funds in dispute in legal cases	Funds deposited by parties in active legal cases to be held under custody by the OCA until resolution
20	10/BSA-07-4105	Office of Court Administration	15	Third Party	Custodial account holding funds in dispute in legal cases	Funds deposited by parties in active legal cases to be held under custody by the OCA until resolution

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Legally restricted cash accounts review for Commonwealth agencies

(\$ in millions)

Legally Restricted Accounts at the Commonwealth and the Commonwealth Agencies						
#	ID ¹	Account Holder	6/30/2020 Balance	Legal Restriction	Account Description	Restriction Basis
21	10/BSA-102-0089	Office of Court Administration	\$14	Third Party	Custodial account holding funds deposited by parties in legal cases	Funds deposited by parties in active legal cases to be held under custody by the OCA until resolution
22	10/BSA-02-0053	Office of Court Administration	12	Third Party	Custodial account holding funds in dispute in legal cases	Funds deposited by parties in active legal cases to be held under custody by the OCA until resolution
23	67/BCP-09-2645	Department of Labor and Human Resources	8	Third Party	Custodial account holding funds deposited by employer parties in mediation with employees	Funds deposited by parties in mediation proceedings until resolution
24	10/BSA-16-0026	Office of Court Administration	8	Third Party	Custodial account holding funds in dispute in legal cases	Funds deposited by parties in active legal cases to be held under custody by the OCA until resolution
25	10/BSA-20-0086	Office of Court Administration	8	Third Party	Custodial account holding funds in dispute in legal cases	Funds deposited by parties in active legal cases to be held under custody by the OCA until resolution
26	24/BCP-44-6935	Department of Treasury	8	Third Party	Account holding individual employee contributions for the new Defined Contribution Plan pursuant to Act 106-2017 until a private plan administrator is retained	Funds deposited by individual employees for contributions to a defined contribution plan
27	10/BSA-62-0052	Office of Court Administration	7	Third Party	Custodial account holding funds in dispute in legal cases	Funds deposited by parties in active legal cases to be held under custody by the OCA until resolution
			\$403	Total Restricted: Third Party Funds		
28	106/USB-16-8004	Public Housing Administration	18	Third Party Contract	Account holding funds subject to a security interest for bonds issued by Public Housing Administration and Housing Finance Authority	Funds held by the trustee for Public Housing Administration bonds subject to a security interest per bond resolution
29	106/USB-04-7003	Public Housing Administration	17	Third Party Contract	Account holding funds subject to a security interest for bonds issued by Public Housing Administration and Housing Finance Authority	Funds held by the trustee for Public Housing Administration bonds subject to a security interest per bond resolution
30	106/USB-02-7001	Public Housing Administration	8	Third Party Contract	Account holding funds subject to a security interest for bonds issued by Public Housing Administration and Housing Finance Authority	Funds held by the trustee for Public Housing Administration bonds subject to a security interest per bond resolution

1. "ID" is a unique identifier used by the Board advisors to identify a specific bank account. The last four digits of ID (e.g., 5875 in "24/BCP-66-5875) represent the last four digits of the bank account number. The full ID is provided here in order to distinguish multiple accounts that may have the same last four digits of the account numbers at the same bank by the same account holder.

Legally restricted cash accounts review for Commonwealth agencies

(\$ in millions)

Legally Restricted Accounts at the Commonwealth and the Commonwealth Agencies						
#	ID ¹	Account Holder	6/30/2020 Balance	Legal Restriction	Account Description	Restriction Basis
31	106/USB-15-8002	Public Housing Administration	\$7	Third Party Contract	Account holding funds subject to a security interest for bonds issued by Public Housing Administration and Housing Finance Authority	Funds held by the trustee for Public Housing Administration bonds subject to a security interest per the bond resolution
			\$50	Total Restricted: Third Party Contract		
32	24/BCP-62-9010	Department of Treasury	34	Bond Funds	Account holding proceeds from the Commonwealth's tax-exempt Public Improvement Refunds Bonds. In order to qualify for the tax-exemption status, the use of proceeds is limited by the Internal Revenue Code	Bond proceeds' use limited by federal tax law for tax exemption status of the issued bonds
			\$34	Total Restricted: Bond Funds		
33	24/BCP-13-9520	Department of Treasury	22	Court Order	Account holding funds in compliance with a federal court order dated September 1, 2016 in civil case no. 79-2004 to be used to benefit inmates in Puerto Rico's correctional system	Funds use limited by federal court order
			\$22	Total Restricted: Court Order		
			\$1,596	Total Restricted Cash at Commonwealth and Agencies Reviewed based on the June 30, 2020 Balances		
34		Department of Treasury ²	3,817	Federal Funds	Accounts opened in April 2020 to receive funds for COVID-19 uses: \$1,656m – CARES Act; \$2,162m for designated uses – Economic Impact Payments	Funds provided by federal government
			\$5,413	Total Restricted Cash at Commonwealth and Agencies Reviewed based on the June 30, 2020 Balances including COVID-Related Funds		

