



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

# Component Unit Liquidity

FOR THE MONTH ENDED MAY 31, 2018

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## **GLOSSARY**

<b>Term</b>	<b>Definition</b>
<b>AAFAF</b>	- Puerto Rico Fiscal Agency and Financial Advisory Authority.
<b>ADEA</b>	- Puerto Rico Agricultural Development Administration, a public corporation and a component unit of the Commonwealth of Puerto Rico.
<b>AMA</b>	- Metropolitan Autobus Authority.
<b>ASEM</b>	- Puerto Rico Medical Services Administration, a public corporation and a component unit of the Commonwealth of Puerto Rico.
<b>ASES</b>	- Puerto Rico Health Insurance Administration, a public corporation and a component unit of the Commonwealth of Puerto Rico.
<b>ATI</b>	- Integrated Transit Authority.
<b>ATM</b>	- Maritime Transportation Authority.
<b>Cardio</b>	- Cardiovascular Center of Puerto Rico and the Caribbean, a public corporation and a component unit of the Commonwealth of Puerto Rico.
<b>CCDA</b>	- Puerto Rico Convention Center District Authority, a public corporation and a component unit of the Commonwealth of Puerto Rico.
<b>Component Unit (CU)</b>	- Public corporation of the Commonwealth of Puerto Rico.
<b>DDEC</b>	- Puerto Rico Department of Economic Development and Commerce, a public corporation and a component unit of the Commonwealth of Puerto Rico.
<b>DTPR, Hacienda</b>	- Puerto Rico Department of Treasury.
<b>DPO (Intragovernment)</b>	- Days Payable Outstanding [Intragovernment Payables divided by FY18 PayGo Charges and Facilities/Rent Payments multiplied by 365].
<b>DPO (Third Party)</b>	- Days Payable Outstanding [Third Party Payables divided by FY18 Operating Disbursements, not including Payroll Costs, PayGo, Christmas Bonus, or Facilities/Rent Payments multiplied by 365].
<b>DSO (Intragovernment)</b>	- Days Sales Outstanding [Intragovernment Receivables divided by FY18 Intragovernmental Receipts multiplied by 365]
<b>DSO (Third Party)</b>	- Days Sales Outstanding [Third Party Receivables divided by FY18 Third Party Receipts multiplied by 365]
<b>FOMB</b>	- Financial Oversight and Management Board of Puerto Rico.
<b>Fondo</b>	- State Insurance Fund Corporation, a public corporation and a component unit of the Commonwealth of Puerto Rico.
<b>General Fund</b>	- The Commonwealth's principal operating fund.
<b>HFA</b>	- Puerto Rico Housing Finance Authority, a public corporation and a component unit of the Commonwealth of Puerto Rico.

<b>HTA</b>	- Puerto Rico Highways and Transportation Authority, a public corporation and a component unit of the Commonwealth of Puerto Rico.
<b>Intergovernmental Receipts</b>	- General fund appropriations to and funds transferred between public corporations and municipalities.
<b>New Insurance Project</b>	- A new business venture for Fondo in which the corporation is partnering with private insurers through a commission-based model to market and sell its products to potential new customers.
<b>Operating Disbursements</b>	- Includes payroll and related costs, material and supplies, purchased services, professional services, donations, subsidies, transportation expenses, media ads, and other operating payments.
<b>Operating Receipts</b>	- Revenues collected from operations.
<b>PayGo Charges</b>	- Puerto Rico pension system that is funded through a pay-as-you-go system pursuant to Act 106-2017. Retirement benefits expenses of covered government employers are paid by the central government and reimbursed by the employers, with such funds received by the TSA.
<b>PBA</b>	- Puerto Rico Public Buildings Authority, a public corporation and a component unit of the Commonwealth of Puerto Rico.
<b>Ports</b>	- Puerto Rico Ports Authority, a public corporation and a component unit of the Commonwealth of Puerto Rico.
<b>Post-hurricane forecast</b>	- Projected cash flows for each component unit, based on a revised outlook considering the effects of the hurricanes.
<b>Pre-hurricane forecast</b>	- Projected cash flows for each component unit, based on their respective approved FY 2018 Budget.
<b>PRITA</b>	- Puerto Rico Integrated Transit Authority, a public corporation and a component unit of the Commonwealth of Puerto Rico.
<b>Tourism</b>	- Puerto Rico Tourism Company, a public corporation and a component unit of the Commonwealth of Puerto Rico.
<b>TSA</b>	- Treasury Single Account, the Commonwealth's main operational bank account (concentration account) in which a majority of receipts from Governmental funds are deposited and from which most expenses are disbursed. TSA receipts include tax collections, charges for services, intergovernmental collections, the proceeds of short and long-term debt issuances and amounts held in custody by the Secretary of the Treasury for the benefit of the Commonwealth's fiduciary funds. A portion of the revenues collected through the TSA corresponds to the General fund. Other revenues include federal funds and special revenues conditionally assigned by law to certain agencies or public corporations that flow through the TSA.
<b>UDH</b>	- Hospital Universitario, a hospital affiliated with UPR and part of the Department of Health.
<b>UPR</b>	- University of Puerto Rico, a public corporation and a component unit of the Commonwealth of Puerto Rico.
<b>VTP</b>	- Voluntary Transition Program, as established by AAFAF Administrative Orders 05-2017, 03-2018, 04-2018, 05-2018, 06-2018.

## INTRODUCTION

AAFAP has been compiling financial information from selected public corporations of the Commonwealth of Puerto Rico that are component units (“CU”) for financial reporting purposes, as part of AAFAP’s evaluation of the liquidity of the Government of Puerto Rico and its public corporations.

This report presents information with respect to 14 select CUs<sup>1</sup>. These CUs prepared their individual liquidity plans at the beginning of the fiscal year based on their approved Fiscal Year 2018 budgets (“pre-hurricane forecast”). The CUs pre-hurricane forecasts were projected weekly through the end of Fiscal Year 2018, and are used as the benchmark by AAFAP against which weekly and monthly results are measured. As a result of material changes stemming from Hurricanes Irma and Maria, certain CUs management teams have updated the liquidity plans through fiscal year-end (“post-hurricane forecast”)<sup>2</sup>. The post-hurricane forecast also accounted for the PayGo Charges to the CUs as these changes were implemented after the beginning of FY2018.

This document presents the actual vs post-hurricane forecast (where applicable) variance analysis for 14 select CUs for the Fiscal Year 2018 through 5/31/18. It also provides information on projected cash for each CU at the end of Fiscal Year 2018, and a comparison to expected ending cash based on post-hurricane forecasts (where applicable). A sources and uses of funds is provided to allow readers to bridge the beginning cash balance as of July 1, 2017 and expected ending cash based on post-hurricane forecasts.

The forecasts contain projections of cash receipts (which include revenues collected from operations; intergovernmental receipts - general fund appropriations and other transfers from Central Government, municipalities and public corporations; disaster relief receipts - federal emergency funds, insurance proceeds related to Hurricanes Irma and Maria; and other federal funds), and cash disbursements (which include operating payments - e.g. payroll and related costs; PayGo charges; purchased services; professional services; transportation expenses; disaster relief disbursements - e.g. expenditures related to the damages caused from Hurricanes Irma and Maria, and capital expenditures).

The CUs are also expected to report monthly headcount figures in order to monitor changes in staff levels and their actual and projected effects on payroll costs. This information is presented in this document where available.

This report also contains pertinent working capital information for the CUs. Where available, the CUs have provided monthly information on Accounts Payable and Accounts Receivable. Figures are unaudited and subject to change.

As an Appendix, the report includes a cash reconciliation between May AAFAP reported figures as per “Summary of Bank Account Balances for the Government of Puerto Rico and its Instrumentalities” report dated May 31, 2018 and the cash figures in this report (as of June 1, 2018).

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<sup>1</sup> This report does not include UPR financial information. While UPR has provided to AAFAP its liquidity plan, the CU has not yet reported actual results. AAFAP is working with UPR management to develop a timeline and reporting milestone plan.

<sup>2</sup> Fondo, HFA, and AAFAP have not prepared post-hurricane forecasts.

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## EXECUTIVE SUMMARY – OPERATING LIQUIDITY

\$M

COMPONENT UNIT	HIGHLIGHTS	FY18 Beg. Balance	ACTUAL 5/31/18	F'CAST <sup>(a)</sup> 6/30/18
PR PORTS AUTHORITY	Cash build YTD due to deferred PayGo charges and Capex this year due to lack of funds.	12.2	16.1	-15.8
MEDICAL SERVICES ADMINISTRATION	Cash burn YTD through advances of GF appropriations. ASEM received \$36.1M in GF appropriations in June to cover additional funding needs.	5.1	3.0	0.8
PR INTEGRATED TRANSIT AUTHORITY	YTD cash build due to payroll reductions and capex deferrals.	7.4	11.8	-5.7
STATE INSURANCE FUND CORPORATION	YTD cash build attributable to higher premium collections and PayGo/vendor deferrals. June cash flow of -\$59.6M due to seasonality and catch up on PayGo and vendor payment deferrals.	37.2	147.2	87.6
HEALTH INSURANCE ADMINISTRATION	YTD cash build reflects increased inflows from Federal Funds and better than expected prescription drug rebates. June cash flow expected to increase due to Federal Fund receipts—no receipts from Central Government forecast.	197.8	285.5	360.4
PR HIGHWAYS & TRANSPORTATION AUTHORITY	YTD cash build due to recently received capex funding from TSA. A portion of deferred capex funds are expected to be disbursed by year end, with remaining unspent funds to be rolled to FY19.	82.1	171.5	160.6
PUBLIC BUILDINGS AUTHORITY	Persistent cash burn has been mitigated by deferral of PayGo contributions and vendor disbursements.	62.4	53.9	33.2
CARDIOVASCULAR CENTER FOR PR & THE CARIBBEAN	Year-end outlook tracking better anticipated due to higher patient activity than expected.	6.8	7.9	9.2
HOUSING FINANCE AUTHORITY	YTD cash burn due to timing of investment purchases and debt service, with modest cash burn forecasted through year end due to lower proceeds from investment activities and lower intergovernmental receipts.	71.1	59.8	58.1
PR TOURISM COMPANY	YTD cash build reflects over performance due to better than expected slot machine and room tax collections.	18.1	39.1	32.6
PR FISCAL AGENCY & FINANCIAL ADVISORY AUTHORITY	YTD cash build due to deferral of professional service payments. Negative cash flow forecast for June due to catch up for professional service payments.	16.1	38.4	22.9
DEPARTMENT OF ECONOMIC DEVELOPMENT & COMMERCE	Temporary increase in cash balance in June expected due to project fund inflows. Funds earmarked to be disbursed during FY19.	10.8	12.6	18.7
PR CONVENTION CENTER DISTRICT AUTHORITY	Cash build during FY18 attributable to increased revenues from the use of CCDA facilities by emergency response teams and government command center following hurricanes.	8.5	9.2	7.4
PR AGRICULTURAL DEVELOPMENT ADMINISTRATION	YTD cash build due to timing of disbursements, largely reflecting impact of hurricane. Expect partial catch up by year end, along with PayGo expenses, to lead to \$13.9M use of cash during June.	43.5	45.5	31.6

■ IN LINE WITH FORECAST

■ BELOW FORECAST OR NEGATIVE CASH BALANCE

■ ABOVE FORECAST

(a) Based on actuals being +/- 5% of forecast

## SUMMARY OF REPORTING BY COMPONENT UNIT

<u>COMPONENT UNIT</u>	<u>Headcount</u>	<u>AR</u>	<u>AR Detail</u>	<u>AP</u>	<u>AP Detail</u>
PUERTO RICO PORTS AUTHORITY	✓	✓	✓	✓	✓
MEDICAL SERVICES ADMINISTRATION	✓	✓	✓	✓	✓
PUERTO RICO INTEGRATED TRANSIT AUTHORITY	✓	N/A	N/A	N/A	N/A
STATE INSURANCE FUND CORPORATION	✓	✓	✓	✓	✓
HEALTH INSURANCE ADMINISTRATION	✓	✓	✓	✓	✓
HIGHWAYS AND TRANSPORTATION AUTHORITY	✓	✓	✓	✓	✓
PUERTO RICO PUBLIC BUILDINGS AUTHORITY	✓	N/A	N/A	N/A	N/A
CARDIOVASCULAR CENTER OF PUERTO RICO AND THE CARIBBEAN	✓	✓	✓	✓	✓
UNIVERSITY OF PUERTO RICO	N/A	N/A	N/A	N/A	N/A
HOUSING FINANCE AUTHORITY	✓	✓	✓	✓	✓
PUERTO RICO TOURISM COMPANY	✓	✓	✓	✓	✓
FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY	✓	✓	✓	✓	✓
DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE	✓	✓	✓	✓	✓
CONVENTION CENTER DISTRICT AUTHORITY	✓	✓	✓	✓	✓
PUERTO RICO AGRICULTURAL DEVELOPMENT ADMINISTRATION	✓	✓	N/A	✓	N/A

■ DATA REPORTED     
 ■ DATA NOT REPORTED     
 ■ BREAKOUT OF INTERGOVERNMENT AND TRADE NOT REPORTED

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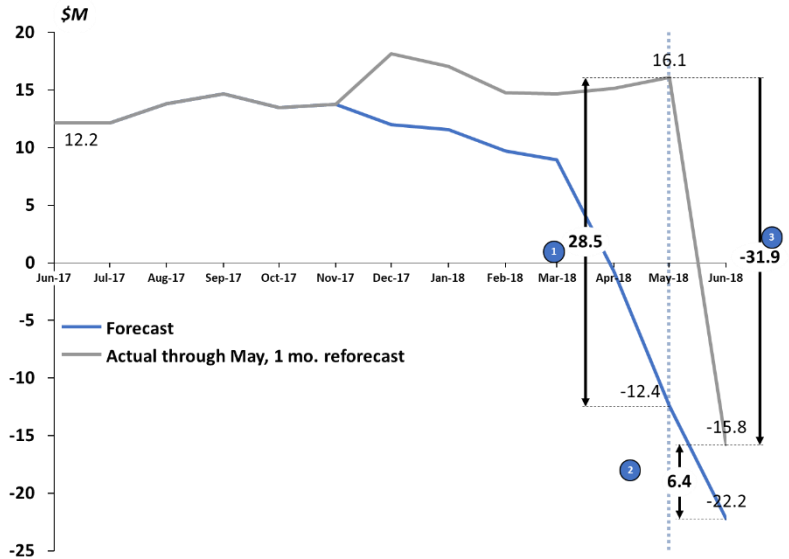
**PUERTO RICO PORTS AUTHORITY (“Ports”)**

Primary business activity: Administers all ports and aviation transportation facilities of the Commonwealth and provides related services.

