



Financial Oversight and Management Board for Puerto Rico

Seventh Meeting of the Board

April 28, 2017

8:30 a.m. EST

Alexander Hamilton US Custom House, New York City

Opening the Meeting

At 8:30 a.m., José B. Carrión introduces himself as Chair of the Board and welcomes all persons present to the seventh meeting of the Financial Oversight and Management Board for Puerto Rico and took a roll call to determine which members are present.

- Andrew G. Biggs
- Carlos M. García
- Arthur J. González
- José R. González
- Ana J. Matosantos
- **David A. Skeel, Jr.**
- *Ex Officio* Member and Governor Rosselló-Nevarés' representative, Elías Sánchez-Sifonte

Each answered that he or she was present. Mr. Carrion determined that a quorum was present, and called the meeting to order.

He asked Mr. Jaime A. El Koury, General Counsel of the Board, to act as Secretary for this meeting. Mr. El Koury agreed.

Mr. Carrion recognized the presence of:

1. **Mr. Gerardo Portela**, Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority.
2. **Mr. Christian Sobrino**, President of the Government Development Bank for Puerto Rico
3. **Mr. Carlos Contreras**, Secretary of the Department of Transportation and Public Works
4. **Mr. Eli Diaz Atienza**, Executive Director of Puerto Rico Aqueduct and Sewer Authority
5. **Mr. Ricardo Ramos**, Executive Director of Puerto Rico Electric Power Authority

Mr. Carrion thanked those who were attending the seventh public meeting of the Board, in person or via the Board's website, where a livestream was available in English and a simultaneous translation in Spanish.

Mr. Carrion outlined the agenda items for the meeting:

1. **Approval of 3/31/2017 meeting minutes**
2. **Report by Board Chair**
3. **Administrative Matters**
4. **Presentation of the Proposed Fiscal Plan for Government Development Bank**

2. Report by Board Chair
3. Administrative Matters
4. **Presentation of the Proposed Fiscal Plan for Government Development Bank for Puerto Rico (GDB); Assessment and Recommendations of the Proposed Fiscal Plan for GDB; Public Comment on the Proposed Fiscal Plan for GDB; Discussion and Certification of the Proposed Fiscal Plan for GDB**
5. **Presentation of the Proposed Fiscal Plan for Puerto Rico Highways and Transportation Authority (HTA); Assessment and Recommendations of the Proposed Fiscal Plan for HTA; Public Comment on the Proposed Fiscal Plan for HTA; Discussion and Certification of the Proposed Fiscal Plan for HTA**
6. **Presentation of the Proposed Fiscal Plan for Puerto Rico Aqueduct and Sewer Authority (PRASA); Assessment and Recommendations of the Proposed Fiscal Plan for PRASA; Public Comment on the Proposed Fiscal Plan for PRASA; Discussion and Certification of the Proposed Fiscal Plan for PRASA**
7. **Presentation of the Proposed Fiscal Plan for Puerto Rico Electric Power Authority (PREPA); Assessment and Recommendations of the Proposed Fiscal Plan for PREPA; Public Comment on the Proposed Fiscal Plan for PREPA; Discussion and Certification of the Proposed Fiscal Plan for PREPA**

Mr. Carrion described the main areas of focus for the meeting in more detail:

(1) Presentation of Proposed Fiscal Plans for Covered Territorial Instrumentalities.

As announced at our meeting of March 13, 2017, the Board received proposed fiscal plans for the covered territorial instrumentalities specified above. After reviewing the proposed plans with the Governor's representatives and analyzing and deliberating over it, the Board recommended revisions to the same and gave the Governor's representatives the opportunity to revise the proposed fiscal plans. Thereafter, representatives of the Governor and the Board's experts, consultants, and attorneys engaged in extensive discussions to arrive at a common understanding about the proposed fiscal plans. Today, the Government will make a presentation of the proposed fiscal plans for these covered territorial instrumentalities, which takes into account those discussions and deliberations.

(2) Assessment and Recommendations on the Proposed Fiscal Plans for Covered Territorial Instrumentalities. The Board has assessed the proposed fiscal plan for the specified covered territorial instrumentalities and will make a presentation of its assessment and certain recommendations to each of said plans.

(3) Public Comments. After each presentation by the Government and by the Board, the floor will be opened for questions and comments from the audience.

(4) Discussion and Certification of the Proposed Fiscal Plans for Covered Territorial Instrumentalities. Pursuant to Section 201 (e) of PROMESA, after the presentations by the Government and the Board of each proposed plan and any public comments thereon, the Board will then proceed to discuss the proposed fiscal plan for the specified covered territorial instrumentality and vote on the certification thereof. Members of the Board will be given the opportunity to express his or her views prior to voting on certification.

Mr. Carrion then said a few words about the Public Corporation for the Supervision and Deposit Insurance of Puerto Rico Cooperatives (COSSEC) and the University of Puerto Rico, whose fiscal plans will not be part of today's meeting. Mr. Carrion explained the COSSEC's fiscal plan is under review, pending completion of possible technical recommendations regarding the instrumentality's operations and that it is expected to be completed in the next 30-45 days. As to the UPR, its fiscal plan is a work in progress. The instrumentality continues to work on the plan, but has yet to coordinate with the Government to ensure its conformity with the Commonwealth's fiscal plan. A plan is expected to be received by the Board within the next 30-45 days.