1. "ID" is a unique identifier used by the Board advisors to identify a specific bank account. The last four digits of ID (e.g., 5875 in "24/BCP-66-5875") represent the last four digits of the bank account number. The full ID is provided here in order to distinguish multiple accounts that may have the same last four digits of the account numbers at the same bank by the same account holder.

2. As of September 30, 2020, these accounts held \$1,354m for CARES Act (\$302m decrease) and \$1,621m for Economic Impact Payments (\$541m decrease)

Examples of accounts deemed unrestricted

(\$ in millions)

Example of Accounts deemed Unrestricted at the Commonwealth and the Commonwealth Agencies

#	ID ¹	Account Holder	6/30/2020 Balance	Account Description
1	67/BCP-31-0308	Puerto Rico Department of Labor and Human Resources	\$136	According to the account statement, this account is for the "Dept. Trabajo FOT" which is the acronym for "Fondo para el Fomento de Oportunidades de Trabajo" or "Employment and Training Opportunities Development Fund." 29 L.P.R.A. § 711c created such Fund. Act 74-1956, as amended, levies a special tax on private employers equal to 1% of the taxable wages paid by such employer. 85% of such special tax must be covered into the Employment Opportunities Development Fund 29 L.P.R.A. §708h.
2	10/FIR-01-9562	Office of Court Administration	62	Act 286-2002 establishes the Judiciary's budgetary formula for its operational expenses. Notwithstanding the foregoing, this restriction is preempted by Title II of PROMESA.
3	67/NTR-02-3563	Puerto Rico Department of Labor and Human Resources	21	Act 139-1968, as amended, established the Disability Benefits Fund to compensate workers for loss of wages suffered as a result of events unrelated to employment. The Fund includes all contributions, interest and penalties collected pursuant to the provisions in the statute; all interest accrued on the investments of the Fund; all property or collateral in lieu of contributions, among others. See 11 L.P.R.A. § 210.
4	289/BCP-02-3056	Public Service Regulatory Board - Energy Commission	21	Act 17-2019 orders the Secretary of the Puerto Rico Department of Treasury (Department) to create the Energy Bureau Restricted Special Fund to deposit all funds collected by virtue of Article 6.16 of Act 17-2019, which are to be used exclusively to pay the Bureau's operating expenses.
5	10/BSA-100-0974	Office of Court Administration	10	Account holder claims a restriction to the funds held in this account based on Act 69-1991, as amended. Act 69-1991, as amended, and the "Regulation of the Judicial Branch for the Management of Funds and Interests" provide authority to the Judicial Branch to establish different bank accounts whereby the financial institution should deposit the interests accrued over the deposits held by the Judicial Branch at such financial institution. The legal team further inquired regarding the source of funds in this account and determined that this account holds funds appropriated from the Commonwealth. Therefore, the Act 69 basis for this account is preempted and the funds are determined unrestricted.

1. "ID" is a unique identifier used by the Board advisors to identify a specific bank account. The last four digits of ID (e.g., 5875 in "24/BCP-66-5875") represent the last four digits of the bank account number. The full ID is provided here in order to distinguish multiple accounts that may have the same last four digits of the account numbers at the same bank by the same account holder.

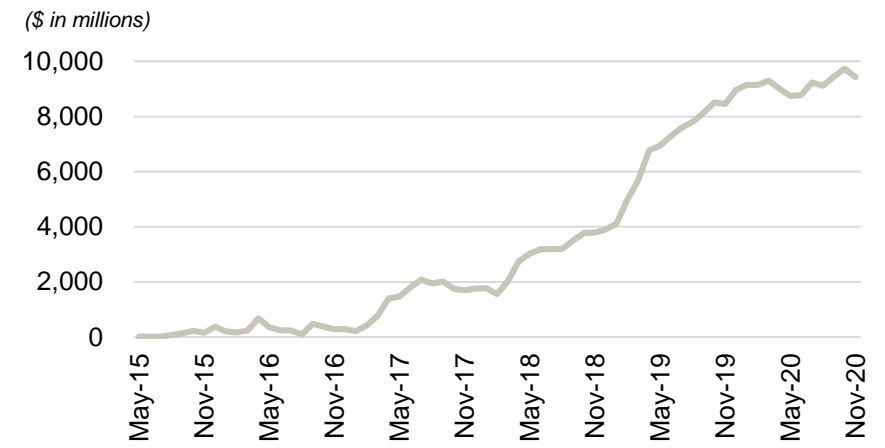
The Government's historical cash practices cannot be forgotten and should not be repeated in the future