**Key takeaways: Ports has generated positive cash flow during FY2018 by deferring PayGo contributions and capex spend. Ports will require additional funding if it is to meet all of its budgeted operating expenses, including PayGo contributions of \$24.5M, in June of this fiscal year.**

**A. FY18 Operating Liquidity – Actuals<sup>3</sup> vs. Forecast**

1. **+\$28.5M – YTD actuals vs. forecast**, driven by:
  - a. +\$16.9M – deferral of PayGo.
  - b. +\$12.2M – deferred Capex due to delays in projects that will now commence in FY19
2. **+\$6.4M – FY18 reforecast vs. forecast**, primarily due to:
  - a. +\$11.8M – projected deferred Capex, based on projects that were forecasted to commence in FY18 but will now commence in FY19.
  - b. -\$3.5M – unbudgeted pay down of amounts owed to dry dock operations vendors.
  - c. -\$2.6M lower receipts from Federal Funds
3. **-\$31.9M – Forecasted June cash flow**, mainly driven by
  - a. -\$24.5M – PayGo charge catch up payment for the full fiscal year, which had been deferred up until this point.
  - b. -\$4.3M – disbursements to PREPA and PRASA. This amount exceeds the FY18 monthly run rate level of \$615K per month.



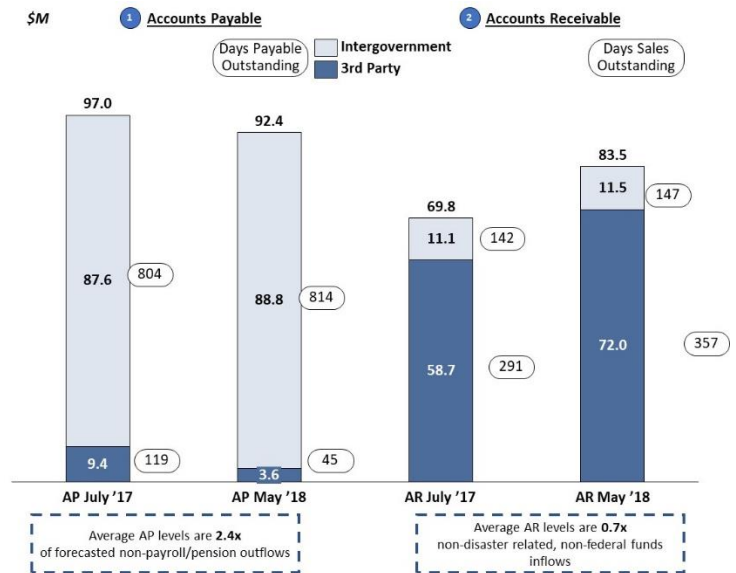
Headcount/Payroll: FTEs: decreased from **529 to 507 from September to May**. YTD payroll and related costs of \$29.9M are \$0.6M less than the forecast. Management expects reduction of approximately \$0.5M to be permanent, due to the drop in headcount.

<sup>3</sup> Appendix includes reconciliation between AAFAF reported cash figures and the figures in this report.

**PUERTO RICO PORTS AUTHORITY (“Ports”) (continued)**

**B. Accounts Payable/Receivable<sup>4</sup>**

1. Payable: **-\$4.6M from July to May**, driven by \$5.8M in 3<sup>rd</sup> party payments, largely due to a single payment of \$3.0M payment to a one service provider.
2. Receivable: **+\$13.7M from July to May**, driven by a \$13.3M in 3<sup>rd</sup> party buildup due to an ongoing collection dispute with a single customer.
3. Working Capital: Working capital has been negatively affected YTD in FY2018 by -\$18.3M due to a pay down of vendors and a build in receivables, as mentioned above.



**C. Sources and Uses of Funds**

**1. FY2018 Sources: \$102.3M (estimated)**

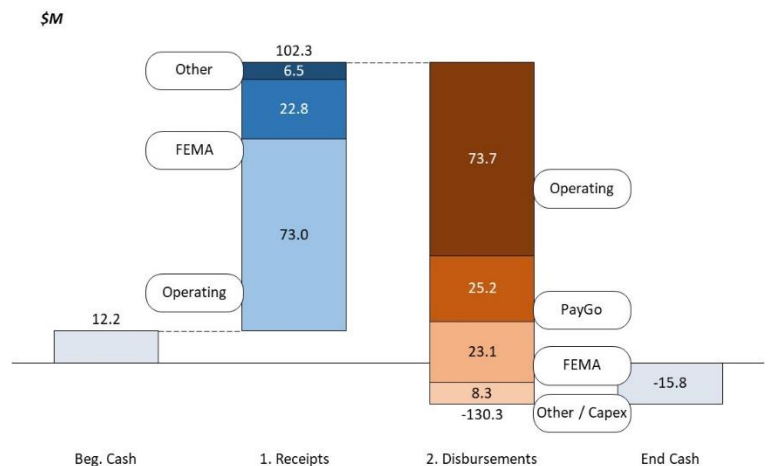
- a. Operating receipts of \$73.0M, composed of Maritime receipts of \$60.8M and airport receipts of \$12.2M, account for bulk of cash sources.
- b. FEMA receipts of \$22.8M are estimated to be received in June. FEMA funds are a pass through and have no impact on forecasted cash.
- c. Federal Funds and other funds total \$6.5M, largely already collected

**2. FY2018 Uses: \$130.3M (estimated)**

- a. Operating disbursements of \$73.7M, driven by Payroll (\$30.0M), Professional Services (\$18.1M) and PREPA / PRASA (\$11.1M).
- b. PayGo disbursements of \$25.2M
- c. FEMA disbursements forecast to be \$23.1M. Funds are a pass through and have no impact on forecasted cash.
- d. Capital expenditure of \$8.3M, with catch up of deferred capex in June.

**3. Other**

- a. \$24.5M of \$25.2M PayGo disbursements have not been made and Ports is not expected to make majority of FY18 contributions.
- b. PREPA / PRASA is forecasted to receive \$11.1M in disbursements, including \$4.3M in June.



Note: Beginning and ending cash as presented in Section A.

<sup>4</sup> Figures are unaudited and subject to change.

## MEDICAL SERVICES ADMINISTRATION (“ASEM”)

Primary business activity: ASEM plans, organizes, operates, and administers centralized health services, provided in support of the hospital and other functions, offered by the member institutions and users of the medical complex known as the Puerto Rico Medical Center.

**Key takeaways: ASEM started fiscal year 2018 with limited liquidity, which was exacerbated by a large PayGo invoice. To ensure continuing operations, ASEM has executed a series of emergency liquidity management levers, including requesting and receiving a 100% advance on all its budgeted General Fund appropriations advances by February 2018. ASEM required additional funding to meet all of its budgeted operating expenses, including PayGo contributions, which was received in June of this fiscal year.**

### A. FY18 Operating Liquidity – Actuals<sup>5</sup> vs. Forecast

1. **+\$15.5M – YTD actuals vs. forecast**, driven by:

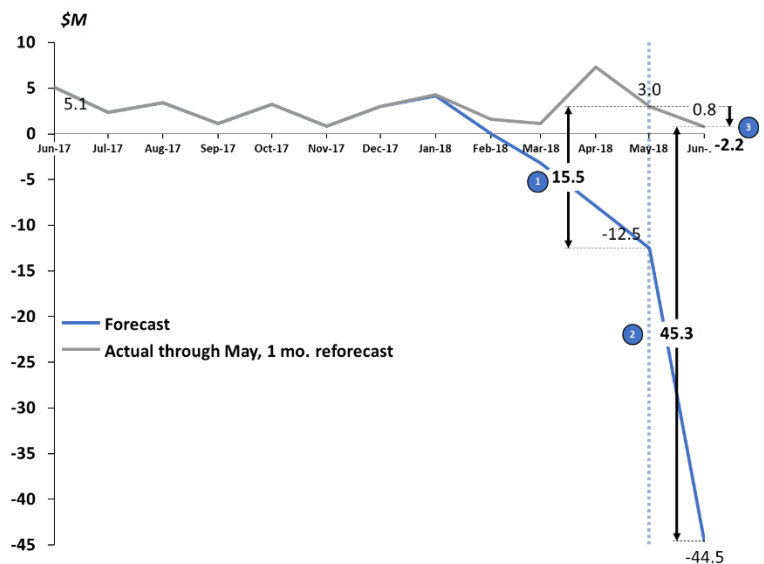
- +\$6.3M in Physician & Medical Plan Revenue due to RCM<sup>6</sup> enhancements, particularly around documentation in order to get claims paid faster
- +\$4.0M in unspent General Fund appropriations for a medical records improvement project
- +\$3.1M – advances on receipts from UDH for June in addition to pay down of historical AR debt
- \$1.8M in lower PREPA / PRASA payments

2. **+\$45.3M – FY18 reforecast vs. forecast**, due to

- +\$40.1M – general fund appropriations
- +\$6.3M – physician and medical plans
- +\$1.8M – lower PREPA / PRASA payments
- \$1.9M – higher operating payments related to a gamma knife supplier payment which was not forecasted

3. **-\$2.2M – Forecasted June cash flow**, mainly driven by:

- +\$36.1M – general fund appropriations that were received during the week of 6/15, but were included in this report in order to provide a more accurate picture of ASEM liquidity.
- \$31.0M – PayGo charges in June, representing the full FY18 amounts
- \$3.4M – higher payroll which is timing related and reverses prior months’ favorability
- \$2.9M – UDH lost receipts due to their advance during month of May



Headcount/Payroll: **Headcounts changed 1,755 to 1,669 from July to May**. Projected FY18 payroll is expected to be \$94.6M, which is \$500K higher than the forecast though not material, representing <1% of budget. The slightly higher payroll despite a decrease in headcounts is due to ASEM’s substantially hourly workforce, and all of whom may or may not represent a full-time equivalent “FTE” employee.

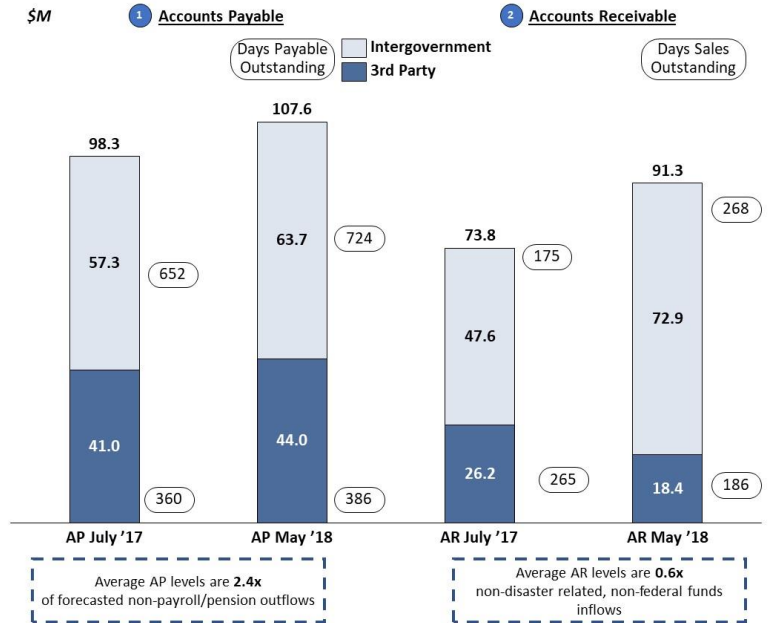
<sup>5</sup> Appendix includes reconciliation between AAFAF reported cash figures and the figures in this report.

<sup>6</sup> RCM “Revenue Cycle Management”, refers to all administrative processes around billing and collections.

**MEDICAL SERVICES ADMINISTRATION (“ASEM”) (continued)**

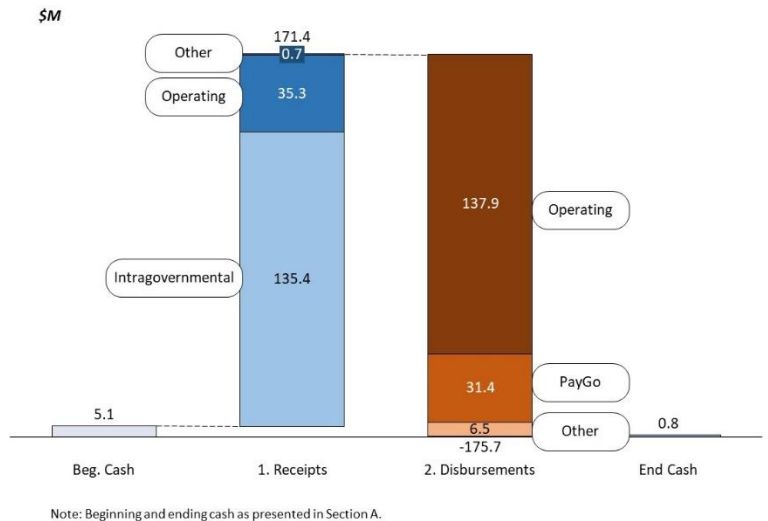
**B. Accounts Payable/Receivable<sup>7</sup>**

1. Payable: **+\$9.3M (from July to May, driven by \$6.3M build up in intergovernmental payables, \$3.0M of which are due to PREPA.**
2. Receivable: **+\$17.5M from July to May, driven by a \$25.3M intragovernmental buildup, \$23.4M of which is related to the Department of Health. This is offset by a \$7.8M reduction due to payments issued to ASEM by insurance providers as ASEM pushed collection efforts in order to mitigate its projected cash shortfall.**
3. Working Capital: increasing payables have been offset by uncollected receivables, leading to a -\$8.2M change in working capital. In contrast to intragovernmental working capital, which is driven by only a few counterparties (Department of Health, PREPA / PRASA, UPR), 3<sup>rd</sup> party working capital has many counterparties and operates on a more traditional working capital cycle.



**C. Sources and Uses of Funds**

1. **FY2018 Sources: \$171.4M (estimated)**
  - a. Intragovernmental Receipts account for \$135.4M (79%) of receipts, while operating receipts represent \$35.3M (21%) and other receipts totaled \$0.7M (1%).
2. **FY2018 Uses: \$175.7M (estimated)**
  - a. \$137.9M in operating disbursements forecast for FY18, driven by Payroll of \$94.6M and Operating Payments of \$43.2M.
  - b. PayGo of \$31.4M forecasted for FY18.
  - c. \$6.5M represent transfers out of ASEM to a separate restricted account.



**3. Other**

- a. PayGo contributions of \$31.4M have thus far been deferred and are not expected to be made in June, as ASEM will likely not have the cash required to make the contribution.
- b. PREPA / PRASA payments are not a meaningful driver of cash, with current estimate of \$644K for the year (vs. \$2.5M forecasted), however they do account for a significant portion of AP ~\$38M. ASEM has not been able to meet obligations to PREPA / PRASA due to liquidity constraints.