Agenda Items

1. Approval of the Minutes of the Last Meeting

Mr. Carrion asked if there were any questions about the proposed minutes of the Board's last meeting held on March 31, 2017. There being no questions, Ms. Matosantos moved to approve the minutes in the form presented, and Mr. Garcia seconded the motion. Mr. Carrion asked for a vote by voice vote - first those in favor - then those opposed, and Mr. Carrion announced that the minutes had been approved.

Let me continue now, by providing the Board with my report.

2. Report by the Board Chair

- Mr. Carrion explained the Board was established under PROMESA – the Puerto Rico Oversight, Management and Economic Stability Act - and the Board's purpose is to provide a method for Puerto Rico to achieve fiscal responsibility, including pro-growth fiscal reforms [section 701], access to the capital markets [section 101 (a)] and infrastructure revitalization. The Board is also tasked with working with the people and Government of Puerto Rico to create the necessary foundation for economic growth and to restore opportunity to the people of Puerto Rico.
- Mr. Carrion observed that at the Board's previous public meetings he had recounted the Board's steps, as required or allowed by PROMESA, to accomplish its statutory mandates. He said he would now restrict his remarks to progress made after the fifth public meeting on March 13, 2017.
- Mr. Carrion reported that, at that meeting, the Board certified the Government's fiscal plan, subject to certain amendments. Since the meeting, the Board and the Government have been working hard to implement the fiscal plan and its amendments (including the furlough and Christmas bonus amendment), as well as preparing itself to receive by April 30 from the Government (1) the proposed Budget for the Commonwealth of Puerto Rico as contemplated by Section 202 of PROMESA; (2) a detailed implementation plan for the measures contained in the certified Fiscal Plan; and (3) a revised Liquidity Plan for the Commonwealth of Puerto Rico, including measures to generate a \$200 million cash reserve by June 30, 2017 above the balance reflected in the certified Fiscal Plan.
- Mr. Carrion stated that in addition, on March 31, 2017, the Board held in San Juan its sixth public meeting, devoted entirely to the topic of economic development of Puerto Rico, and at which many participants in the public and private sectors of Puerto Rico offered their vision for a dynamic Puerto Rican economy.
- Mr. Carrion then offered to say a few words about the Board's efforts to engage with creditors, in one-on-one meetings, in group sessions and in mediation proceedings. From December 2016 through March 2017, Board members and advisors have participated in over 30 meetings with representatives of the different creditor groups. Most groups met with the Board more than once. The Government joined the Board in most of those meetings and held many additional meetings. The Board has not declined to meet with any creditor group requesting a meeting. In March 2017, the Board and the Government requested holders of General Obligation debt ("GO debt") and COFINA debt to participate in a mediation with the Board and the Government commencing April 3, 2017. Those debts together account for approximately 55% of the total bond debt to be restructured. Ultimately, the mediation commenced April 13, 2017 under the auspices of former Bankruptcy Judge Allan Gropper, nominated by a plurality of creditors. The Board remains

mediation commenced April 13, 2017 under the auspices of former Bankruptcy Judge Allan Gropper, nominated by a plurality of creditors. The Board remains hopeful that the mediation will lead to consensual resolutions at some point.

- As final remarks, Mr. Carrion explained that, as mentioned previously, the Board and its advisors had devoted considerable time and effort in reviewing the proposed fiscal plans of the covered territorial instrumentalities that are the subject of today's meeting. Mr. Carrion congratulated these entities on the significant progress they have made and said the Board awaited eagerly the presentation of their proposed fiscal plans. Mr. Carrion recalled that at prior Board meetings, the fiscal plans that the Board is required by PROMESA to certify, whether at the Commonwealth level or for the covered territorial instrumentalities, must be based on solid savings and revenue projections, a "once and done" approach and not simply on hopes or predictions that various changes will generate more revenues in the future. Mr. Carrion clarified that "once and done" means the plan must be calculated to achieve structural balance without further measures not already included in the plan. "Once and done" does not mean (a) mistakes will not be fixed, or (b) the plan will not be changed to reflect new facts.

3. Administrative Matters

Mr. Carrion provided an update on certain recent appointments made by the Board.

Mr. Carrion stated that this was the first public meeting attended by the Board's new Executive Director, Ms. Natalie Jaresko. Mr. Carrion extended to Ms. Jaresko a warm welcome and wished her much success in her new position. Mr. Carrion said that the Board looked forward to her working with the Board and to her many contributions.

Motion: Mr. Andrew Biggs made the following motion:

Resolution: Between the adjournment of this meeting and the opening of the Board's next public meeting, the Board may consider in executive session any and all matters that it is authorized to consider under PROMESA, including (1) any certification determinations authorized by PROMESA, including certification determinations under Section 206 of PROMESA, and (2) any filings authorized under Title III of PROMESA, in each case that are set forth as part of the vote to convene such executive session. The Board may also act by unanimous written consent between meetings in accordance with the Bylaws, with such consent to include consent by email.

Mr. José González seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor – then those opposed.

Mr. Carrión announced that the Resolution passed unanimously.