Key considerations

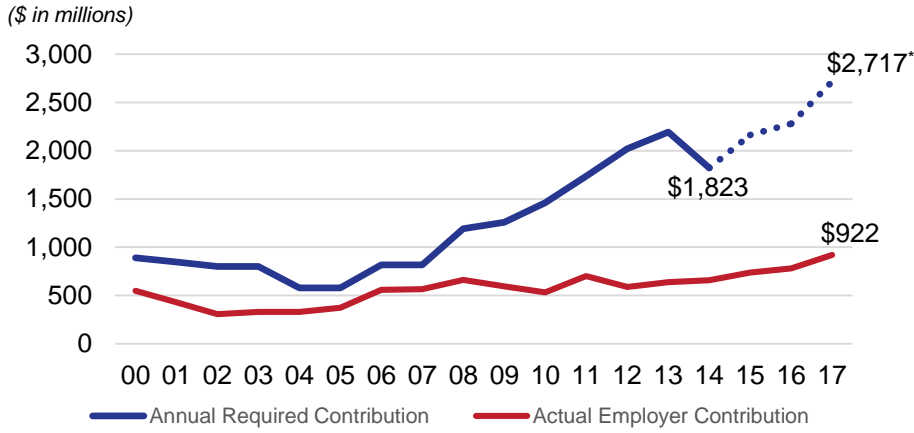
- Prior to PROMESA, the Commonwealth experienced a decade of economic decline and fiscal deficits that resulted in insolvency, loss of access to the capital markets and an inability to meet its long-term obligations
- The Government resorted to many unsustainable measures to sustain its precarious financial situation and preserve liquidity:
 - Issuing long term debt to cover annual operating deficits or to improve the funding of pension plans
 - Underfunding of the pension systems by not making the required employer contributions, which resulted in the full depletion of pension assets
 - Co-mingling employee retirement contributions with operating cash
 - Borrowing \$400 million in emergency loans that were never repaid, impacting lender balance sheets
 - Delaying payments to vendors (doubling days outstanding) and retaining income tax refunds owed to taxpayers
 - Withholding appropriations to governmental entities such as UPR, HTA, GDB, PBA and PRIDCO



AAFAF Reported Treasury Single Account Cash Balance (May 2015 – Nov 2020)



Employees Retirement System Historical Annual Required Contributions



*In 2015 the systems began reporting under GASB 67, which did not require calculations of the ARC if the contributions were made on a statutory basis. Thus, the system actuaries no longer computed the ARC for the pension benefits. ARCs after 2014 have been estimated based on the Total Pension Liability, Fiduciary Net Position and Service Costs disclosed in the GASB 67 valuation reports.

Pew and GFOA guidelines applied to Puerto Rico result in a suggested minimum cash balance range of \$1.2 billion to \$1.7 billion

- Research indicates that Puerto Rico should maintain between 45 and 60 days of General Fund expenditures (\$1,240 million to \$1,650 million) in unrestricted minimum cash balances