<sup>7</sup> Figures are unaudited and subject to change.

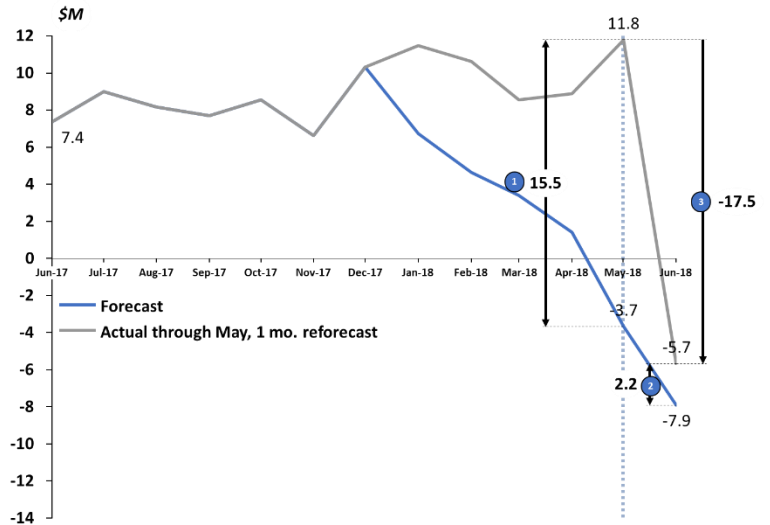
**PUERTO RICO INTEGRATED TRANSIT AUTHORITY (“PRITA”)**

Primary business activity: PRITA serves as the Commonwealth’s central transit authority and is tasked with operating its transit network of buses, trains and certain maritime vessels.

**Key takeaways: PRITA initially forecasted an operating cash shortfall during fiscal year 2018, which has been exacerbated by PayGo charges and unexpected post-hurricane expenses. PRITA has managed to cover its operating expenses this year by deferring vendor disbursements, while spending zero on capex and deferring the majority of PayGo.**

**A. FY18 Operating Liquidity – Actuals<sup>8</sup> vs. Forecasts**

1. **+\$15.5M – YTD actuals vs. forecast**, mostly expected to be permanent primarily due to:
  - a. +\$7.8M – PayGo (temporary), as management continues to analyze alternatives for funding.
  - b. +\$6.9M – lower payroll charges stemming from the reduction in headcount and a reduction in paid overtime expenses, of which \$1.7M is permanent.
2. **+\$2.2M – FY18 reforecast vs. forecast**
  - a. +6..7M due to lower capex and +1.7M due to lower payroll and, offset by \$6..3M higher vendor disbursements and other operating expenses as PRITA makes catch up payments due to deferrals during prior months.
  - b. Based on run rate spend, there will likely be material favorability vs. budget by year end. In particular, capital expenditures have been deferred, with none of the budgeted \$8.9M able to be spent due to lack of funds, and purchased services have been managed as well with \$5.4M forecasted for June (vs. \$760K per month run rate for FY2018).
3. **-\$17.5M – Forecasted June cash flow**, mainly driven by projected payments of deferred PayGo charges (\$12.9M) and diesel purchases (\$5.4M).



Headcount/Payroll: FTEs: **961 to 887 from July to May**, leading to a modest decline in projected FY18 payroll, from \$51.6M to \$49.8M. Payroll charges expected to increase in June as PRITA will need to incur at least \$2.3M in catch up payments related to medical and other employee benefits incurred in March.

<sup>8</sup> Appendix includes reconciliation between AAFAF reported cash figures and the figures in this report.

**PUERTO RICO INTEGRATED TRANSIT AUTHORITY (“PRITA”) (continued)**

**B. Sources and Uses**

**1. FY2018 Sources: \$90.5M (estimated)**

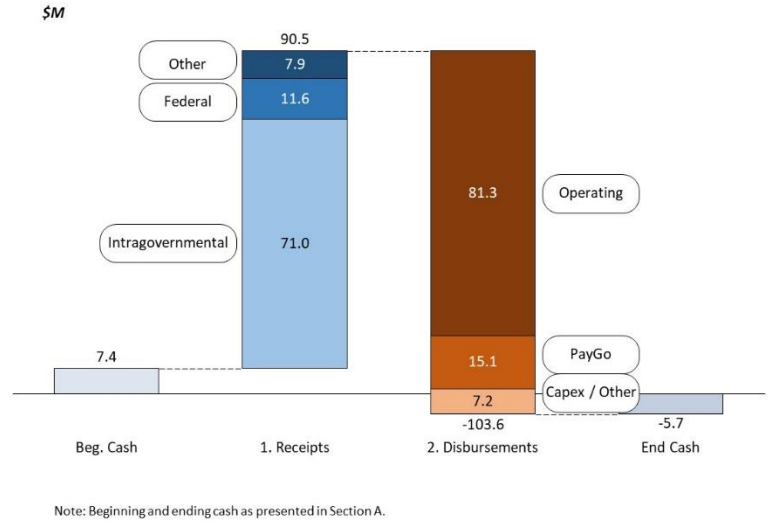
- a. PR Government receipts forecast at \$71.0M, with 60% coming from Cigarette taxes, 40% from General Fund appropriations. Federal Funds (including FEMA) total \$11.6M. Operating receipts of \$7.9M, composed primarily of Ferries / Cargo (59%) and Bus (40%) Fares

**2. FY2018 Uses: \$103.6M (estimated)**

- a. Operating disbursements total \$81.3M, of which payroll is \$49.8M. The remainder of disbursements are related to PayGo of \$15.1M, capex spend and other of \$7.2M in outflows.

**3. Other**

- a. PayGo contributions have been deferred, with only \$2.1M, or 14%, of the budgeted PayGo contributions actually made.
- b. PREPA / PRASA disbursements are not material (<1%) relative to budget.



## STATE INSURANCE FUND CORPORATION ("Fondo")

Primary business activity: SIFC provides workers' compensation and disability insurance to public and private employees.

**Key takeaways: Fondo continues to exceed forecast due to (1) higher premium collections than anticipated due to increased marketing efforts, including incentives for employers with outstanding payments related to prior years and (2) the deferral of PayGo. Cash flow has seasonality due to timing of premium collections throughout the year, with high points in July and January due to timing of invoicing.**

### FY18 Operating Liquidity – Actuals<sup>9</sup> vs. Forecast

1. **+\$77.5M – YTD actuals vs. forecast**, considered to be mostly timing related, due primarily to:

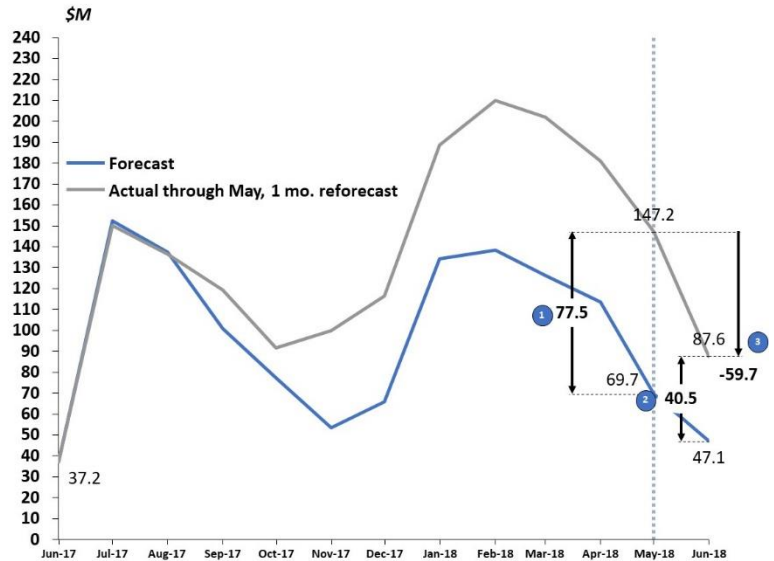
- +\$24.7M in other operating expenses driven by lower claims related disbursements (+\$15.4M), and professional and purchased service providers (+\$13.2M) due to hurricane impact on operations and availability of medical services and facilities
- +\$18.6M in operating receipts driven by higher than forecasted premiums collections and marketing efforts, including incentives for employers.<sup>10</sup>
- +\$13.0M in PayGo due to deferral of payments.

2. **+\$40.5M – FY18 reforecast vs. forecast**, due primarily to:

- +\$21.5M in operating expenses driven by below forecast claims related disbursements and lower professional and medical services provided due to hurricane impact, although insurance premiums were still collected.
- +\$9.4M in payroll due to voluntary transition program and reductions in overtime
- +\$17.0M in operating receipts due to above forecast premiums collections.

3. **-\$59.7M – Forecasted June cash flow**, mainly driven by:

- Seasonal decline in premiums collections, with a -\$37.3M unfavorable variance projected for June compared to YTD monthly run rate. Fondo's liquidity position is typically impacted by the seasonal insurance premium invoicing, which occurs only twice/year, typically in July and January
- Fondo catching-up from previously deferred payments, including PayGo Charges -\$14.9M and contributions to other government entities -\$11.8M, including unbudgeted transfers to Hacienda for worker's compensation receipts, based on Act 92 enacted in September of 2017.



Headcount/Payroll: FTEs: **3,017 to 2,882 from July to May**. YTD payroll costs of \$207.6M are \$6.1M more than forecast due to timing. Projected FY18 payroll of \$223.0M is \$9.4M lower than the forecast due to reductions in overtime and voluntary leave without pay to tend to family issues and personal matters during the hurricane impact period.

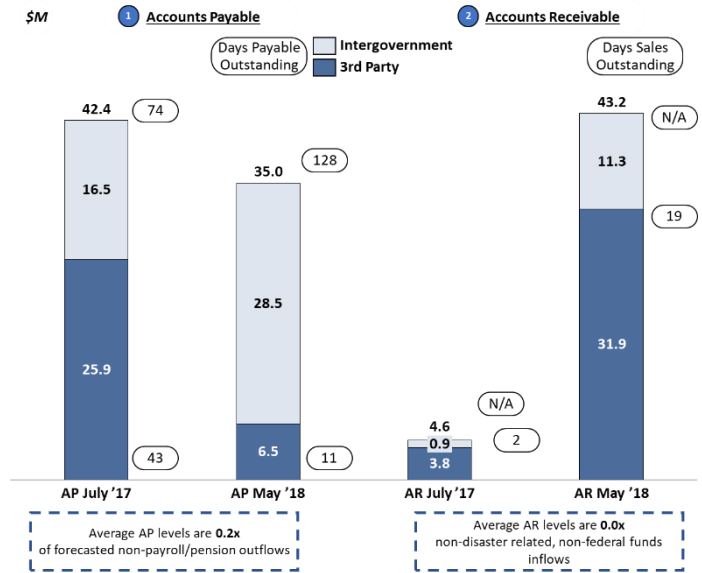
<sup>9</sup> Appendix includes reconciliation between AAFAF reported cash figures and the figures in this report.

<sup>10</sup> Act 92 incentive plan (August/September 2017) offers employers a 50% discount on collections made for outstanding invoices, prior to 2016-2017 payroll period.

**STATE INSURANCE FUND CORPORATION ("Fondo") (continued)**

**B. Accounts Payable/Receivable<sup>11</sup>**

1. Payable: **-\$7.4M decrease from July to May**, driven mainly by Fondo accumulating 3rd party invoices related to the prior year in July and then making payments related to those invoices through August. Intergovernmental AP increased due primarily to mandated obligation of payment to Hacienda for collections made on prior year premiums invoices (Act 92 of August/September 2017) that have not been paid.
2. Receivable: **+\$38.6M from July to May**, primarily due to employers incurring insurance services from Fondo in FY18. These invoices were sent after July 31st.
3. Working Capital: Working capital has been a use of cash for Fondo, driven by catch up of FY2017 payables and increasing premiums receivables. This is expected to reverse in the coming months due to seasonality.



**C. Sources and Uses**

**1. FY2018 Sources: \$612.7M (estimated)**

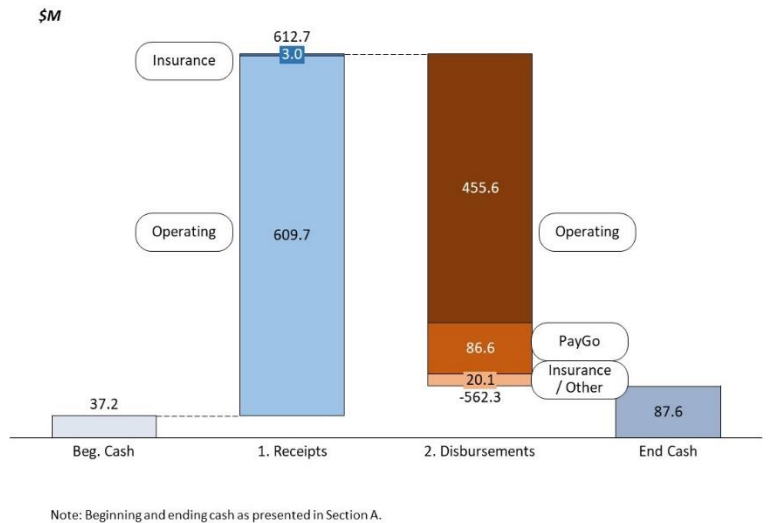
- a. Premium collections account for 99% of operating receipts and are the primary source of cash. Timing of premium collection leads to cash increases in January and July when consumers are invoiced.
- b. Remainder of funds of \$3.0M related to insurance proceeds and other.

**2. FY2018 Uses: \$562.3M (estimated)**

- a. Operating disbursements total \$455.6M of cash uses, of which Payroll is \$223.0M and Claims related disbursements are \$72.4M. The biggest unknown variable in cash disbursements has been the level of claims paid out, and from year to year, there may be material differences in the level of claims. During FY2018, claims disbursements have been favorable versus budget.
- b. PayGo disbursements totaled \$86.6M, insurance related totaled \$3.0M and other disbursements were \$17.1.

**3. Other**

- a. Fondo has consistently made its required PayGo contributions throughout FY2018 and budgeted PayGo contributions do not appear to be at risk.
- b. YTD expected PREPA / PRASA disbursements of \$5.2 expected to be consistent with the budget of \$7.2M for FY2018.



<sup>11</sup> Figures are unaudited and subject to change.