4. Presentation of the Proposed Fiscal Plan for Government Development Bank for Puerto Rico (GDB)

Mr. Gerardo Portela, Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority, presented the proposed fiscal plan for Government Development Bank

Mr. Gerardo Portela, Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority, presented the proposed fiscal plan for Government Development Bank for Puerto Rico (GDB), together with Mr. Christian Sobrino, President of GDB. After their presentation, the Board proceeded to ask questions about the plan.

5. Assessment and Recommendations on the Proposed Fiscal Plan for Government Development Bank for Puerto Rico (GDB)

Mr. Carrion then asked the Board's Executive Director, Ms. Natalie Jaresko, to explain the process by which the Board reviewed and assessed GDB's proposed fiscal plan and to present to the Board certain recommendations to the fiscal plan.

Ms. Jaresko said that she would first describe the general process through which the Board reviewed and assessed the fiscal plans of GDB and the other instrumentalities to be discussed later in today's session, and then turn to her recommendation for the GDB's proposed fiscal plan.

After receiving the fiscal plans from the instrumentalities, the Board reviewed the plans against three types of criteria: compliance with PROMESA, meaning the successful fulfilment of Section 201 of the PROMESA law, which outlines 14 statutory requirements all fiscal plans must achieve, adherence to the principles outlined by this Board for a "once and done" approach, which ensures the plans achieve a structural balance without further measures not already included in the plans, and the inclusion of rigorous and transformational savings and revenue enhancements that are based on facts, historical performance, and comparative targets from applicable peers. The Board also reviewed the plans for consistency with the Commonwealth Fiscal Plan.

The Board has engaged with the Government and its instrumentalities to share its guidance on revisions. The Board shared these comments with the goals of clarifying the baseline projections, strengthening the fiscal measures proposed, and ensuring that adequate governance and implementation commitments have been included in the fiscal plan, to be detailed in the subsequent implementation and budgeting process.

The Government and its instrumentalities responded to much of the Board's initial guidance and revised their fiscal plans. She then said that she intended to use today's session to present her recommendation on the fiscal plans to the Board, who will in turn decide whether to certify the plan and which additional amendments would have to be incorporated in order to satisfy the requirements of PROMESA. She then turned to her remarks on the GDB Fiscal Plan.

1) [Broad remarks on goals met] GDB's proposed Fiscal Plan describes a path to comply with requirements put forth by the PROMESA Section 201, which provides the guidelines to develop fiscal plans in the Commonwealth, and the Guidance provided to GDB by the Oversight Board throughout the process to develop a plan. The GDB Plan proposes that its operations be significantly reduced, whereby GDB will not enter into any new financings and loan originations, and will instead serve as an agent in collecting on its loan portfolio and disbursing excess cash flows to depositors and noteholders. GDB has established a project management office (PMO) to drive the implementations of its Plan submitted to the Oversight Board; through this PMO structure and other dedicated working groups formed from PMO leadership, GDB is positioned to effectively manage and implement the measures put forth in its Fiscal Plan.

2) [Remarks on amendments] Ms. Jaresko recommended no amendments to GDB's Fiscal Plan.

6. Public Comment on the Proposed Fiscal Plan for Government Development Bank for Puerto Rico (GDB)

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Mr. Carrion opened the floor for public comments. Each person had up to 3 minutes to express their views.

7. Discussion and Certification of the Proposed Fiscal Plan for Government Development Bank for Puerto Rico (GDB)

Mr. Carrion explained that in light of the importance of the decision by the Board that will be taken at the meeting to certify the Fiscal Plan for GDB, certain Board members will express their view on the plan.

Mr. Carrion recognized Mr. Elias Sanchez-Sifonte as the first to address the meeting in light of his position as representative of the Governor of Puerto Rico. Following Mr. Sanchez-Sifonte, the following members expressed their views:

José R. González
David A. Skeel, Jr.

Mr. Carrion requested the Board's Executive Director, on the basis of the report presented by her on the proposed fiscal plan for GDB, and her recommendations thereon, whether she would like to propose a resolution for the Board to consider and vote upon.

Ms. Jaresko answered that she did want to propose a resolution, and requested Mr. El Koury to read the same into the record.

Mr. El Koury read the following resolution:

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") was enacted; and

WHEREAS section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico ("the Board"); and

WHEREAS section 201 of PROMESA establishes a multi-step procedure for the development, review, and approval of fiscal plans for covered territorial instrumentalities, requiring that (i) the proposed fiscal plans be submitted to the Board; (ii) the Board must review the proposed plans and determine either that it satisfies PROMESA's requirements or that it does not, in which case, the Board must issue a notice of violation and recommended revisions giving an opportunity to correct the violations; (iii) revised proposed plans be then submitted to the Board; and (iv) if there is a failure to submit timely a proposed plan the Board determines in its sole discretion satisfies PROMESA's requirements, the Board shall develop and submit to the Governor and the Legislature its own compliant fiscal plan; and

WHEREAS, on March 13, 2017, the Board announced that it had received a proposed fiscal plan for Government Development Bank for Puerto Rico (GDB); and

WHEREAS, after reviewing the proposed plan with the Governor's representatives and analyzing and deliberating over it with the Board's members, economist, consultants, and attorneys, the Board recommended revisions to the same and gave the Governor's representatives the opportunity to revise the proposed fiscal plan; and

WHEREAS representatives of the Governor and the Board's experts, consultants, and attorneys engaged in extensive discussions about the proposed fiscal plan and the Board's concerns about the plan, resulting in further changes incorporated into the proposed plan;