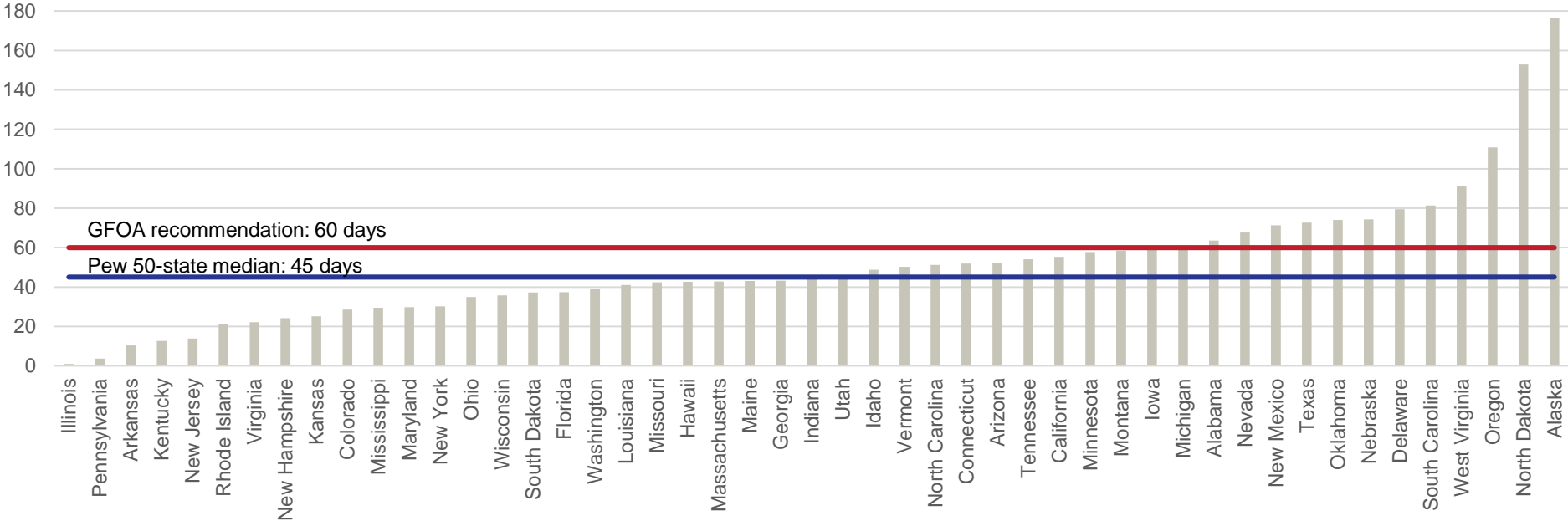
Puerto Rico’s total balance across different day requirements based on General Fund budgeted expense for FY21.¹

Percentage	8%	11%	12%	14%	15%	16%	19%
Days	30	40	45	50	55	60	70
Total (in \$ millions)	\$826	\$1,101	\$1,240	\$1,376	\$1,514	\$1,650	\$1,926

Pew Median

GFOA

50-State Median FY20 Total Balance²



1. Reserve requirement is based on FY21 General Fund budget for payroll, non-personnel, and PayGo, totaling \$10,045 million
 2. Source: [Estimated FY20 Fund Balance](#), October 2020. Excludes Wyoming due to the disproportionately high reserves of 353 days.

Government Finance Officers Association (GFOA) best practice

The GFOA recommends an unrestricted fund balance of no less than two months, depending on the level of risk exposure and level of resilience, revenue diversification, and predictability.

“ The adequacy of unrestricted fund balance in the general fund should take into account each government’s own unique circumstances... Governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants may need to maintain a higher level in the unrestricted fund balance... GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of **no less than two months** of regular general fund operating revenues or regular general fund operating expenditures. ”

The Government estimates its minimum cash balance need is approximately \$1.8 billion, excluding the disaster aid and LUMA transaction cash needs

- The Government took several approaches to triangulate potential minimum cash balance needs
- The months on hand assumptions were determined based on criticality of the payment and funding source
 - For example, payroll funded by state collections requires a two month reserve
 - Nutritional assistance (“NAP”) which is a federally funded pass through that requires no reserve
- The Government's approach is higher because it includes all funds in the TSA, whereas the other approaches largely focus on just the General Fund

Puerto Rico Department of Treasury | AAFAP

FY2021: TSA Cash Flow Minimum Cash Analysis

\$ in mm

Minimum Cash Analysis

Description	Funding source	Adjustments		Adjusted Months on hand	Reserve
		FY2021 Liquidity Plan	Prior Year Carryover		
Non-FF Payroll	State collections	\$ 2,889		2	\$ 481
FF Payroll	Fed Funds	608		1	51
Non-FF vendor disb	State collections	2,570	(44)	1	211
FF vendor disb	Fed Funds	2,344		1	195
Non-FF appropriations	State collections	2,226	(42)	1	182
FF appropriations	Fed Funds	3,430	(584)	0	-
Pension benefits - Central Govt.	State collections	2,071		2	345
Pension benefits - Public Corp / Munis	Paygo charge	539		4	180
Tax refunds	State collections	951		1	79
NAP	Fed Funds	1,998		0	-
Title III	State collections	88		1	7
State Cost Share	State collections	213		1	18
Other Budgetary Transfers	State collections	390		1	33
Total		\$ 20,315	\$ (670)	\$ 19,645	\$ 1,781

Source: Commonwealth Minimum Cash Balance Analysis 12/11/2020

Rollout and costing of Disaster Aid Revolver



- The Commonwealth Fiscal Plan projects annual economic impact of disaster aid funds
- The Disaster Aid Revolver will support the on time commencement of these projects