## HEALTH INSURANCE ADMINISTRATION OF PUERTO RICO (“ASES”)

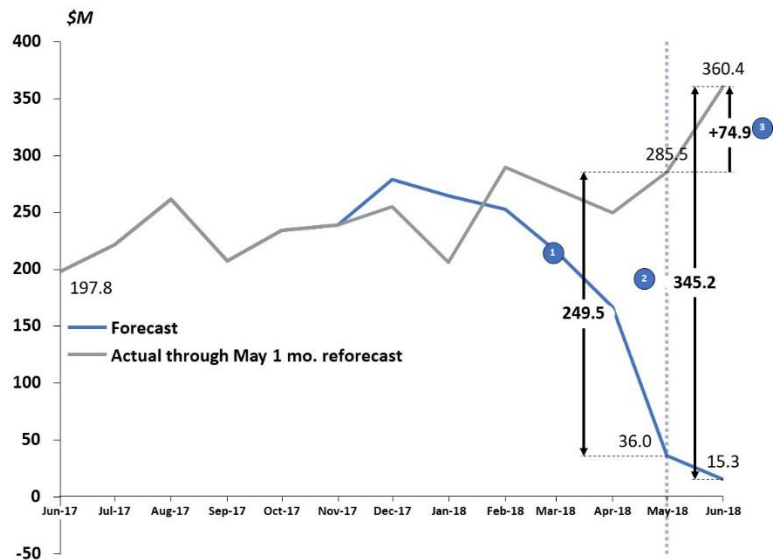
Primary business activity: ASES implements, administers and negotiates the Medicaid health insurance system in Puerto Rico through contracts with 3rd party insurance underwriters, to provide quality medical and hospital care to the Puerto Rico Medicaid and Platino (Medicaid + Medicare dual-eligible) populations.

**Key takeaways: ASES’s strong YTD cash flow is attributable to lower payments to MCO’s (“Managed Care Organizations<sup>12</sup>”) due to fewer than forecast insured members seeking service, higher prescription drug rebate income, and US government approval of new federal funds, more than offsetting the loss of state funding sources.**

### FY18 Operating Liquidity – Actuals<sup>13</sup> vs. Forecasts

1. **+\$249.5M – YTD actuals vs. forecast** expected to be permanent through year-end primarily due to:

- + \$127M in increased receipts due to availability of federal funds +\$414M, offset by -\$286M due to loss of Commonwealth appropriations. The increase in federal funding has been critical during FY18 and led to the Puerto Rico government reducing its appropriations.
- + \$57.2M – prescription drug rebates.
- + \$53.8M – lower MCO premiums and PBM Administrator and HIV program expenses as the budget anticipated a rise in the patient population due to disruptions following the hurricanes; however, the rise never materialized.



2. **+\$345.2M – FY18 reforecast vs. forecast**, due to:

- + \$114M – increase in receipts due to availability of federal funds +\$720M, offset by -\$606M in Commonwealth appropriations, which are no longer expected to happen due to a change in Federal law
- + \$146M – lower MCO payments and PBM administrator & HIV program payments to pre-Maria levels. Plan membership and PMPM<sup>14</sup>s did not increase post-Maria as expected
- + \$70M – prescription drug rebates

3. **+\$74.9M – Forecasted June cash flow** mainly due to:

- + \$118M increase in receipts due to increased federal funding +\$165M, offset by loss of commonwealth appropriations - \$47M. The receipts increase reflects the impact of increased Federal Funding.
- + \$8M in municipality and employer tax collections due to catch-up payments from YTD collections that had been than expected
- \$54M due to MCO premiums and PBM Administrator and HIV program payments. Based on YTD trends, there is a possibility these payments could be lower, as throughout FY2018 ASES has had lower PMPM premiums than forecast.

**Headcount/Payroll: 64 to 60 from August to May.** Projected FY18 payroll of \$4.0M is \$0.3M lower than the forecast. The favorability is related to reductions in headcount.

<sup>12</sup> Managed Care Organization (“MCO”) is a type of health insurance where the insurer contracts with various facilities/providers to provide care for a given population. The MCO bears claims risk from the patient population, generally in exchange for a fixed, capitated (per member) \$ amount to cover each member’s care.

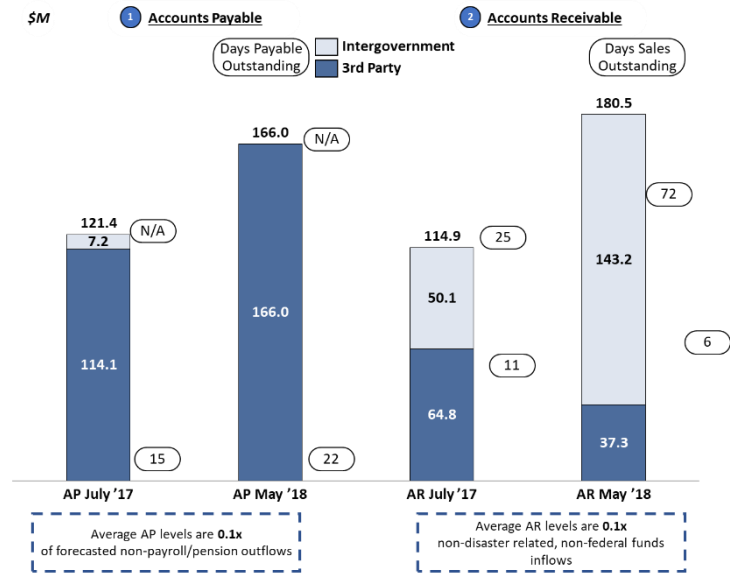
<sup>13</sup> Appendix includes reconciliation between AAFAF reported cash figures and the figures in this report.

<sup>14</sup> Per Member Per Month (“PMPM”) is a metric used by ASES for measuring covered population and is what MCOs base their premiums bill on. A fixed dollar amount is charged for each PMPM within each subpopulation.

**HEALTH INSURANCE ADMINISTRATION OF PUERTO RICO (“ASES”) (continued)**

**B. Accounts Payable/Receivable<sup>15</sup>**

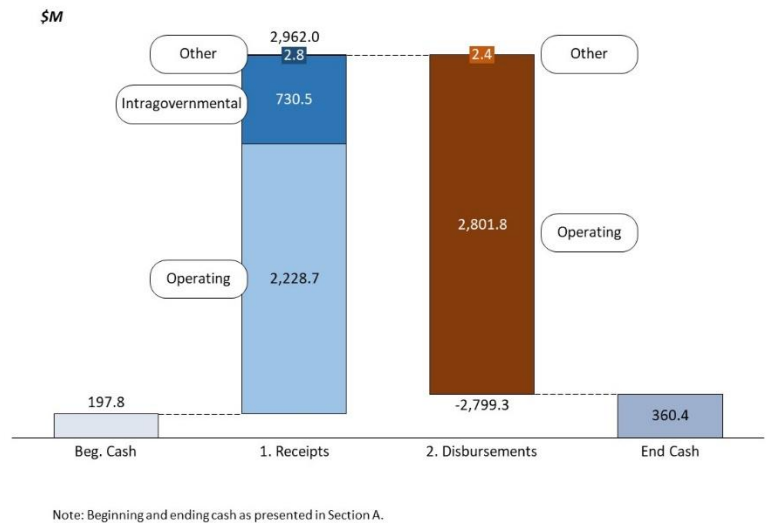
1. Payable: **\$44.6M increase from July to May**, driven by increases in 3<sup>rd</sup> party AP of \$52M. The increase however is primarily timing related.
2. Receivable: **\$65.6M from July to May**, driven by large increase in intragovernmental receivable of +\$93M primarily related to federal funding, offset by decrease in 3<sup>rd</sup> party A/R of -\$28M
3. Working capital changes have been unfavorable at -\$21.0M in uses, which represents approximately 13% of ASES’s net cash flow.



**C. Sources and Uses of Funds**

**1. FY2018 Sources: \$3.0B (estimated)**

- a. Receipts of \$2.2B, composed of Federal Matching Funds of \$2.0B and Prescription drug rebates of \$228.6M. Prescription drug rebates are volume based discounts on prescription drug purchases for the ASES covered population. ASES pays the full amount of pharmaceutical claims through its PBM, and as volume thresholds are met for specific pharmaceuticals, periodic rebates are sent to ASES, which serves as an offset to those claims.
- b. Due to unexpected change in Federal government law in February, ASES was able to meet its cash needs in FY2018 largely from Federal Matching Funds, rather than the Puerto Rico government or municipalities, as it had in prior years. This is expected to continue in FY19.
- c. \$730M in receipts are largely intragovernmental receipts, including \$560.3M in Puerto Rico state funding and \$170.2M in Municipality and Employers funding. ASES to receive \$2.8M in other receipts as well.



**2. FY2018 Uses: \$2.8B (estimated)**

- a. Operating disbursements of \$2.8B driven by member premiums & PBM Administrator and HIV program payments which collectively represent 99% of all disbursements. Payroll and other operating payments account for less than 1% of all disbursements, and are related to administrative activities including employees, overhead, and professional services. Other disbursements totaled \$2.4M.

**3. Other**

- a. As ASES federal receipts are primarily a function of anticipated disbursements and subject to a consistent matching percentage, any year-end surplus is a timing issue.
- b. ASES does not incur PayGo charges.

<sup>15</sup> Figures are unaudited and subject to change.

## HIGHWAYS & TRANSPORTATION AUTHORITY (“HTA”)

Primary business activity: Controls and supervises highway facilities, sets tolls, issues bonds, and manages the construction of all major projects relating to the Commonwealth’s toll highway system.

**Key takeaways: HTA has benefited from approximately \$70M in in Capex funding from the TSA. The incremental capex is consistent with the Certified Fiscal Plan and is provided so HTA can achieve congestion relief measures. Coupled with ongoing capex deferrals, HTA has meaningfully increased its cash position vs. forecast.**

### A. FY18 Operating Liquidity – Actuals<sup>16</sup> vs. Forecasts

#### 1. +\$110.1M – YTD actuals vs. forecast

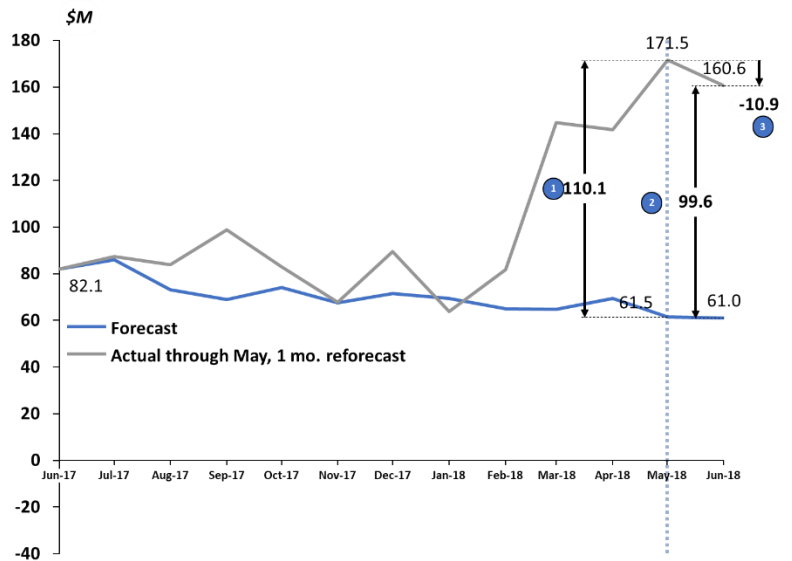
- + \$195.2M – driven by \$179.8M lower capex spend for projects that have been deferred
- \$85.8M – unfavorable receipts, driven by \$121.2M lower Federal FHWA and Earmark Project funds, which have been on hold as the projects are evaluated to quantify the damages caused by the hurricanes and necessary certification requests are prepared.

#### 2. +\$99.6M – FY18 reforecast vs. forecast

- Majority of favorable variance driven by deferred capex spend, offset by lower Federal Aid, although HTA expects this to persist through year end, some timing related variances for disbursements likely to reverse in June and lead to a net cash outflow in final weeks of the year

#### 3. -\$10.9M – Forecasted June cash flow, primarily attributable to:

- Reversals of timing variances incurred in recent weeks, including \$9.6M in purchased services (contracts with bus operator, train operator, etc.) and \$3.0M in other operating expenses, largely related to catch up of prior period variances.
- Capex and Emergency Reconstruction spend is forecast to be \$14.9M in June, however the actual number will likely be several million dollars below due to timing. While management anticipates using all Emergency Reconstruction funds available (which represent \$10.9M of the \$14.9M in forecasted spend) to repair infrastructure following the hurricanes, timing of repairs may shift the spend into FY19.



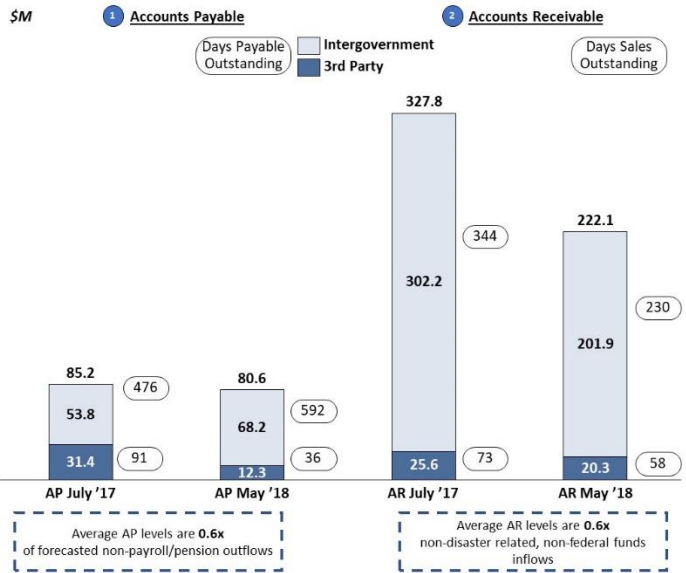
Headcount/Payroll: FTEs: Dropped from **1,325 to 1,245 from July to May**. HTA has experienced a drop in headcount and projected FY18 payroll of \$85.2M (slightly below forecast) due to the voluntary retirement program.

<sup>16</sup> Appendix includes reconciliation between AAFAP reported cash figures and the figures in this report.

**HIGHWAYS & TRANSPORTATION AUTHORITY (“HTA”) (continued)**

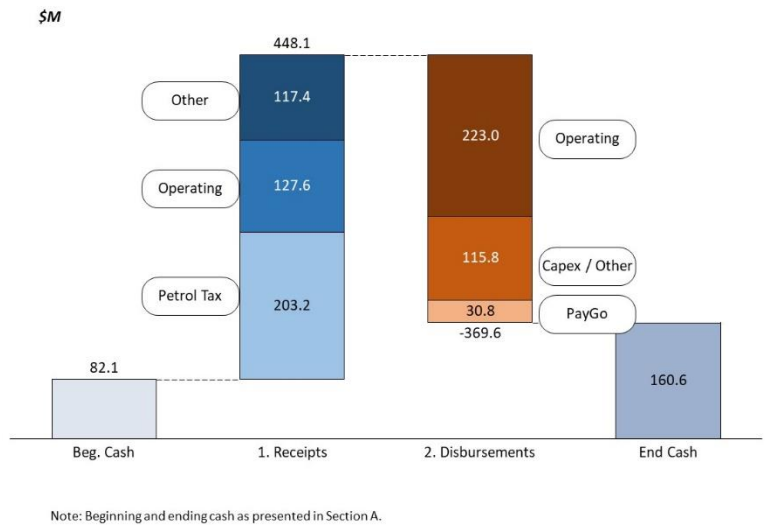
**B. Accounts Payable/Receivable<sup>17</sup>**

1. Payable: **-\$4.6M from July to May**, mainly attributable to HTA paying prior year supplier balances.
2. Receivable: **-\$105.7M from July to May**, driven by an audit adjustment to write-off retained revenue with Department of Treasury (Hacienda).
3. Working Capital: After taking into account the AR write off, working capital has been relatively flat and not a major contributor to cash flow for HTA.