WHEREAS representatives of the Governor and the Board's experts, consultants, and attorneys engaged in extensive discussions about the proposed fiscal plan and the Board's concerns about the plan, resulting in further changes incorporated into the proposed plan; and

WHEREAS, on April 28, 2017, the Board held an open meeting at which the Governor's representatives presented the final proposed fiscal plan to the Board and the public; and

WHEREAS the Board has had the opportunity to consider the latest proposed plan and discuss it with its experts, consultants, and attorneys, and believes that the plan complies with PROMESA; and

WHEREAS the Board provided an opportunity for public comment on the proposed fiscal plan; and

WHEREAS, after substantial deliberations, the Board has determined to approve and certify the latest proposed fiscal plan; and

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT the Board approves and certifies the latest proposed fiscal plan for GDB pursuant to PROMESA § 201(e); and it is

FURTHER RESOLVED that the Board shall issue a compliance certification for such fiscal plan to the Governor and the Legislature pursuant to PROMESA § 201(e).

Mr. Jose R. Gonzalez moved that the resolution be approved.

Mr. David Skeel seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor – then those opposed.

Mr. Carrión announced that the Resolution passed unanimously.

8. Presentation of the Proposed Fiscal Plan for Puerto Rico Highways and Transportation Authority (HTA)

Mr. Gerardo Portela, Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority, presented the proposed fiscal plan for Puerto Rico Highways and Transportation Authority (HTA), together with Mr. Carlos Contreras, Secretary of the Department of Transportation and Public Works. After their presentation, the Board proceeded to ask questions about the plan.

9. Assessment and Recommendations on the Proposed Fiscal Plan for Puerto Rico Highways and Transportation Authority (HTA)

Mr. Carrion then asked the Board's Executive Director, Ms. Natalie Jaresko, to explain the process by which the Board reviewed and assessed HTA's proposed fiscal plan and to present to the Board certain recommendations to the fiscal plan.

Ms. Jaresko made the following remarks:

1) HTA's proposed fiscal plan describes a path to complying with requirements put forth by PROMESA Section 201, which provides the guidelines to develop fiscal plans in the commonwealth, and the Guidance provided to HTA by the Oversight Board throughout the process to develop a plan. The HTA plan proposes measures for the entity that will put it on

PROMESA Section 201, which provides the guidelines to develop fiscal plans in the commonwealth, and the Guidance provided to HTA by the Oversight Board throughout the process to develop a plan. The HTA plan proposes measures for the entity that will put it on the road to sustainability as an infrastructure developer and manager with an efficient project delivery model. HTA has also developed an aggressive plan that reduces operational expenses and enhances revenues, while improving governance and internal processes. It has also provided a transit specific chapter to address an asset that represent a significant portion of the system's losses.

2) Against these broad efforts, however, the HTA Plan still does not provide sufficient specificity at the asset level to demonstrate the sustainability of each of its assets. In order to fulfill PROMESA requirements, I recommend that HTA must provide additional financial baseline projections, fiscal measures, and a turnaround plan that is asset-specific, for the assets which are understood to comprise a significant portion of the agency's operating deficit. In addition, there is potential for further revenue enhancement measures on the highway system. While the plan presents significant changes to HTA's governance model, the fiscal plan also has the potential to propose a commitment to explore different options for corporatization that can support its organizational transformation, and to ensure that the selection process for its board remains independent and apolitical. These amendments should be addressed within 30 days.

10. Public Comment on the Proposed Fiscal Plan for Puerto Rico Highways and Transportation Authority (HTA)

Mr. Carrion opened the floor for public comments. Each person had up to 3 minutes to express their views.

11. Discussion and Certification of the Proposed Fiscal Plan for Puerto Rico Highways and Transportation Authority (HTA)

Mr. Carrion explained that in light of the importance of the decision by the Board that will be taken at the meeting to certify the Fiscal Plan for HTA, certain Board members will express their view on the plan.

Mr. Carrion recognized Mr. Elias Sanchez-Sifonte as the first to address the meeting in light of his position as representative of the Governor of Puerto Rico. Following Mr. Sanchez-Sifonte, the following members expressed their views:

**Carlos M. García
José R. González**

Mr. Carrion requested the Board's Executive Director, on the basis of the report presented by her on the proposed fiscal plan for HTA, and her recommendations thereon, including the proposed amendments summarized in her presentation, whether she would like to propose a resolution for the Board to consider and vote upon.

Ms. Jaresko answered that she did want to propose a resolution, and requested Mr. El Koury to read the same into the record.