Federal Disaster Recovery Economic Impact

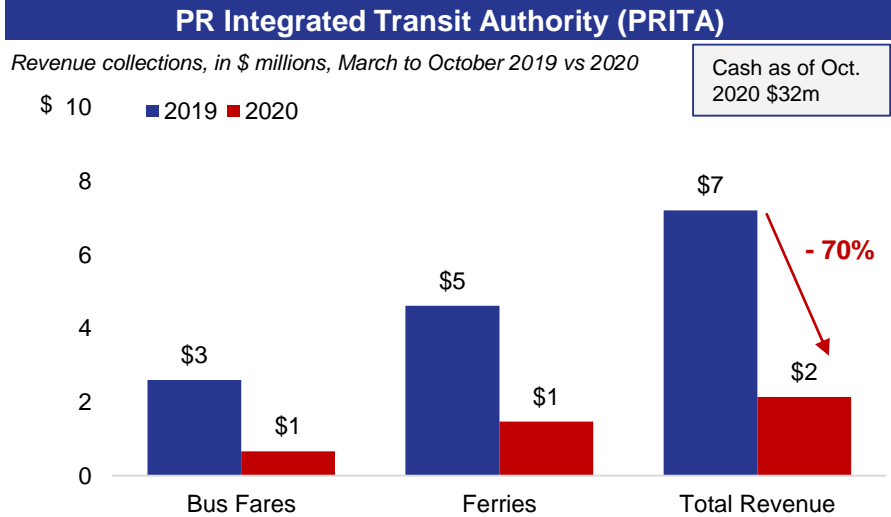
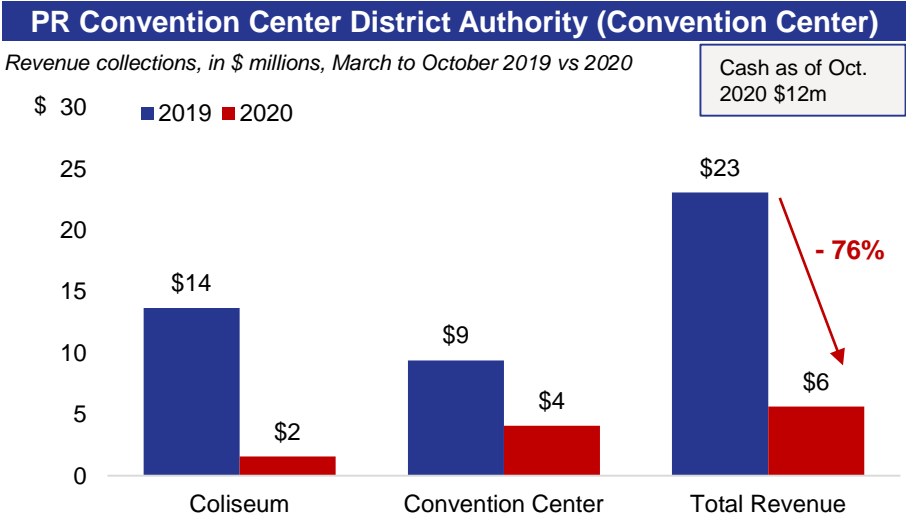
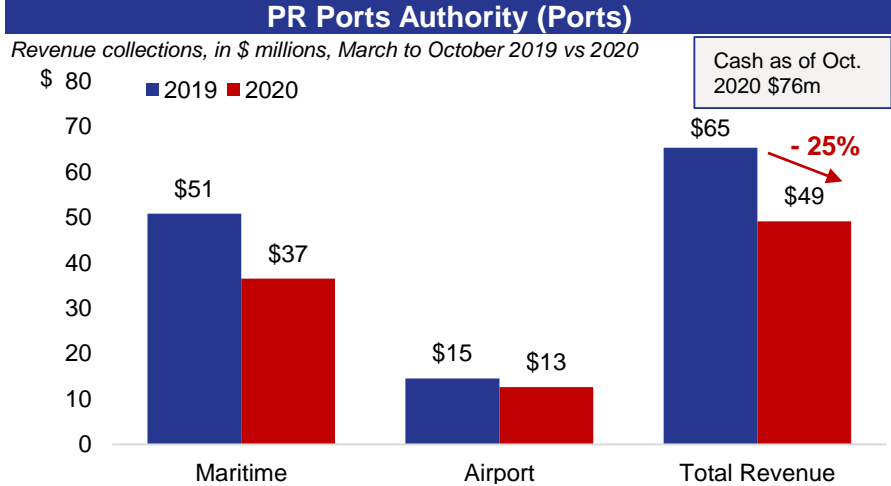
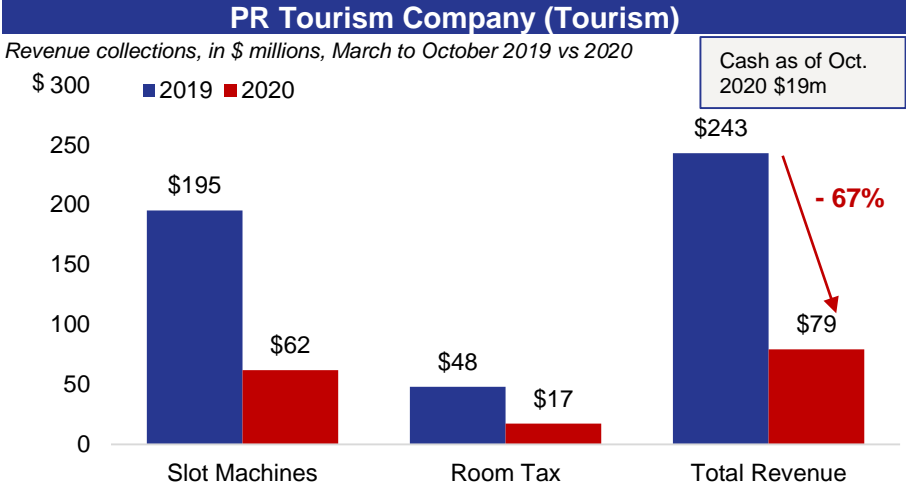
\$ in millions

