



**GOVERNMENT OF PUERTO RICO**  
**Government Development Bank for  
Puerto Rico**



# **Government Development Bank for Puerto Rico Fiscal Year 2018 Recommended Budget**

San Juan, Puerto Rico

June 30, 2017

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# **I. Executive Summary**

# Executive Summary

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- The GDB recommended budget for fiscal year (FY) 2018 has been prepared in accordance with the general framework of the GDB Fiscal Plan and the Restructuring Support Agreement (the “RSA”) entered between GDB, AAFAF and a significant amount of GDB’s financial creditors, including holders of notes and certain depositors
- GDB’s FY 2018 recommended operational budget totals \$28.9 million, a 15% reduction when compared to the FY 2018 budget included in the April 28, 2017 GDB Fiscal Plan and the FY 2017 projected actual operating expenses, respectively, and a 70% reduction when compared to FY 2016 operating expenses
- The GDB FY 2018 includes expenses related to gradual wind down of its operations over the next several years, including the costs associated with the workforce reduction voluntary separation plan
- Principal changes in the FY 2018 recommended budget are driven by reductions in payroll and related costs, rent and utilities and other operational expenses
- Upon consummation of the RSA through a Title VI Qualifying Modification, GDB expects that further downward revisions to the FY 2018 budget may be necessary as terms and conditions of the RSA are finalized



(1) Analysis and assessment based on unaudited financial information



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## **II. Achievements**

# Achievements

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- On April 28, 2017, GDB's fiscal plan was certified, without amendments, by the FOMB
  - *GDB is in the process of amending its certified fiscal plan to incorporate the framework of the RSA and incorporate update assumptions and the reduced FY 2018 recommended budget*
- On May 15, 2017, AAFAF and GDB announced a RSA with a significant portion of GDB's financial creditors, which became effective pursuant to its terms on May 17, 2017
- On June 19, 2017, AAFAF and GDB announced that parties representing over 50% of GDB's Participating Bond Claims (as defined in the RSA) had signed the RSA
- GDB has implemented a PMO structure to implement its fiscal plan, including liquidity management, real estate owned (REO) disposition (having already accepted an offer for a REO for \$13mm (expected to close by August 2017)), loan asset management and strategic initiatives of the wind down efforts
- By June 30, 2017, through a voluntary separation plan, GDB will have reduced its payroll expense by over 30%, in line with the GDB Fiscal Plan
- In addition, over 80% of GDB's workforce has opted into the voluntary separation package and will gradually leave the GDB over the next 12 months
- GDB has reached a preliminary agreement to settle one of its contingent liabilities, reducing the overall claims pool against GDB by a considerable amount



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# **III. GDB Operational Expenses FY 2015 - 2017**



# GDB Operational Expenses FY 2015 - 2017

Operating Expenses	Fiscal Year Ending			2017 <sup>1</sup>
	2015A	2016A	2017B	11mo Ann
Total Payroll Related	23,701	22,654	16,988	17,133
Rent / Utilities	9,861	13,937	1,442	1,787
Acquired Services	2,192	2,239	1,544	1,881
Travel	41	75	40	27
Professional Services	41,631	43,675	8,164	8,617
Other Operating Expenses	10,793	5,932	3,452	3,875
Equipment Acquisitions and Licensing	2,497	2,586	992	393
Office Supplies and Maintenance	324	77	74	37
Contributions	-	-	4,819	94
Contingency / Reserve	101	2,547	970	9
<b>Total</b>	<b>91,141</b>	<b>93,722</b>	<b>38,485</b>	<b>33,853</b>

<sup>1</sup> Fiscal YTD May 31 unaudited financials annualized



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## **IV. Recommended Budget for FY 2018**

# Recommended Budget for FY 2018

	FY 2017 <sup>1</sup>	FY 2018 <sup>2</sup>		
<b>Operational Expenses</b>	<b>11 month Annualized</b>	<b>Recommended Budget</b>	<b>2018B vs 2017Ann.</b>	<b>% Change</b>
Total Payroll Related	17,133	12,190	(4,942)	-29%
Rent / Utilities	1,787	643	(1,144)	-64%
Acquired Services	1,881	2,287	406	22%
Travel	27	10	(17)	-63%
Professional Services	8,617	11,553	2,936	34%
Other Operating Expenses	3,875	1,511	(2,364)	-61%
Equipment Acquisitions and Licensing	393	621	228	58%
Office Supplies and Maintenance	37	73	36	96%
Contributions	94	-	(94)	-100%
Contingency / Reserve	9	-	(9)	-100%
<b>Total Operating Expenses</b>	<b>33,853</b>	<b>28,888</b>	<b>(4,965)</b>	<b>-15%</b>

<sup>1</sup> Fiscal YTD through May 31, 2017; unaudited and annualized

<sup>2</sup> FY 2018 Recommended Budget is subject to revision as the final terms and conditions of the RSA are negotiated.