Mr. El Koury read the following resolution:

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") was enacted; and

WHEREAS section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico ("the Board"); and

WHEREAS section 201 of PROMESA establishes a multi-step procedure for the

WHEREAS section 201 of PROMESA establishes a multi-step procedure for the development, review, and approval of fiscal plans for covered territorial instrumentalities, requiring that (i) the proposed fiscal plans be submitted to the Board; (ii) the Board must review the proposed plans and determine either that it satisfies PROMESA's requirements or that it does not, in which case, the Board must issue a notice of violation and recommended revisions giving an opportunity to correct the violations; (iii) revised proposed plans be then submitted to the Board; and (iv) if there is a failure to submit timely a proposed plan the Board determines in its sole discretion satisfies PROMESA's requirements, the Board shall develop and submit to the Governor and the Legislature its own compliant fiscal plan; and

WHEREAS, on March 13, 2017, the Board announced that it had received a proposed fiscal plan for Puerto Rico Highways and Transportation Authority (HTA); and

WHEREAS, after reviewing the proposed plan with the Governor's representatives and analyzing and deliberating over it with the Board's members, economist, consultants, and attorneys, the Board recommended revisions to the same and gave the Governor's representatives the opportunity to revise the proposed fiscal plan; and

WHEREAS representatives of the Governor and the Board's experts, consultants, and attorneys engaged in extensive discussions about the proposed fiscal plan and the Board's concerns about the plan, resulting in further changes incorporated into the proposed plan; and

WHEREAS, on April 28, 2017, the Board held an open meeting at which the Governor's representatives presented the final proposed fiscal plan to the Board and the public; and

WHEREAS the Board has had the opportunity to consider the latest proposed plan and discuss it with its experts, consultants, and attorneys, and believes that, with certain amendments, the plan complies with PROMESA; and

WHEREAS the Board provided an opportunity for public comment on the proposed fiscal plan and on the Board's recommended modifications to such fiscal plan; and

WHEREAS, after substantial deliberations, the Board has determined to approve and certify the latest proposed fiscal plan, as modified by the following amendments:

HTA Amendment No. 1:

- The fiscal plan must address the sustainability of HTA by asset: The current plan does not portray the sustainability of HTA's assets separately. The financials and measures of the highway and transportation assets should be set out separately in the fiscal plan to adequately address the profitability of each before and after the implementation of fiscal measures.

HTA Amendment No. 2:

- The fiscal plan must adopt more aggressive measures for the transit system that will address its current losses: The Tren Urbano chapter of the fiscal plan must include material demand inducement and cost efficiency measures that allow the train to target a fare box recovery ratio in line with heavy rail systems on the mainland (35-60%). The plan must also propose revenue enhancement measures for the train system. If the aforementioned measures by themselves are not sufficient to achieve sustainability, the plan should also address the separation of Tren Urbano from HTA as a way to enhance profitability and turn around the train system.

HTA Amendment No. 3:

- The fiscal plan must include a proposal to conduct further analysis on the cost-benefit of different options for corporatization, including, for example,

- The fiscal plan must include a proposal to conduct further analysis on the cost-benefit of different options for corporatization, including, for example, Project-specific P3s; Corporatization of specific parts of the system (i.e. assigning responsibility for management and operation to a separate body, to run an asset in a more businesslike way); Privatization of the transit system or Tren Urbano and maintenance of the Highway Authority as a government agency; Corporatization of HTA and transit as separate entities; Full privatization.

HTA Amendment No 4:

- The fiscal plan must address how the terms and Board selection process for the HTA Board will be revised to ensure that the terms are independent of political cycles and that board member selection is independent.

HTA Amendment No. 5:

- The fiscal plan must clearly outline how proposed overhead savings intersect with the Commonwealth's Right Sizing targets and identify differences in revenue projections between the HTA plan and the Commonwealth Plan.

HTA Amendment No. 6:

- The fiscal plan must require the exploration and quantification of the impact of additional revenue enhancement measures on the highway system (e.g. toll credit monetization).

Implementation Plan and Revised Fiscal Plan:

The Government shall present to the Board a plan to implement the above amendments by no later than 30 days from the date of adoption of said amendments and a revised fiscal plan that complies with the measures described in said amendments no later than 15 days thereafter, which revised fiscal plan shall be subject to the Board's approval; and

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT the Board approves and certifies the latest proposed fiscal plan for HTA pursuant to PROMESA § 201(e), as modified by the amendments described above; and it is

FURTHER RESOLVED that the Board shall issue a compliance certification for such fiscal plan, as amended, to the Governor and the Legislature pursuant to PROMESA § 201(e).

Mr. Jose R. Gonzalez moved that the resolution be approved.

Mr. Carlos Garcia seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor – then those opposed.

Mr. Carrión announced that the Resolution passed unanimously.

12. Presentation of the Proposed Fiscal Plan for Puerto Rico Aqueduct and Sewer Authority (PRASA)

Mr. Gerardo Portela, Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority, presented the proposed fiscal plan for Puerto Rico Aqueduct and Sewer Authority (PRASA), together with Mr. Eli Diaz Atienza, Executive Director of PRASA. After their presentation, the Board proceeded to ask questions about the plan.

13. Assessment and Recommendations on the Proposed Fiscal Plan for Puerto Rico Aqueduct and Sewer Authority (PRASA)

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Mr. Carrion then asked the Board's Executive Director, Ms. Natalie Jaresko, to explain the process by which the Board reviewed and assessed PRASA's proposed fiscal plan and to present to the Board certain recommendations to the fiscal plan.

Ms. Jaresko made the following remarks:

1) PRASA's proposed fiscal plan develops targets to increase revenues via a permanent, multi-year increase of rates while reducing operational expenses. This plan describes a path to comply with requirements put forth by PROMESA Section 201, which provides the guidelines to develop fiscal plans in the commonwealth, and the Guidance provided to PRASA by the Oversight Board throughout the process to develop a plan. The PRASA plan outlines measures for the entity that will continue to enable the provision of essential services, a safe and reliable supply of drinking water and treatment of wastewater, and compliance with federal environmental regulations. PRASA has included plans for governance and internal process improvements to ensure successful implementation of the proposed fiscal plan.