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	Total
Federal Disaster Recovery Spending														
FEMA Public Assistance	\$851	\$2,452	\$2,899	\$2,899	\$2,899	\$2,899	\$2,899	\$2,899	\$2,594	\$2,441	\$2,136	\$1,984	\$1,804	\$31,659
FEMA Hazard Mitigation	8	276	437	437	437	437	437	437	391	368	322	299	297	4,583
FEMA Mission Assignments (Operations)	163	-	-	-	-	-	-	-	-	-	-	-	-	163
HUD CDBG Funding	88	657	1,549	1,953	2,123	2,123	2,224	2,224	2,224	1,517	1,416	1,213	910	20,223
FEMA Individual Assistance	131	-	-	-	-	-	-	-	-	-	-	-	-	131
Private Insurance	2,104	-	-	-	-	-	-	-	-	-	-	-	-	2,104
Other Federal Funding	894	1,071	868	432	430	384	384	381	381	-	-	-	-	5,223
2020 Earthquakes Disaster Funding	254	202	72	68	-	-	-	-	-	-	-	-	-	595
Total Disaster Recovery Spending	\$4,493	\$4,657	\$5,825	\$5,788	\$5,889	\$5,843	\$5,944	\$5,942	\$5,591	\$4,326	\$3,874	\$3,496	\$3,012	\$64,681
(-) Private Insurance	(\$2,104)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$2,104)
(-) FEMA Mission Assignments (Operations)	(163)	-	-	-	-	-	-	-	-	-	-	-	-	(163)
(-) HUD CDBG Funding	(88)	(657)	(1,549)	(1,953)	(2,123)	(2,123)	(2,224)	(2,224)	(2,224)	(1,517)	(1,416)	(1,213)	(910)	(20,223)
(+) HUD CDBG Cost Match Funds	10	76	180	227	247	247	259	259	259	176	165	141	106	2,350
(-) Cat F- Public Utilities	(12)	(263)	(454)	(454)	(454)	(454)	(454)	(454)	(406)	(382)	(334)	(311)	(282)	(4,714)
(-) FEMA Individual Assistance	(131)	-	-	-	-	-	-	-	-	-	-	-	-	(131)
(-) PREPA CDBG	(8)	(62)	(145)	(183)	(200)	(200)	(209)	(209)	(209)	(143)	(133)	(114)	(86)	(1,900)
Adjusted DRF Spending (ex Local Match)	\$1,997	\$3,752	\$3,857	\$3,425	\$3,359	\$3,313	\$3,315	\$3,313	\$3,010	\$2,461	\$2,155	\$1,999	\$1,839	\$37,796

Source: Commonwealth Fiscal Plan, May 27, 2020

COVID-19 has introduced additional potential cash needs for Public Corporations

- Additional funding to support on-going operations has been requested by Tourism (\$10 million use of prior year cash) and Convention Center (\$12 million fund increase reappropriation). Other entities may request additional support if the impact of COVID-19 continues
- In August and September of 2020, PRITA received approximately \$15 million of Federal COVID-19 relief through the CARES Act