**C. Sources and Uses of Funds**

1. **FY2018 Sources: \$448.1M (estimated)**
  - a. \$127.6M operating receipts, with 72% coming from toll fares and 20% from toll fines.
  - b. \$203.2M intragovernmental transfers from the Commonwealth, including \$121.7M transfers from the central government and \$81.6M Puerto Rico Infrastructure Funding receipts.
  - c. \$117.4M from Federal Aid, Emergency Reconstruction Funds and other inflows.
2. **FY2018 Uses: \$369.6 million (estimated)**
  - a. \$223.0M in operating disbursements, with purchased services and payroll the largest components
  - b. \$115.8M in capital expenditures, Emergency Reconstruction and other funds forecast for 2018 expected, although based on current year trends, some portion likely to be deferred into FY19.
  - c. PayGo totaled \$30.8M
3. **Other**
  - a. PayGo contributions expected to total \$30.8M, with \$28.0M already made.
  - b. PREPA / PRASA disbursements expected to total \$10.5M with disbursements evenly distributed throughout the year.



<sup>17</sup> Figures are unaudited and subject to change.

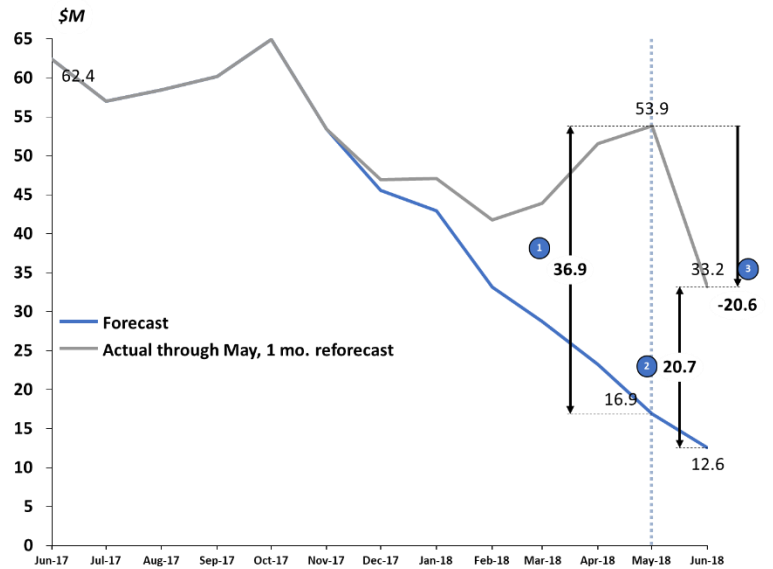
**PUERTO RICO PUBLIC BUILDINGS AUTHORITY (“PBA”)**

Primary business activity: PBA constructs, purchases, or leases office, school, health, correctional, social welfare, and other facilities for lease to certain of the Commonwealth’s departments, component units, and instrumentalities.

**Key takeaways: PBA was originally forecast to incur negative cash flow throughout FY2018 due to lower General Fund budget appropriation than requested. However, PBA has maintained a higher cash position than forecasted due to higher government receipts and the deferral of PayGo contributions and vendor disbursements.**

**A. FY18 Operating Liquidity – Actuals<sup>18</sup> vs. Forecasts**

1. **+\$36.9M – YTD actuals vs. forecast**, primarily made up of:
  - a. +\$15.9M in disaster related (FEMA, insurance) net cash flow
  - b. +\$9.9M in government receipts received
  - c. +\$7.6M purchased services (facility maintenance, security, etc.), +\$2.9M from PREPA / PRASA disbursement deferrals, \$2.4M in other inflows, and \$1.5M in other operating expense, which is expected to partially reverse in June, as invoices from regional offices come in and are paid
  - d. -\$4.2M in higher payroll.



2. **+\$20.7M – FY18 reforecast vs. forecast**, primarily driven by higher government receipts of \$9.9M and \$10.0M insurance proceeds collection as a result of the damages caused by the hurricanes.
3. **-\$20.6M– Forecasted June cash flow** primarily due to FY218 PayGo contribution of \$22.4M forecast in June. Based on current year, this PayGo contribution will likely be partially, if not totally, deferred.

Headcount/Payroll: FTEs: decreased from 1,163 in August 2017 to 1,102 as of May. Projected FY18 payroll is \$76.8M, which is 2% above the forecast, but may be overstated once full year results are finalized and timing variances have reversed.

<sup>18</sup> Appendix includes reconciliation between AAFAF reported cash figures and the figures in this report.

**PUERTO RICO PUBLIC BUILDINGS AUTHORITY (“PBA”) (continued)**

**B. Sources and Uses of Funds**

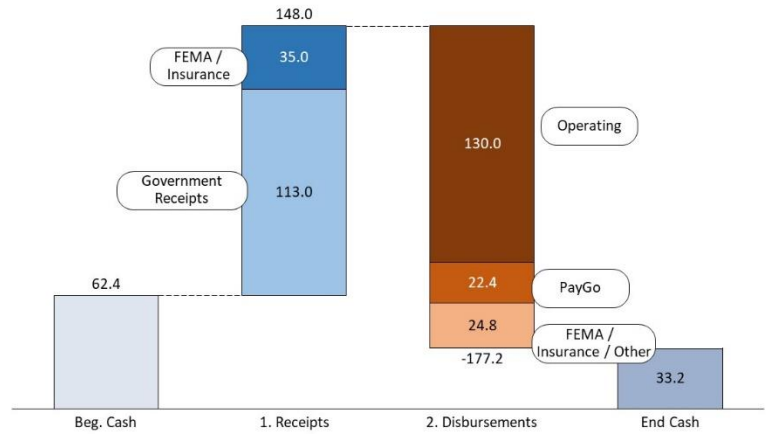
\$M

**1. FY2018 Sources of Funds: \$148.0M (estimated)**

- a. Puerto Rico Governmental Receipts represent \$110.6M (75%) of receipts, with FEMA receipts totaling \$20.0M (14%), insurance totaling \$15.0M (10%) and operating rent and other receipts totaling \$2.4M (1%)

**2. FY2018 Uses of Funds: \$177.2M (estimated)**

- a. Operating disbursements total \$130.0M and PayGo of \$22.4M, with the remainder largely pass through of the FEMA receipts (\$20M) and insurance proceeds (\$4.6M), and \$0.1M in capex. The remaining insurance proceeds are a temporary variance and will be spent, however PBA is waiting for property damage estimates before proceeding with the insurance proceed disbursements.



**3. Other**

- a. PayGo contributions have been budgeted at \$22.4M, however, PBA has not made any contributions to date.
- b. Full year PREPA / PRASA payments expected to total approximately \$15.0M, which would be modestly below forecast.

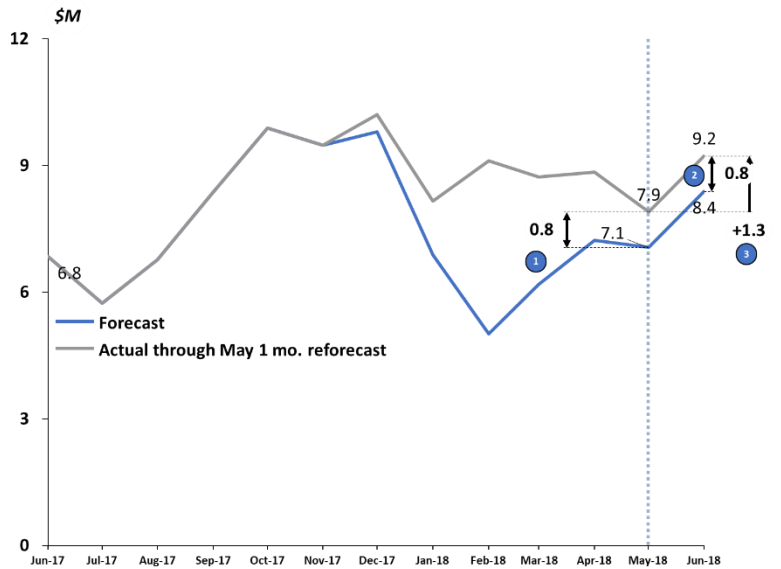
**CARDIOVASCULAR CENTER FOR PUERTO RICO & THE CARIBBEAN (“CARDIO”)**

Primary business activity: Cardio is a general acute care hospital providing specialized treatment to patients suffering from cardiovascular diseases.

**Key takeaways: Cardio’s liquidity was close to forecast until November. Year-end outlook anticipates results tracking above forecast, largely due to higher patient activity than anticipated.**

**A. FY18 Operating Liquidity – Actuals<sup>19</sup> vs. Forecasts**

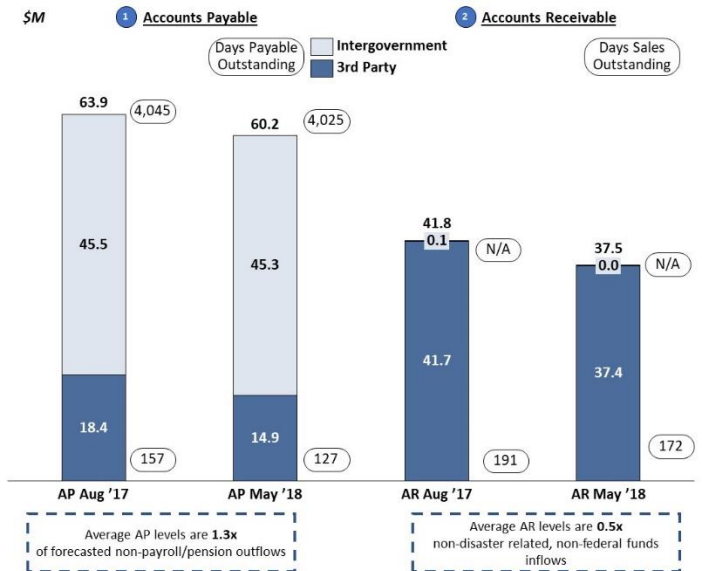
1. **+\$0.8M – YTD actuals vs. forecast** due to:
  - a. Patient collections - +\$7.8M due to higher patient activity than anticipated (+\$3.5M) (permanent) and pay down of 3<sup>rd</sup> party AR balances of (+\$4.3M) between August and May.
  - b. Vendor disbursements - -\$6.8M due to higher patient activity (-\$3.7M) as well as pay down of AP balances of (-\$3.7M) between August and May.
2. **+\$0.8M – FY18 reforecast vs. forecast** is explained by YTD activity, as there has been no change to the remaining year forecast
3. **+\$1.3M – Forecasted June cash build** primarily due to lower payroll and purchased services. Given the run rate for the May YTD period, there is a risk that these savings will not be fully realized.



Headcount/Payroll: FTEs: **623 to 559 from July to May**. Projected FY18 payroll is \$30.0M, which is in line with the forecast.

**B. Accounts Payable/Receivable<sup>20</sup>**

1. Payable: **-\$3.7M from August to May**, driven by a \$3.5M reduction in 3<sup>rd</sup> party AP and a \$0.2M reduction in intragovernmental. The majority of the intergovernmental amount owing relates to rent owed to PBA.
2. Receivable: **-\$4.3M from August to May**, completely driven by a 3<sup>rd</sup> party collection.
3. Working Capital: Working capital has been favorable, driven by 3<sup>rd</sup> party A/R collections.



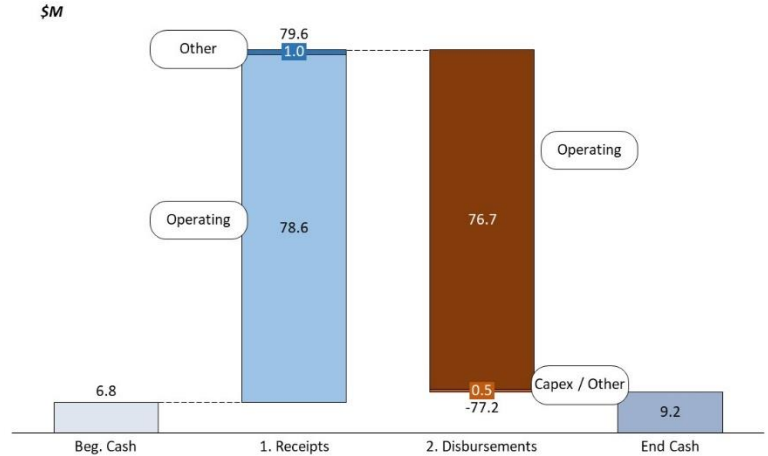
<sup>19</sup> Appendix includes reconciliation between AAFAP reported cash figures and the figures in this report.

<sup>20</sup> Figures are unaudited and subject to change.

**CARDIOVASCULAR CENTER FOR PUERTO RICO & THE CARIBBEAN ("CARDIO") (continued)**

**C. Sources and Uses of Funds**

- 1. FY2018 Sources of Funds: \$79.6M (estimated)**
  - a. 99% of sources of funds are related to patient service collections.
- 2. FY2018 Uses of Funds: \$77.2M (estimated)**
  - a. Operating disbursements total \$76.7M, with Purchased Services representing \$32.4M and Payroll representing \$30.0M. The remaining uses of funds of \$539K are related to capex and disaster related disbursements.
- 3. Working Capital and Other**
  - a. PREPA / PRASA disbursements \$4.1M, including \$220K estimated for June



Note: Beginning and ending cash as presented in Section A.