2) The PRASA Plan does not, however, provide a moderate, broad-based and multi-year rate increase distributed across all customer types, with commercial and government customers currently bearing the entirety of the proposed rate increase. The rate structure also does not detail mitigation measures for low-income residential customers. Additionally, the PRASA plan is dependent on electricity rate assumptions from PREPA that have not been updated within the PREPA and PRASA proposed fiscal plans. While the plan represents a significant step in the right direction, these amendments should be implemented to fully comply with recommendations provided by the Board. These amendments should be addressed within 30 days.

14. Public Comment on the Proposed Fiscal Plan for Puerto Rico Aqueduct and Sewer Authority (PRASA)

Mr. Carrion opened the floor for public comments. Each person had up to 3 minutes to express their views.

15. Discussion and Certification of the Proposed Fiscal Plan for Puerto Rico Aqueduct and Sewer Authority (PRASA)

Mr. Carrion explained that in light of the importance of the decision by the Board that will be taken at the meeting to certify the Fiscal Plan for PRASA, certain Board members will express their view on the plan.

Mr. Carrion recognized Mr. Elias Sanchez-Sifonte as the first to address the meeting in light of his position as representative of the Governor of Puerto Rico. Following Mr. Sanchez-Sifonte, the following members expressed their views:

**José R. González
Ana J. Matosantos**

Mr. Carrion requested the Board's Executive Director, on the basis of the report presented by her on the proposed fiscal plan for PRASA, and her recommendations thereon, including the proposed amendments summarized in her presentation, whether she would like to propose a resolution for the Board to consider and vote upon.

Ms. Jaresko answered that she did want to propose a resolution, and requested Mr. El

propose a resolution for the Board to consider and vote upon.

Ms. Jaresko answered that she did want to propose a resolution, and requested Mr. El Koury to read the same into the record.

Mr. El Koury read the following resolution:

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”) was enacted; and

WHEREAS section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico (“the Board”); and

WHEREAS section 201 of PROMESA establishes a multi-step procedure for the development, review, and approval of fiscal plans for covered territorial instrumentalities, requiring that (i) the proposed fiscal plans be submitted to the Board; (ii) the Board must review the proposed plans and determine either that it satisfies PROMESA’s requirements or that it does not, in which case, the Board must issue a notice of violation and recommended revisions giving an opportunity to correct the violations; (iii) revised proposed plans be then submitted to the Board; and (iv) if there is a failure to submit timely a proposed plan the Board determines in its sole discretion satisfies PROMESA’s requirements, the Board shall develop and submit to the Governor and the Legislature its own compliant fiscal plan; and

WHEREAS, on March 13, 2017, the Board announced that it had received a proposed fiscal plan for Puerto Rico Aqueduct and Sewer Authority (PRASA); and

WHEREAS, after reviewing the proposed plan with the Governor’s representatives and analyzing and deliberating over it with the Board’s members, economist, consultants, and attorneys, the Board recommended revisions to the same and gave the Governor’s representatives the opportunity to revise the proposed fiscal plan; and

WHEREAS representatives of the Governor and the Board’s experts, consultants, and attorneys engaged in extensive discussions about the proposed fiscal plan and the Board’s concerns about the plan, resulting in further changes incorporated into the proposed plan; and

WHEREAS, on April 28, 2017, the Board held an open meeting at which the Governor’s representatives presented the final proposed fiscal plan to the Board and the public; and

WHEREAS the Board has had the opportunity to consider the latest proposed plan and discuss it with its experts, consultants, and attorneys, and believes that, with certain amendments, the plan complies with PROMESA; and

WHEREAS the Board provided an opportunity for public comment on the proposed fiscal plan and on the Board’s recommended modifications to such fiscal plan; and

WHEREAS, after substantial deliberations, the Board has determined to approve and certify the latest proposed fiscal plan, as modified by the following amendments:

PRASA Amendment No. 1:

- The fiscal plan must require implementation of a multi-year, permanent rate increase, that is broadly distributed across all customer types (including residential) and that takes into consideration income of customers. This increase must be a pre-approved measure effective from January 2018 through at least the following five years and be supported by a commitment from PRASA to a detailed implementation plan and schedule to be developed, including PRASA Board-led annual review of the rate increase, and provide authority for revisions as deemed necessary by such a review. The plan and the rate increase it achieves must confirm that the rate increase is designed to ensure that PRASA is able to meet its obligations to SAFEX and other stakeholders.

increase, and provide authority for revisions as deemed necessary by such a review. The plan and the rate increase it achieves must confirm that the rate increase is directed to achieving structural balance and funding CAPEX needs, pre-debt service.

PRASA Amendment No. 2:

- The existing analysis addressing the impact on customer type and categories of consumption level must be updated to reflect the above refreshed rate proposal.

PRASA Amendment No. 3:

- The fiscal plan must include updated electricity savings in line with the Fiscal Plan submitted by PREPA and confirm the status of PREPA's involvement in and collaboration with the hydroelectric initiative.