Not all portions of the local funds disbursed would be reimbursable even if the Government wanted to use its limited funds for that purpose

(\$ in millions)

Measure	Description	Budget	Authorized	Reimbursable S&L CARES Act		
				Yes ¹	Partial ¹	No
Emergency Measures Support Package						
Direct Payment to Self-Employed	\$500 one-time cash payment for 200k individuals	\$100	\$94	\$94		
Direct Payment to Small Businesses	\$1.5k one-time cash payment for 40k small businesses	60	60	60		
Bonus for Certain DPS Employees	EMS personnel 581 staff	2	2		0	1
	Police officers: 11,650 front office roles	47	45		27	18
	Firefighters: 1,455 front office roles	5	5		1	4
	Emergency Management: 112 front office roles	0	0		0	0
	9-1-1: 154 front office roles	1	1			1
	Special Investigations Unit: 74 front office roles	0	0		0	0
	Forensics: 220 front office roles	1	1		0	1
	Municipal police: \$4,000 bonus for 3,428 officers	12	11		7	4
Municipal firefighters: \$3,500 bonus for 50 officers	0	0		0	0	
Bonus for Court Staff	Court staff on duty: \$1,000 bonus for 400 officers	1	1			1
Bonus for Hacienda Internal Revenue Agents	\$2,000 bonus for 250 Internal revenue agents on duty	1	0			0
Materials for the Department of Education	Purchase of tablets, software, training for approximately 325,000 individuals @ \$750 each	124	113	113		
Public Safety Investments	\$20M for equipment and capital expenditures	20	17	17		
Support to the Municipalities	\$50M per month for two months based on a 3-tier division of population by municipality	100	100			100
Bonus for Corrections Employees	\$3,500 bonus per front-line Corrections staff	17	15		9	6
HTA	Cost of moratorium on tolls. Loss of outstanding \$3m monthly receipts for 2 months	6	0			0
UPR	To fund COVID-19 related R&D in medical science dept	2	0	0		
Reserve	Will be transferred to 1 st responders & healthcare agencies on as-needed basis	2	2			2
		\$500	\$468	\$284	\$44	\$139
Budget Reapportionments						
Dept of Correctional Health nurses	Up to \$4,000 bonus for 272 public sector nurses	1	1	1		
Dept of Correctional Health non-nurses	Up to \$3,500 bonus per front-line Correctional Health staff (non-nurses)	1	0		0	0
Public sector nurses	Up to \$4,000 bonus for 5,808 public sector nurses	23	16	16		
Private sector nurses	Up to \$3,000 bonus for 24,460 private sector nurses	73	73	73		
Professional services nurses	Up to \$3,500 bonus for 6,460 prof services nurses	23	14	14		
Technicians	Up to \$2,500 bonus for 600 technicians	2	0	0		
Other bonuses	Up to \$1,000 bonus for public sector pharmacists (116), medical technologists (3,779), Residents - MD (605)	5	4	4		
Public hospitals	\$15M per month for two months for medical supplies not directly related to COVID-19	30	25			25
		\$157	\$133	\$107	\$0	\$25
Emergency Reserve usage						
COVID-19 Pandemic	Expenditure from emergency reserve FY19 to FY21	160	73			73
		\$160	\$73	\$0	\$0	\$73
TOTAL		\$817	\$673	\$392	\$44	\$237

Source: COVID-19 Emergency Measures Support Package FY2020 report issued by AAFAF dated 12/11/2020. Agency data. 1. Estimate of potentially reimbursable expenses subject to additional diligence and review. Totals may not foot due to rounding.

Existing benefit reductions and other changes to the pension system already in place show retirees have already had their cash benefits cut