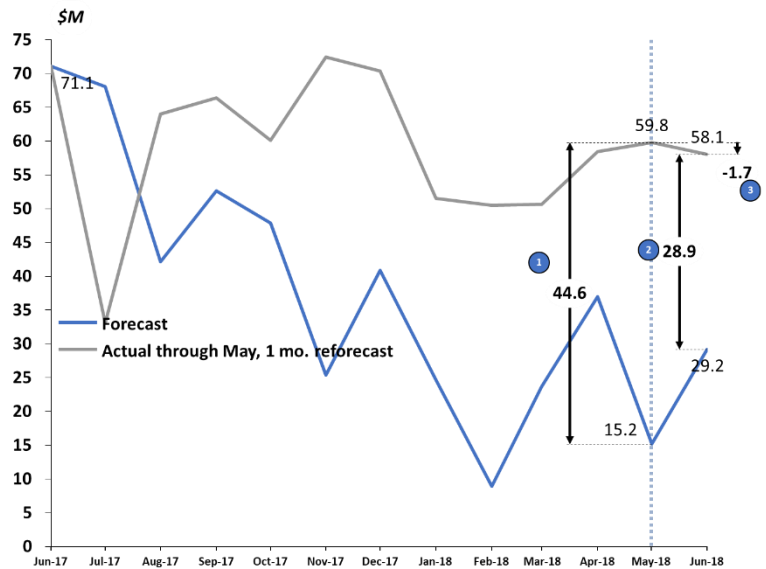
## HOUSING FINANCE AUTHORITY (“HFA”)

Primary business activity: promote the development of low-income housing and provide financing, subsidies and incentives so that people may acquire or lease a home.

**Key takeaways: Over-performance of actuals vs. forecast related to favorable net investing activities and less spend related to capex, as well as lower housing subsidy payouts due to the hurricane impact on the housing market. The FY2018 outlook shows a favorable variance vs. the forecast due to the hurricanes and unbudgeted amount of liquid assets converted to cash.**

### FY18 Operating Liquidity – Actuals<sup>21</sup> vs. Forecasts

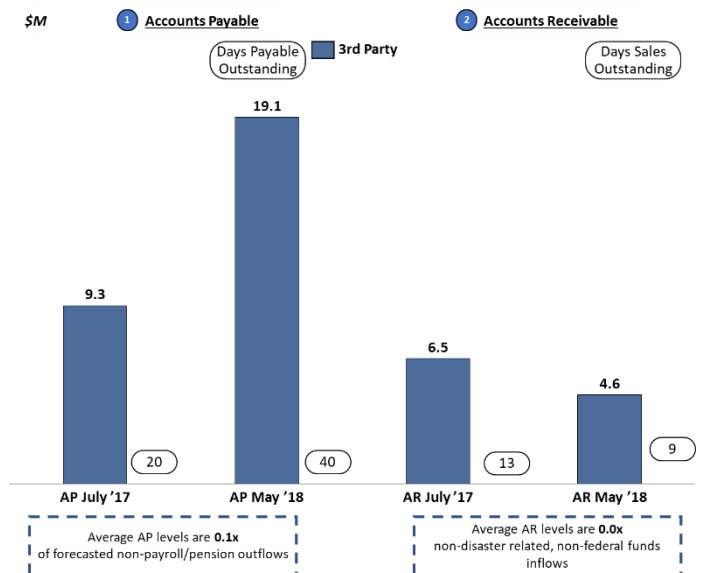
1. **+\$44.6M – YTD actuals vs. forecast**, mostly permanent, primarily due to
  - a. +\$18.8M – cash generated from net investing activities including net interest income and net principal repayments.
  - b. +\$12.9M – favorable other operating expenses primarily due to fewer housing subsidies being paid.
  - c. +\$7.6M – unbudgeted appropriations for Capex that have not been spent, which may become permanent.
2. **+\$28.9M – FY18 reforecast vs. forecast**, due primarily to the explanations stated above.
3. **-\$1.7M – Forecasted June cash burn**, driven by
  - a. Unfavorable net intergovernmental receipts and outflows for the months of June compared to YTD monthly run rate.
  - b. Lower proceeds forecasted to occur from net investing activities, including fewer bank deposits being transferred to cash



Headcount/Payroll: FTEs: declined from 154 to 148 from July to May. Projected FY2018 payroll is \$8.7M, which is in line with forecast.

### B. Accounts Payable / Receivable

1. Payables: Increase of \$9.8M as HFA 3<sup>rd</sup> party payables have been stretched.
2. Receivables: Decrease of \$1.9M in 3<sup>rd</sup> party receivables reflecting standard receivable collections.
3. Working Capital: Working capital has provided a small benefit to HFA driven by increasing payables.



<sup>21</sup> Appendix includes reconciliation between AAFAF reported cash figures and the figures in this report.

**HOUSING FINANCE AUTHORITY (“HFA”) (continued)**

**C. Sources and Uses of Funds**

**1. FY2018 Sources of Funds: \$277.4M (estimated)**

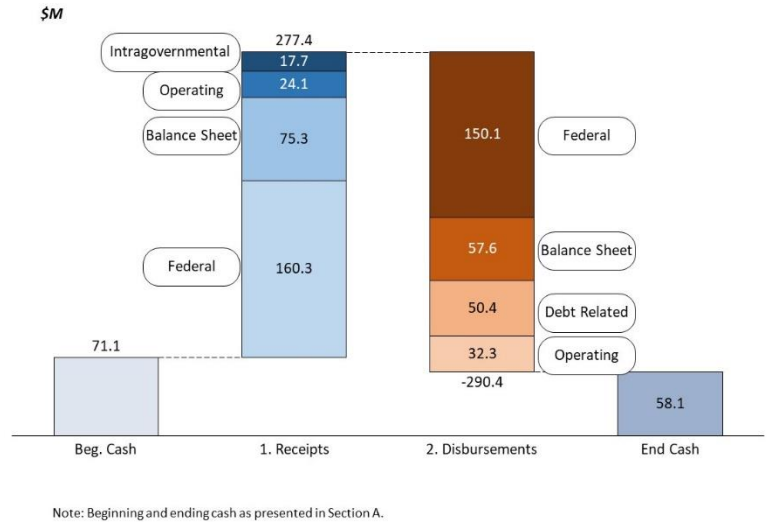
- a. Federal Fund receipts (primarily HUD) represent \$160.3M (58%).
- b. Other receipts include balance sheet inflows of \$75.3M (27%), operating receipts of \$24.1M (9%), and intragovernmental receipts of \$17.7M (6%).

**2. FY2018 Uses of Funds: \$290.4M (estimated)**

- a. Federal Fund Appropriation disbursements of \$150.1M (52%), balance sheet disbursements of \$57.6M (20%), separate debt related disbursements of \$50.4M (17%), and operating disbursements and capex spend of \$32.3M (11%).

**3. Other**

- a. HFA has managed its balance sheet and debt funding in order to improve cash flow during FY2018 as well.



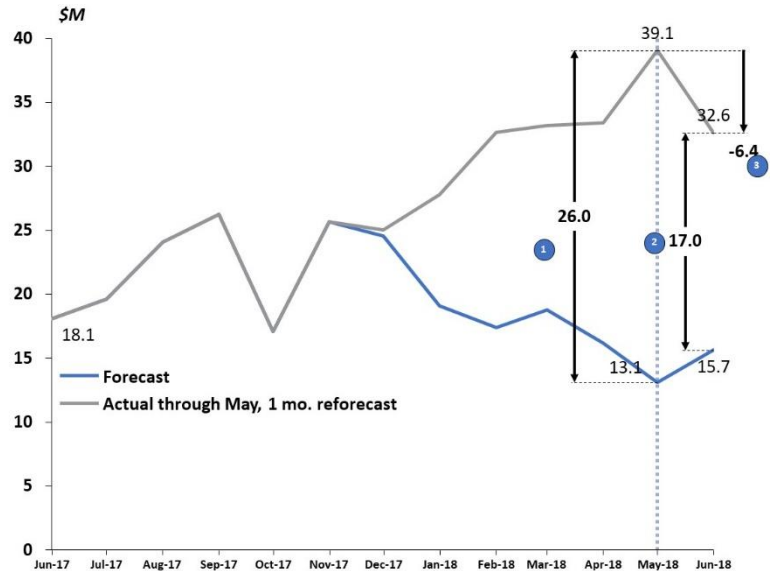
**PUERTO RICO TOURISM COMPANY (“Tourism”)**

Primary business activity: Tourism’s purpose is to promote the tourism industry of Puerto Rico.

**Key takeaways: YTD actuals and FY18 outlook reflect over-performance vs. forecast mainly due to better than forecasted slot machine and room tax collections. Negative cash flow the last month of the year due to higher cruise line incentives and marketing spend.**

**FY18 Operating Liquidity – Actuals<sup>22</sup> vs. Forecasts**

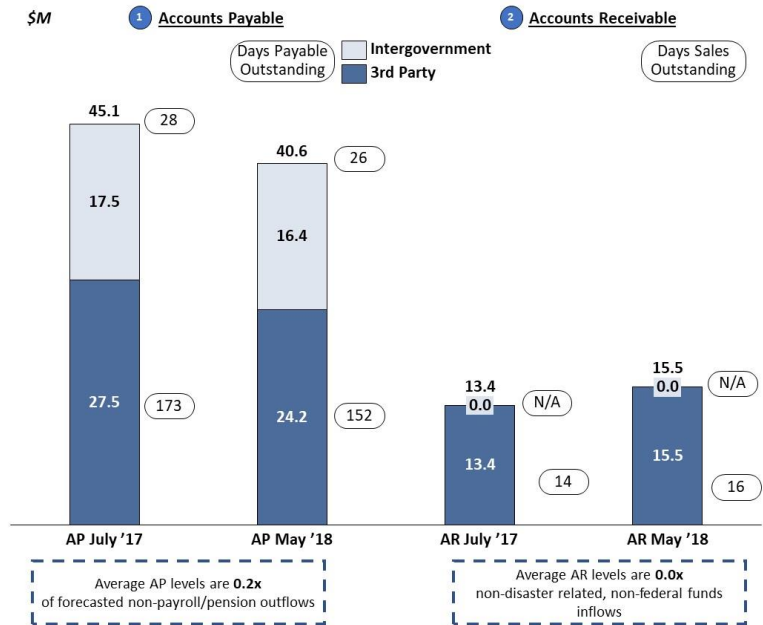
1. **+\$26.0M – YTD actuals vs. forecast** expected to be permanent primarily due to increase in slot machine and room tax collections because of more tourists and relief workers being present on the island, as these groups pay higher room tax rates.
  - a. In addition – +\$6.7M favorable variance in media & ad spend the result of previously deferred marketing spend and contract amendment, which is expected to partially reverse over forecast period
2. **+\$17.0M – FY18 reforecast vs. forecast** primarily due to the increase in slot machine and room tax collections as stated above
3. **-\$6.4M – Forecasted June cash flow** primarily due to marketing spend (-\$6.2M) for June and exacerbated by seasonal decline in room tax collections after the busy season. Tourism increases its marketing spend and cruise line incentives in June.



Headcount/Payroll: FTEs: **428 to 399 from July to May**. Projected FY18 payroll is \$20.8M, \$2.8M lower than the forecast, as management has noted payroll was over budgeted.

**B. Accounts Payable / Receivable<sup>23</sup>**

1. Payable: **-\$4.4M from June to May**, driven by Tourism making a \$2.0M payment to PRCCDA in April.
2. Receivable: **+\$2.1 from June to May**, driven by increased slot machine and room taxes revenues, as well as the timing nature of collections.
3. Working Capital: On an operations basis, slot machines and room taxes generate \$93.2M in net Tourism revenue vs. non-PayGo and non-utilities operating disbursements of \$91.2M.



<sup>22</sup> Appendix includes reconciliation between AAFAF reported cash figures and the figures in this report.

<sup>23</sup> Figures subject to change.

**PUERTO RICO TOURISM COMPANY (“Tourism”) (continued)**

**C. Sources and Uses of Funds**

**1. FY2018 Sources: \$358.7M (estimated)**

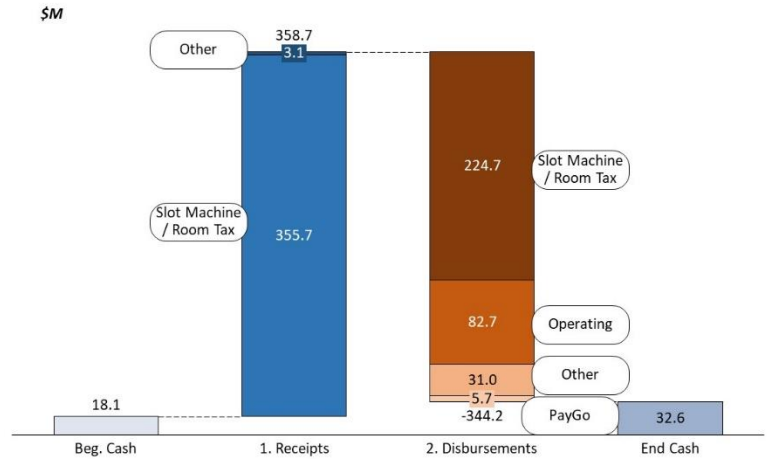
- a. Primary Tourism sources of funds are slot machine revenue of \$284.7M (79%) and room taxes \$71.0M (20%). There is seasonality in the receipt of these funds, which may create temporary timing variances.
- b. Other receipt total \$3.1M

**2. FY2018 Uses: \$344.2M (estimated)**

- a. Slot machines and room taxes have equivalent disbursements per a waterfall. Slot machine disbursements are projected to amount to \$215.0M and \$9.8M for room tax disbursements.
- b. Other operating disbursements were \$82.7M, while Tourism also forecasted to transfer \$31.0M from slot machine collections to restricted cash account and other disbursements, and incur \$5.7M in PayGo.

**3. Other**

- a. PayGo contributions of \$5.7M have been funded and the budget has been met.
- b. PREPA / PRASA are forecast to be \$0.1M in disbursements, in line with the budget.



Note: Beginning and ending cash as presented in Section A.

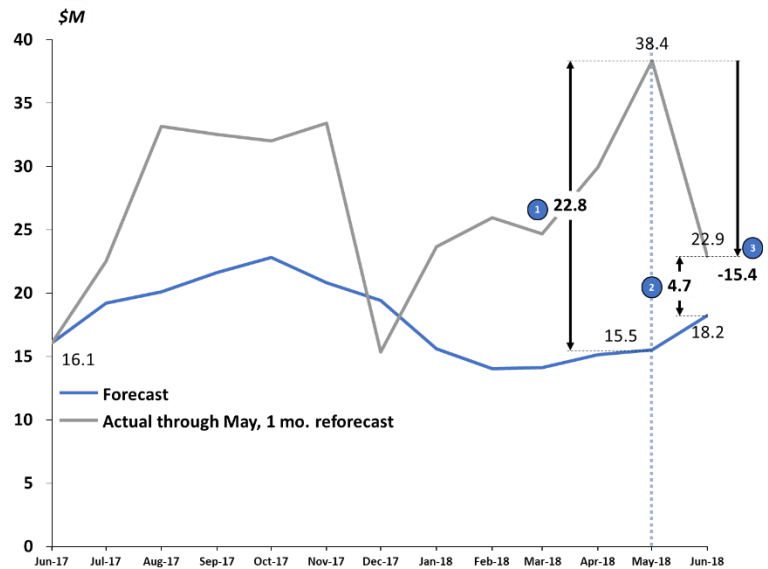
**PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY (“AAFAF”)**

Primary business activity: AAFAF acts as fiscal agent, financial advisor and reporting agent for the Government of Puerto Rico and certain related entities. It was established pursuant to the Puerto Rico Emergency Moratorium and Financial Rehabilitation Act.