Implementation Plan and Revised Fiscal Plan:

The Government shall present to the Board a plan to implement the above amendments by no later than 30 days from the date of adoption of said amendments and a revised fiscal plan that complies with the measures described in said amendments no later than 15 days thereafter, which revised fiscal plan shall be subject to the Board's approval; and

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT the Board approves and certifies the latest proposed fiscal plan for PRASA pursuant to PROMESA § 201(e), as modified by the amendments described above; and it is

FURTHER RESOLVED that the Board shall issue a compliance certification for such fiscal plan, as amended, to the Governor and the Legislature pursuant to PROMESA § 201(e).

Ms. Ana Matosantos moved that the resolution be approved.

Mr. Jose Ramon Gonzalez seconded the motion.

Mr. Carrion asked for a vote by a voice vote – first those in favor – then those opposed.

Mr. Carrión announced that the Resolution passed unanimously.

16. Presentation of the Proposed Fiscal Plan for Puerto Rico Electric Power Authority (PREPA)

Mr. Gerardo Portela, Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority, presented the proposed fiscal plan for Puerto Rico Electric Power Authority (PREPA), together with Mr. Ricardo Ramos, Executive Director of PREPA. After their presentation, the Board proceeded to ask questions about the plan.

17. Assessment and Recommendations on the Proposed Fiscal Plan for Puerto Rico Electric Power Authority (PREPA)

Mr. Carrion then asked the Board's Executive Director, Ms. Natalie Jaresko, to explain the process by which the Board reviewed and assessed PREPA's proposed fiscal plan and to present to the Board certain recommendations to the fiscal plan.

Ms. Jaresko made the following remarks:

Ms. Jaresko made the following remarks:

1) PREPA's plan provides details for a \$4.3 billion investment program focused on Transmission and Distribution investment and new generation funded via P3s and operating revenue. The plan does provide for decreased demand that results in significant reductions in sales compared to the previous plan. PREPA's proposed fiscal plan also develops a plan to reduce operational expenses through a variety of initiatives including business process outsourcing and fuel savings driven by the renegotiation of natural gas contracts.

2) However, the PREPA plan does not provide for sufficiently lower cost, reliable power that can support the economic growth of Puerto Rico and is not consistent with the assumptions included in the certified Commonwealth Fiscal Plan. In order to address the aforementioned goals, PREPA's fiscal plan should be amended within 45 days to deliver power to ratepayers at a projected 21 cents per kWh by 2023 through lower costs of generation and other efficiency gains. PREPA can enable this rate structure via an expeditious capital improvement program that rapidly transitions the generation mix to low cost power sources. Additionally, initiatives to drive an increase in operational efficiency, a reduction in pension costs, and the elimination of the Contribution in Lieu of Taxes (CILT) will support the capital improvement program. Finally, PREPA should provide details on a 60-day process to establish a mechanism for rate approval with the Energy Commission reflecting a Formula Rate Mechanism. While the plan represents a step in the right direction, these amendments will enable a necessary transformation of the utility.

18. Public Comment on the Proposed Fiscal Plan for Puerto Rico Electric Power Authority (PREPA)

Mr. Carrion opened the floor for public comments. Each person had up to 3 minutes to express their views.

19. Discussion and Certification of the Proposed Fiscal Plan for Puerto Rico Electric Power Authority (PREPA)

Mr. Carrion explained that in light of the importance of the decision by the Board that will be taken at the meeting to certify the Fiscal Plan for PREPA, certain Board members will express their view on the plan.

Mr. Carrion recognized Mr. Elias Sanchez-Sifonte as the first to address the meeting in light of his position as representative of the Governor of Puerto Rico. Following Mr. Sanchez-Sifonte, the following members expressed their views:

**Carlos M. García
Ana J. Matosantos
David A. Skeel, Jr.**

Mr. Carrion requested the Board's Executive Director, on the basis of the report presented by her on the proposed fiscal plan for PREPA, and her recommendations thereon, including the proposed amendments summarized in her presentation, whether she would like to propose a resolution for the Board to consider and vote upon.

Ms. Jaresko answered that she did want to propose a resolution, and requested Mr. El

Ms. Jaresko answered that she did want to propose a resolution, and requested Mr. El Koury to read the same into the record.

Mr. El Koury read the following resolution:

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”) was enacted; and

WHEREAS section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico (“the Board”); and

WHEREAS section 201 of PROMESA establishes a multi-step procedure for the development, review, and approval of fiscal plans for covered territorial instrumentalities, requiring that (i) the proposed fiscal plans be submitted to the Board; (ii) the Board must review the proposed plans and determine either that it satisfies PROMESA’s requirements or that it does not, in which case, the Board must issue a notice of violation and recommended revisions giving an opportunity to correct the violations; (iii) revised proposed plans be then submitted to the Board; and (iv) if there is a failure to submit timely a proposed plan the Board determines in its sole discretion satisfies PROMESA’s requirements, the Board shall develop and submit to the Governor and the Legislature its own compliant fiscal plan; and

WHEREAS, on March 13, 2017, the Board announced that it had received a proposed fiscal plan for Puerto Rico Electric Power Authority (PREPA); and

WHEREAS, after reviewing the proposed plan with the Governor’s representatives and analyzing and deliberating over it with the Board’s members, economist, consultants, and attorneys, the Board recommended revisions to the same and gave the Governor’s representatives the opportunity to revise the proposed fiscal plan; and