	Impact	ERS	TRS	JRS
Already in Effect	Lack of COLA	<ul style="list-style-type: none"> The lack of COLA since 2007 (other than for JRS) results in a 20% loss of relative purchasing power Based on inflation assumptions in the Fiscal Plan, cumulative losses in purchasing power are expected to total 39% from 2007 to 2037 		
	2013 Reforms	<ul style="list-style-type: none"> Accrued benefits frozen, only get employee funded cash balance Survivorship, disability, merit pension benefit eliminated Retirement age increased 59-61 No bonuses if retire after 7/2013 Reduction of OPEB by \$500 to \$2,000 per year depending on timing of retirement 	<ul style="list-style-type: none"> Survivorship benefit eliminated Bonuses reduced for retirements prior to 8/1/2014 and eliminated after Hires on or after 8/1/2014 transitioned to cash balance benefit Reduction of OPEB by \$500 to \$2,000 per year depending on the timing of retirement 	<ul style="list-style-type: none"> Only cuts to OPEB payments for future retired judges upheld by the PR Supreme Court Reduction of OPEB by \$800 for future retired judges
	Conversion to PayGo	<ul style="list-style-type: none"> Cash balance plan frozen and transitioned to a defined contribution plan 	<ul style="list-style-type: none"> Cash balance plan frozen for post August 1, 2014 hires and transferred to a defined contribution plan 	
Proposed	TRS/JRS Freeze		<ul style="list-style-type: none"> Defined pension benefit accrual frozen Eligibility service frozen, potentially delaying retirement eligibility 	
	8.5% Further Pension Cut	<ul style="list-style-type: none"> 8.5% overall cut on pensioners receiving over \$1,500 per month. Cut impacts approximately 28% of pensioners. 		

Overall due to Act 3-2013 and 106-2017, pension benefits for the average ERS Act 447-1957 Member have already been reduced by ~50% since 2013

Act 447 Members: ~16,000 employees hired before April 1990

- The average Act 447 member when Act 3 was enacted, was social security-eligible, age 54, with 27 years of service and a salary of \$33,106

Impact of Act 3 of 2013:

- Accrued benefits were frozen and the member transitioned to a cash balance plan, which is promised to be paid at retirement via a lifetime annuity
- The survivorship benefit was eliminated, putting spouses and families at risk when the retiree dies
- The disability pension was eliminated, leaving the disabled vulnerable
- The retirement age increased to 59, 60 or 61 based on age as of June 30, 2013
- The merit pension, where a percentage of annual salary in the pension benefit accrual formula increases to a maximum of 75% upon reaching 30 years of service and 55 years of age, was eliminated
- Certain bonuses and medical contributions were eliminated

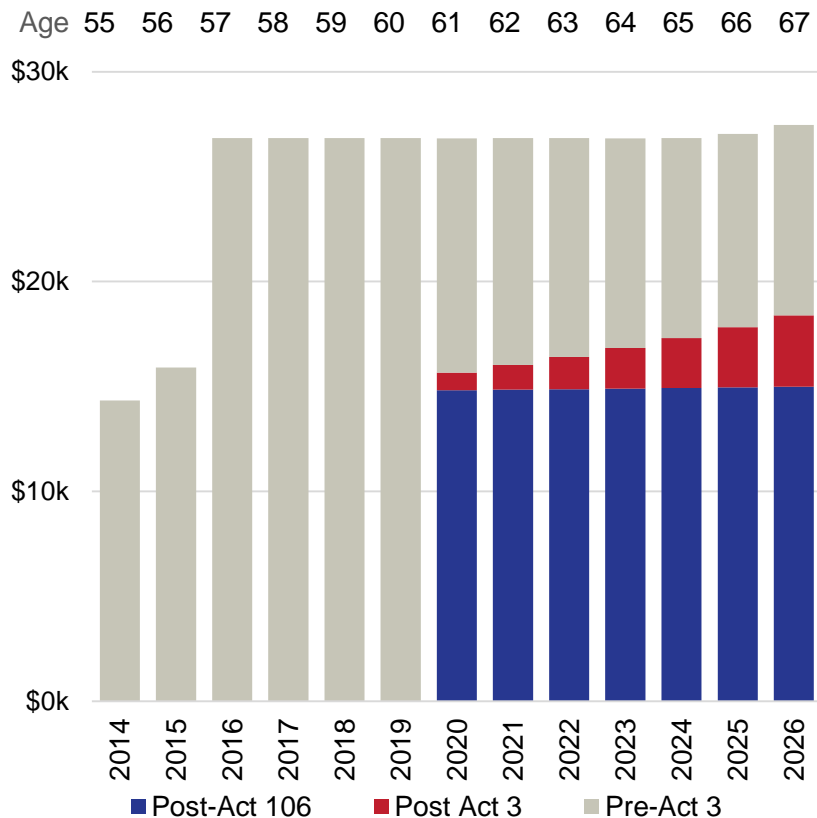
Impact of Act 106 of 2017:

- The cash balance plan was frozen as of June 30, 2017 and members transitioned to the defined contribution plan



Sample Act 447 Member – Cuts since 2013

Retirement age delayed from 55 – 61
Benefit amount reduced by 50%



Accrued pension amount before the retirement age reflects annuitized employee's contributions to the DC plan since July 2017