**Key takeaways: AAFAF has maintained a higher liquidity position than forecasted, which is expected to partially reverse by year-end though a catch up in professional service payments and payroll costs. FY18 current estimate is above forecast by approximately 27%.**

**A. FY18 Operating Liquidity – Actuals<sup>24</sup> vs. Forecast**

1. **+\$22.8M – YTD actuals vs. forecast** mostly timing related, due to:
  - a. +\$11.4M – professional services payments, due to timing
  - b. +2.5M – payroll, which is considered to be permanent due to lower hiring than anticipated.
  - c. +\$1.8M – General Fund appropriations, due to the timing of this report and its cutoff of 6/1/2018, which accounted for two months of appropriations.



2. **+\$4.7M – FY18 reforecast vs. forecast** primarily due to
  - a. +\$3.2M – payroll and related costs due to slower timing hiring increases as well as a deferral in increasing headcount to later than later than anticipated
  - b. +\$0.7M – other disbursements, which are considered to be permanent after conversations with AAFAF
3. **-\$15.4M – Forecasted June cash burn** due to -\$15.6M in Professional Services payments, expected to be disbursed before the end of fiscal year 2018.

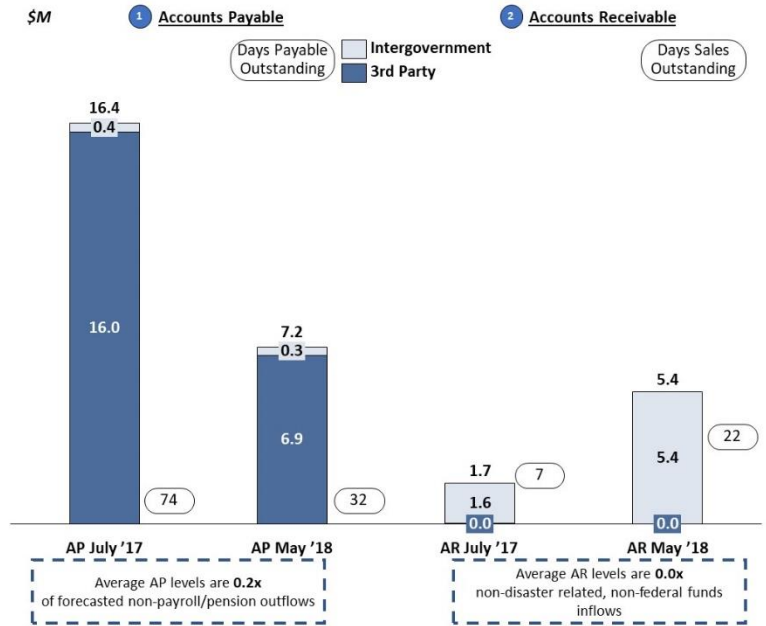
Headcount/Payroll: FTEs: **29 to 72 from July to May**, due to the execution of staffing plans; most of the increase related to the transfer of GDB employees. Due to the hiring waves in March and April, AAFAF expects their payroll run rate to increase from an YTD average of \$0.4M per month to an average of \$0.5M for the month June.

<sup>24</sup> Appendix includes reconciliation between AAFAF reported cash figures and the figures in this report.

**PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY (“AAFAF”) (continued)**

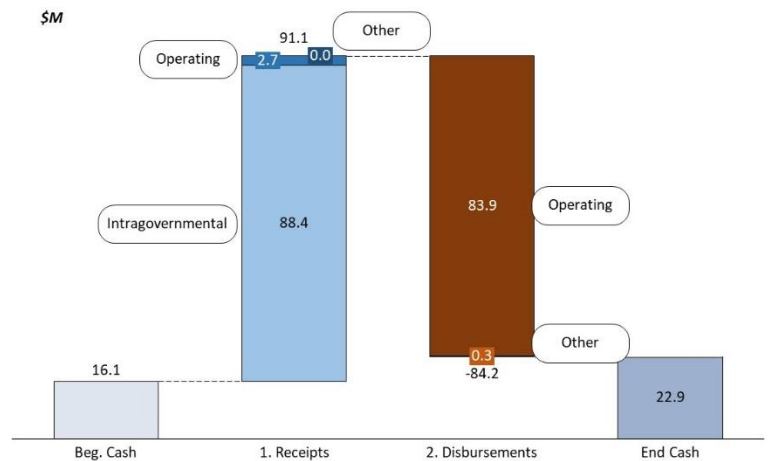
**B. Accounts Payable/Receivable<sup>25</sup>**

1. Payable: **-\$9.2M from June to May**, driven mainly by payments of professional fees.
2. Receivable: **+\$3.7M from June to May** due to MOUs to facilitate professional service contracts related to debt restructuring efforts.
3. Working Capital: Working capital has been a use of cash, but is largely driven by timing of payments of professional fees.



**C. Sources and Uses of Funds**

1. **FY2018 Sources: \$91.1M (estimated)**
  - a. \$88.4M General Fund appropriations
  - b. \$2.7M: Fiscal Agency Fees
2. **FY2018 Uses: \$84.2M (estimated)**
  - a. \$83.9M in operating disbursements, with professional services (91%) and payroll (6%) being the largest components and \$0.3M in other disbursements.
3. **Other**
  - a. AAFAF does not make PayGo contributions and PREPA / PRASA payments are less than 1% of cash outflows



Note: Beginning and ending cash as presented in Section A.

<sup>25</sup> Figures are unaudited and subject to change.

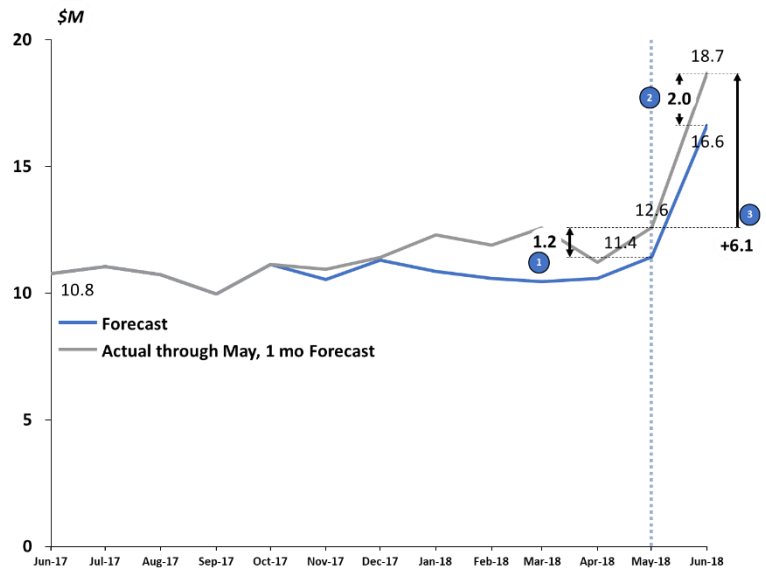
## DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE (“DDEC”)

Primary business activity: DDEC serves as the umbrella agency for key economic development entities in Puerto Rico. It leads efforts to drive competitiveness through structural reforms, promote private sector investment and job growth in critical sectors.

**Key takeaways: DDEC has seen in an increase in cash since January 2018 due to investment deferrals. Additionally, project fund inflows are expected at year end, earmarked to be disbursed in Fiscal Year 2019. This is leading to a temporary cash increase which will normalize at the start of the next fiscal year in July 2018.**

### A. FY18 Operating Liquidity – Actuals<sup>26</sup> vs. Forecasts

1. **+\$1.2M – YTD actuals vs. forecast**, primarily due to delayed investments in employment development programs because of the hurricanes that are mostly expected to be spent in FY19.
2. **+\$2.0M – FY18 reforecast vs. forecast**, primarily due to a \$1.7M increase in management fees and \$0.4M in Act 22 fees.<sup>27</sup>
3. **+\$6.1M – Forecasted June cash build** primarily due to inflows for development projects from federal funds that will not be spent until FY19.



Headcount/Payroll: FTEs: **157 to 156 from July to May**. Projected FY18 payroll is projected to be \$8.0M, which is in line with the forecast.

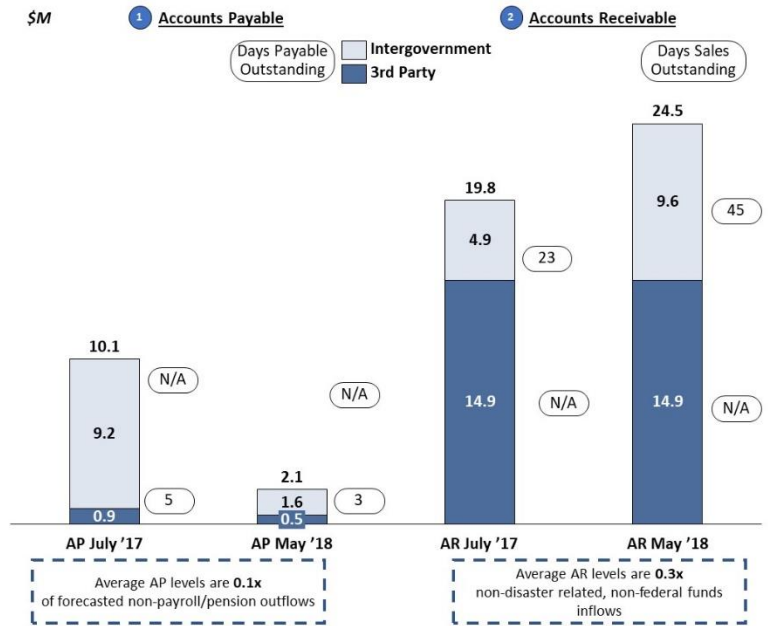
<sup>26</sup> Appendix includes reconciliation between AAFAP reported cash figures and the figures in this report.

<sup>27</sup> Act 22 of 2012 is a law that seeks to attract new residents to Puerto Rico by providing a total exemption from Puerto Rico income taxes on all passive income realized or accrued after such individuals become bona fide residents of Puerto Rico. This relocation should result in new local investments in real estate, services and other consumption products, and in capital injections to the Puerto Rico banking sector, all of which will accelerate the economy of the island.

**DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE (“DDEC”) (continued)**

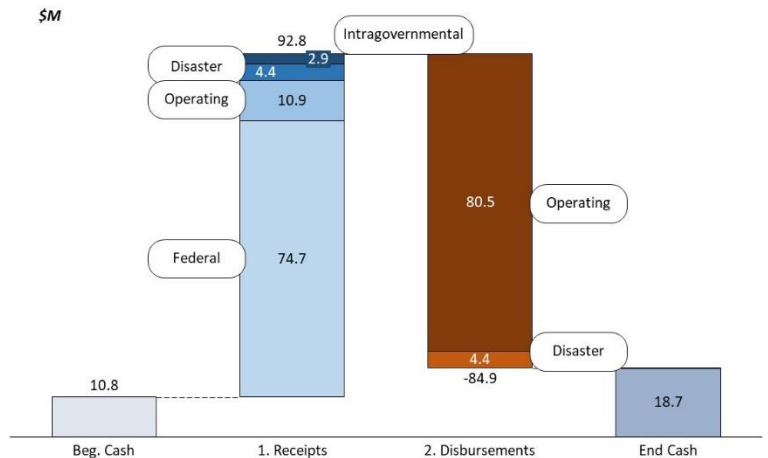
**B. Accounts Payable/Receivable<sup>28</sup>**

1. Payable: **-\$8.0M decrease from July to May**, driven mainly by significant payments to local area vendors and other accounts.
2. Receivable: **+\$4.7 from September to May**, primarily due to invoices from PRIDCO.
3. Working Capital: Unfavorable working capital driven by vendor disbursements and increased in uncollected receipts from PRIDCO



**C. Sources and Uses of Funds**

1. **FY2018 Sources: \$92.8M (estimated)**
  - a. Federal Grants represent \$74.7M (80%) of receipts, Operating Receipts are \$10.9 (12%), Disaster Relief are \$4.4M (5%) and Intragovernmental receipts are \$2.9M (3%)
2. **FY2018 Uses: \$84.9M (estimated)**
  - a. Operating disbursements of \$80.5, with Donations, subsidies and distributions representing \$64.1M (75%) of distributions and remaining \$16.4M of disbursements due to variety of items including Enclosed Allocations (additional project capital yet to be allocated) of \$3.8M and Professional Services (\$2.6M). Disaster related repairs total \$4.4M
3. **Other**
  - a. PREPA / PRASA payments are not material



Note: Beginning and ending cash as presented in Section A.

<sup>28</sup> Figures are unaudited and subject to change.



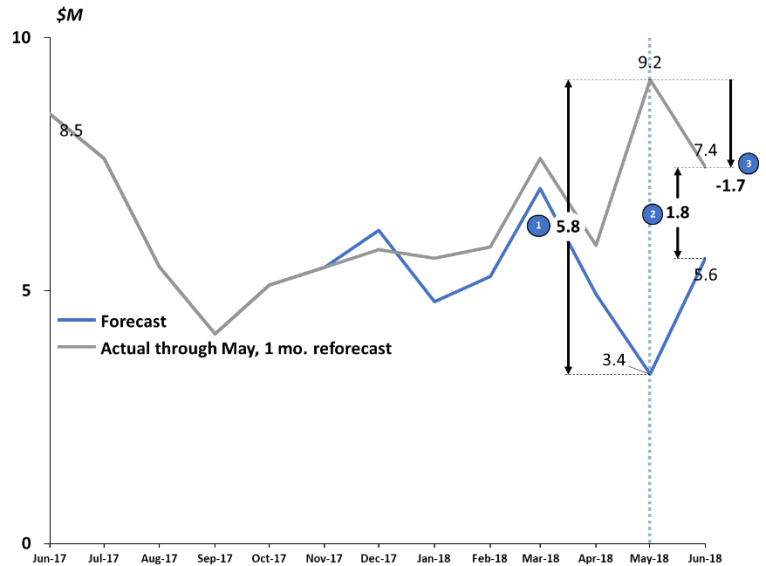
**PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY (“CCDA”)**

Primary business activity: CCDA is develops, manages, and oversees the Puerto Rico Convention Center, the Coliseo de Puerto Rico Jose Miguel Agrelot, the Rivas Domenici Executive Airport, and other adjacent hospitality, commercial and residential developments.