WHEREAS representatives of the Governor and the Board’s experts, consultants, and attorneys engaged in extensive discussions about the proposed fiscal plan and the Board’s concerns about the plan, resulting in further changes incorporated into the proposed plan; and

WHEREAS, on April 28, 2017, the Board held an open meeting at which the Governor’s representatives presented the final proposed fiscal plan to the Board and the public; and

WHEREAS the Board has had the opportunity to consider the latest proposed plan and discuss it with its experts, consultants, and attorneys, and believes that, with certain amendments, the plan complies with PROMESA; and

WHEREAS the Board provided an opportunity for public comment on the proposed fiscal plan and on the Board’s recommended modifications to such fiscal plan; and

WHEREAS, PREPA’s Fiscal Plan must provide for lower cost, reliable power that can support the economic growth of Puerto Rico and is consistent with the assumptions included in the certified Commonwealth Fiscal Plan; and

WHEREAS, PREPA’s Fiscal Plan projects a 23% reduction in energy sales and states that PREPA faces a potential spiral of escalating rates and declining consumption. The Board believes PREPA’s projected reduction in energy use is reasonable and that consumption could be even lower than PREPA forecasts; and

WHEREAS, after substantial deliberations, the Board has determined to approve and certify the latest proposed fiscal plan, as modified by the following amendments:

PREPA Amendment No. 1:

- Based on the review and analysis of the proposed fiscal plan, energy prices in comparable and competitor jurisdictions, and the best available projections, the Board believes PREPA's Fiscal Plan must be amended to contain achievable, credible, necessary changes to deliver energy to ratepayers at an average all-in rate of 21 cents per kWh by 2023 (the "Target Rate"). The Target Rate reflects the projections of demand, inflation, fuel prices and other external factors included in the fiscal plan. To the extent these factors are different in 2023, the target rate may need to be adjusted (e.g. higher fuel prices may require somewhat higher rates, higher demand may provide for lower rates).
- To deliver power at the Target Rate, PREPA will need to substantially lower the cost of generating power (fuel costs) and improve the distribution grid through unimpeded public/private partnerships agreements and/or fully privatizing energy generation subject to regulated utility standards.
- PREPA's Fiscal Plan targets are amended consistent with the aforementioned goals, which shall be reflected in a revised Fiscal Plan document to be submitted to the Board within 15 days of this certification. PREPA should also develop and submit to the Board a specific implementation plan within 45 days of this certification to deliver power to ratepayers at the Target Rate by 2023 through lower costs of generation and other efficiencies. The implementation plan should reflect:
 - A clear path to realizing necessary capital improvements expeditiously, including a workable financing strategy for a credible capital expenditures plan that rapidly transitions the generation mix to lower cost power sources.
 - A detailed plan to implement public/private partnerships or full privatization for energy generation and to finance necessary improvements in the grid.
 - Changes to improve operational efficiency and procurement practices, to lower pension costs, to reduce contract spending, and to lower other costs.
 - Development and inclusion of a detailed elimination of the Contribution In Lieu of Taxes (CILT) to 0% within the next 3-5 years beyond the 15% reduction included within the PREPA Fiscal Plan.
 - A review of assets that could be monetized, either in the context of public private partnerships or otherwise to fund necessary capital improvements.

PREPA Amendment No. 2:

- The PREPA Fiscal Plan is amended to include a requirement to provide to the Board within 30 days of this certification a confirmation that the composition of its board shall be in compliance with the requirement that at least two thirds of its members meet the qualifications of independence and expertise in energy matters.

PREPA Amendment No. 3:

- The PREPA Fiscal Plan is amended to include a requirement to initiate a 60-day process to establish a mechanism for rate approval with the Energy Commission reflecting the Formula Rate Mechanism (FRM) and rate structures to be determined necessary to meet the amended fiscal plan Target Rate, which shall need to be consistent with the annual PREPA budgets to be certified by the Board. PREPA shall work with the Energy Commission and provide to the Board within 30 days of this certification an implementation plan for the FRM to be reviewed and approved by the Board before its submittal for approval by the Energy Commission.

certification an implementation plan for the FRM to be reviewed and approved by the Board before its submittal for approval by the Energy Commission.

Implementation Plan and Revised Fiscal Plan:

The Government shall present to the Board an implementation plan and a revised fiscal plan within the time periods specified above, which revised fiscal plan shall be subject to the Board's approval; and

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT the Board approves and certifies the latest proposed fiscal plan for PREPA pursuant to PROMESA § 201(e), as modified by the amendments described above; and it is

FURTHER RESOLVED that the Board shall issue a compliance certification for such fiscal plan, as amended, to the Governor and the Legislature pursuant to PROMESA § 201(e).

Mr. Jose R. Gonzalez moved that the resolution be approved.

Mr. Andrew Biggs seconded the motion.

Mr. Carrion asked for a vote by a voice vote - first those in favor - then those opposed.

Mr. Carrión announced that the Resolution passed unanimously.

Adjournment

Motion: With no further matters to discuss, Mr. Carrion moved to adjourn the meeting.

Mr. Arthur Gonzalez seconded the motion.

Mr. Carrion asked for a vote by a voice vote - first those in favor- then those opposed.

Mr. Carrion concluded that with all members having voted in favor, the meeting was adjourned at approximately 10:50 a.m.

Adjournment

Respectfully submitted,
s/Jaime A. El Koury
Jaime A. El Koury
Acting Secretary