**Key takeaways: YTD actual cash balance is above forecast due to increased revenues from the use of the CCDA’s facilities by emergency response teams, offset by outflows for purchased services to maintain facilities as government center post hurricane.**

**A. FY18 Operating Liquidity – Actuals<sup>29</sup> vs. Forecasts**

1. **+\$5.8M – YTD actuals vs. forecast**, primarily due to \$1.5M higher than expected receipts from the use of CCDA’s facilities by emergency response teams, \$1.5M in other receipts, \$1.0M in deferred capex and \$2.0M in non-operating cash transfers.
2. **+\$1.8M – FY18 reforecast vs. forecast** primarily due to \$2.4M in PREPA and PRASA spend in June (reflecting a catch up in payments following the hurricanes) and \$2.1M in deferred capex spend, offset by \$0.5M in higher receipts.
3. **-\$1.7M – Forecasted June cash flow** – due to catch up capex spend which has been deferred and PREPA / PRASA catch up payments



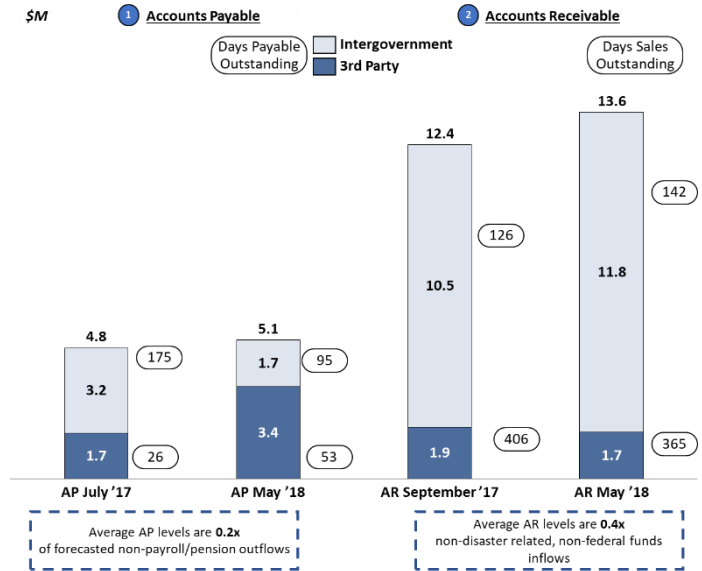
Headcount/Payroll: FTE headcount for April is 8, which is unchanged since July 1, 2017.

<sup>29</sup> Appendix includes reconciliation between AAFAF reported cash figures and the figures in this report.

**PUERTO RICO CONVENTION CENTER DISTRICT AUTHORITY (“CCDA”) (continued)**

**B. Accounts Payable/Receivable<sup>30</sup>**

1. Payable: **+\$291K increase from July to May**, driven mainly by a higher payments to third party accounts (+\$1.6M), offset by utilities payments (+\$1.5M).
2. Receivable: **+\$1.2M from September to May** primarily due to increased intergovernmental invoices due to AEMED/FEMA, CCDA’s facilities, and others.
3. Working Capital: CCDA working capital largely unchanged during FY2018.



**C. Sources and Uses of Funds**

**1. FY2018 Sources: \$33.1M (estimated)**

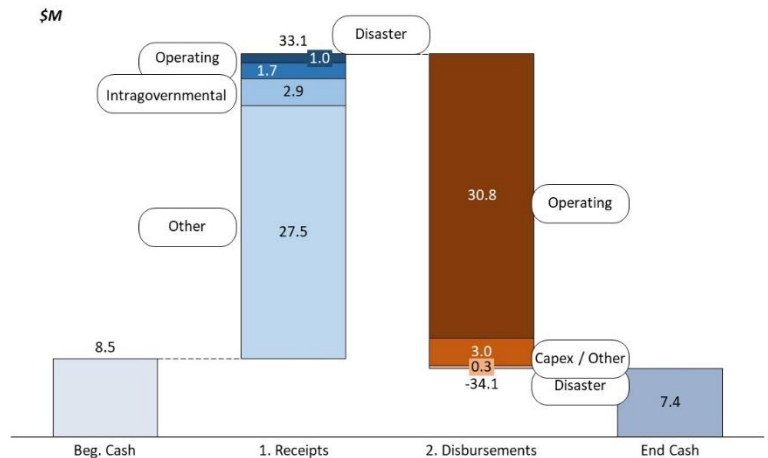
- a. CCDA facilities (PR Coliseum and PR Convention Center) used by conferences and events, as well as Emergency Response team efforts (\$27.5M or 83%).
- b. \$2.9M is PRTC Room taxes (Intragovernmental), \$1.7M in operating receipts, and \$1M in insurance proceeds.

**2. FY2018 Uses: \$34.1M (estimated)**

- a. \$30.8M in operating disbursements, consistently primarily of purchased services (\$22.6M or 62%) and utilities (\$6.6M or 18%), due to use of facilities by Emergency Response teams and government. \$3M in Capex / Other and \$0.3M in disaster related relief disbursements.

**3. Other**

- a. PREPA / PRASA payments expected to total \$6.6M, reflecting increased use this year of facilities



Note: Beginning and ending cash as presented in Section A.

<sup>30</sup> Figures are unaudited and subject to change.

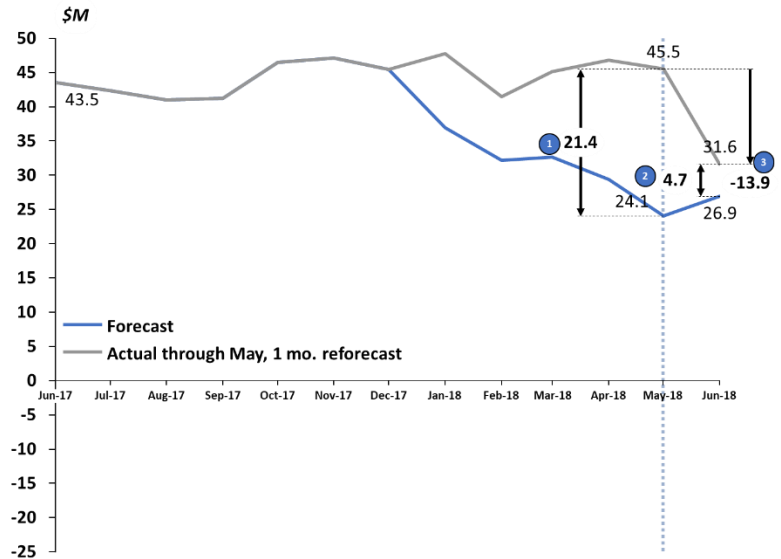
**PUERTO RICO AGRICULTURAL DEVELOPMENT ADMINISTRATION (“ADEA”)**

Primary business activity: ADEA provides services to the agricultural sector, with a goal of supporting its economic development. Services include rural infrastructure development, providing incentives and subsidies to the industry, agricultural product market making and other related services.

**Key takeaways: Actual cash balance is above forecast due to timing of disbursements which are expected to partially catch up in June. Year-end cash balance is expected to close slightly above forecast.**

**A. FY18 Operating Liquidity – Actuals<sup>31</sup> vs. Forecasts**

1. **+\$21.4M – YTD actuals vs. forecast**, primarily due to
  - a. +\$17.1M – variance of other operating disbursements (subsidies to farmers and expenditures for coffee and cafeteria food items) the majority of which will carry into FY19.
  - b. +5.4M in Payroll which is expected to partially reverse by year end as ADEA pays accrued vacation, but majority will remain a permanent variance.
  - c. +4.1M deferral of PayGo contributions
  - d. -\$12.8M – lower than expected school cafeteria receipts due to school closures after the hurricanes.



2. **+\$4.7M – FY18 reforecast vs. forecast**, driven by the above mentioned deferral of operating disbursement into FY19 (+17.1M), offset by lower cafeteria receipts (-\$12.8M).
3. **-\$13.9M – Forecasted June cash burn** due to increased payments for payroll, PayGo and operating expenses against lower receipts due to the end of the school season.

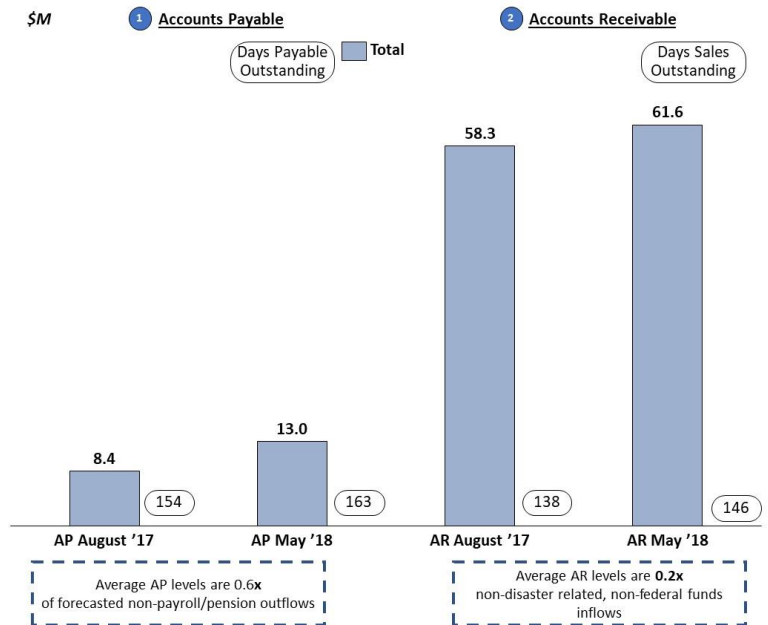
Headcount/Payroll: FTEs: 409 to 388 from July to May. Payroll expenses currently expected to be \$2.3M below budget due to headcount reductions.

<sup>31</sup> Appendix includes reconciliation between AAFAF reported cash figures and the figures in this report.

**PUERTO RICO AGRICULTURAL DEVELOPMENT ADMINISTRATION (“ADEA”) (continued)**

**B. Accounts Payable/Receivable<sup>32</sup>**

1. Payable: **+\$4.6M increase from August to May**, while DPO increased from 154 to 163 days.
2. Receivable: **+\$3.3M increase in AR from August to May**, with DSO increasing from 138 to 146 days.
3. Working Capital: Working capital has been modestly favorable through the end of May 2018.



**C. Sources and Uses of Funds**

**1. FY2018 Sources: \$154.7M (estimated)**

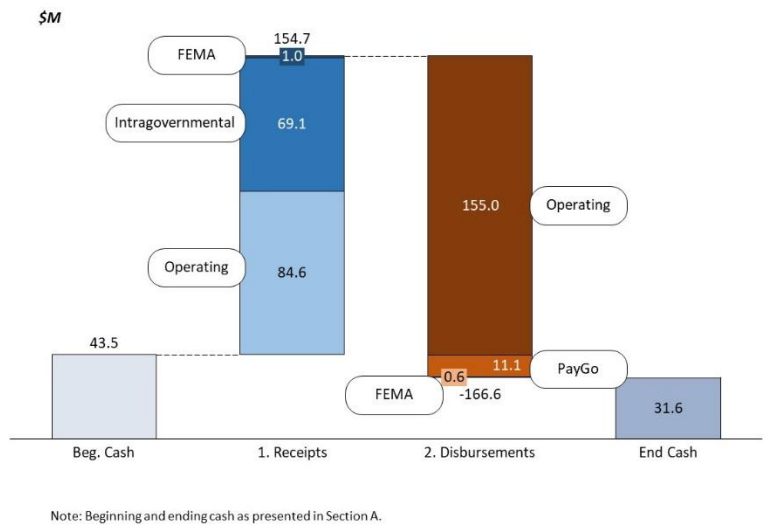
- a. Operating receipts (including coffee market making, school cafeteria receipts and seed distribution) of \$84.6M (55%), Puerto Rico General Fund Appropriations of \$69.1M (45%), and Other Receipts of \$1M (1%)

**2. FY2018 Uses: \$166.6M (estimated)**

- a. Operating disbursements forecasted to be \$155.0M, including \$119.2M of Other operating expenses, such as coffee and food purchases and seed production. ADEA PayGo disbursements totaled \$11.1M and FEMA disbursements totaled \$0.6M

**3. Other**

- a. ADEA has deferred PayGo contributions of \$6.3M through the end of May 2018, of which \$3.8M will be deferred into FY19.



<sup>32</sup> Figures are unaudited and subject to change.

Appendix: Reconciliation between May AAFAF Reported Figures<sup>33</sup> and the Figures in This Report<sup>34</sup>

\$M

	AAFAF Reported Balance (a)	Balance per This Report	Variance	VARIANCE DUE TO:	
				Timing differences	Cash in Nonoperational accounts
Puerto Rico Ports Authority	\$22.9	\$16.1	\$6.8	\$0.9	\$5.9
Medical Services Administration	\$22.3	\$3.0	\$19.3	\$1.9	\$17.4
Puerto Rico Integrated Transit Authority	\$9.4	\$11.8	(\$2.4)	(\$1.7)	(\$0.7)
State Insurance Fund Corporation	\$148.0	\$147.2	\$0.7	\$0.7	
Health Insurance Administration	\$289.8	\$285.5	\$4.2	\$0.5	\$3.7
Highway and Transportation Authority	\$164.2	\$171.5	(\$7.3)	(\$7.3)	
Puerto Rico Public Building Authority	\$55.2	\$53.9	\$1.4	\$1.0	\$0.4
Cardiovascular Center of Puerto Rico and the Caribbean	\$8.5	\$7.9	\$0.6	(\$0.2)	\$0.8
University of Puerto Rico	\$389.6	N/A	N/A		
Housing Finance Authority	\$53.6	\$59.8	(\$6.2)	(\$2.2)	(\$4.0)
Puerto Rico Tourism Company	\$83.7	\$83.7	\$0.0		
Fiscal Agency And Financial Advisory Authority	\$28.9	\$38.4	(\$9.4)	(\$9.4)	
Department Of Economic Development And Commerce	\$12.6	\$10.0	\$2.6	\$2.6	
Convention Center District Authority	\$9.7	\$9.2	\$0.5	\$0.5	
Puerto Rico Agricultural Development Administration	\$62.1	\$45.5	\$16.6	\$0.5	\$16.1

(a) Reported balance as per "Summary of Bank Account Balances for the Government of Puerto Rico and its Instrumentalities" report dated May 31, 2018

<sup>33</sup> AAFAF reported figures as per "Summary of Bank Account Balances for the Government of Puerto Rico and its Instrumentalities" report dated May 31, 2018.  
<http://www.aafaf.pr.gov/assets/aafaf-bank-account-balances-government-pr-instrum-05-31-2018.pdf>

<sup>34</sup> This report is prepared based on reported operational cash balances as of June 1, 2018, while the AAFAF balances are based on direct queries from the all of the component units' bank accounts on May 31, 2018. Consequently, there are two types of reconciliation differences between the sources of information: timing differences produced by the different cutoff dates, or cash being held in nonoperational bank accounts.