

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD  
FOR PUERTO RICO**



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*Carlos M. García*  
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*Natalie Jaresko*  
Executive Director

BY ELECTRONIC MAIL

December 12, 2017

The Honorable Ricardo A. Rosselló Nevares  
Governor of Puerto Rico  
La Fortaleza  
P.O. Box 9020082  
San Juan, PR 00902-0082

Honorable Thomas Rivera Schatz  
President of the Senate of Puerto Rico

Honorable Carlos J. Méndez Núñez  
Speaker of the House of Representatives of Puerto Rico

Dear Governor Rosselló Nevares, Senator Rivera Schatz, and Speaker Méndez Núñez:

As was announced at the Oversight Board's eleventh public meeting, the Oversight Board formally requested that the Central Government, PREPA, PRASA, UPR, HTA, GDB, and COSSEC comply with the revised FY19 Budget review process pursuant to Sections 202 of PROMESA. The Oversight Board will evaluate the degree to which the Government and the instrumentalities listed above meet the criteria enumerated below and pursuant to Sections 202 through consideration of the following principles:

Principle 1: All budgets must be compliant with their applicable Fiscal Plan and developed in accordance with modified accrual accounting standards

Principle 2: Revenue forecasts will be provided by the Oversight Board to the Governor, Legislature, and Boards of Directors for use in developing relevant budgets

Principle 3: Budgeted expenses must be properly justified

Principle 4: Reporting blueprint templates must be agreed to by the Governor and the Oversight Board. The Government must comply with reporting pursuant to these templates

Principle 5: Clear responsibility for enforcement of all elements of the budget and reporting is critical

Principle 6: All expenditures (including capital expenditures) of the Commonwealth and instrumentalities can only be made pursuant to a budget certified by the Oversight Board

As was also stated at the eleventh public meeting, the Oversight Board established the following schedule by which the Commonwealth and certain covered entities must develop and submit FY19 Budgets to the Oversight Board.

Central Government:

- December 12 – Consistent with Section 202(a), the Oversight Board sends the Governor and Legislature the schedule for the FY19 Budget process
- December 22 – Along with the submission of the Fiscal Plan, the Government provides a complete inventory listing of all agencies, corporations, and funds included in the Commonwealth Fiscal Plan
- January 15 – The Government provides proposed revenues for each agency, corporation, and fund along with supporting details, including all relevant third party certifications
- February 16 – Consistent with Section 202(b), the Oversight Board sends the Governor, Legislature, and Boards of Directors, the forecast of revenues for the period covered by all applicable Budgets
- March 2 – Consistent with Section 202(c), the Government and Boards of Directors provide proposed budgets to the Oversight Board along with supporting detail, including a detailed reconciliation of budgeted expenses to revenues and supporting detail to evidence consistency with historical actual expenditures and/or explanations if there is a significant difference. The Government and Boards of Directors provide proposed Key Performance Indicators (KPIs) for reporting post-certification
- April 30 – Consistent with Section 202(c), the Oversight Board provides the FY19 General Fund budget to Legislature. The Oversight Board provides/approves reporting blueprints for each fund type (templates and timing)
- June 29 – Consistent with Section 202(e), the Oversight Board approves the FY19 Budgets

PREPA/PRASA:

- December 12 – Consistent with Section 202(a), the Oversight Board sends the Governor the schedule for the FY19 Budget process
- December 22 – The Government provides a complete inventory listing of all funds included in the PREPA and PRASA Fiscal Plans
- January 15 – The Government provides proposed revenues for PREPA and PRASA along with supporting details, including all relevant third party certifications
- February 16 – Consistent with Section 202(b), the Oversight Board sends the Governor and Boards of Directors the forecast of revenues for the period covered by all applicable Budgets
- March 2 – Consistent with Section 202(c), the Government and/or Boards of Directors provide proposed budgets to the Oversight Board along with supporting detail,

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including a detailed reconciliation of budgeted expenses to revenues and supporting detail to evidence consistency with historical actual expenditures and/or explanations if there is a significant difference. The Government and/or Boards of Directors provide Key Performance Indicators (KPIs) for reporting post-certification

- June 29 – Consistent with Section 202(e), the Oversight Board approves the FY19 Budgets and the reporting blueprints for each fund type (templates and timing)

UPR/HTA/GDB/COSSEC:

- December 12 – Consistent with Section 202(a), the Oversight Board sends the Governor the schedule for the FY19 Budget process
- December 22 – The Government transmits a complete inventory listing of all funds included in the UPR, HTA, GDB, and COSSEC Fiscal Plans
- March 2 – The Government provides proposed revenues for UPR, HTA, GDB, and COSSEC along with supporting details, including all relevant third party certifications
- March 30 – Consistent with Section 202(b), the Oversight Board sends the Governor and Boards of Directors the forecast of revenues for the period covered by all applicable Budgets
- April 16 – Consistent with Section 202(c), the Government and/or Boards of Directors provide proposed budgets to the Oversight Board along with supporting detail, including a detailed reconciliation of budgeted expenses to revenues and supporting detail to evidence consistency with historical actual expenditures and/or explanations if there is a significant difference. The Government and/or Boards of Directors provide Key Performance Indicators (KPIs) for reporting post-certification
- June 29 – Consistent with Section 202(e), the Oversight Board approves the FY19 Budgets and the reporting blueprints for each fund type (templates and timing)

Please consider this the formal notice under Section 202(a) for the schedule for developing, submitting, approving, and certifying budgets for the entire Commonwealth, PREPA, PRASA, UPR, HTA, GDB, and COSSEC. Subsequent clarifications of due dates and deliverables will follow as appropriate.

Sincerely,



José Carrion  
Chairman of the Board

Andrew G. Biggs  
Carlos M. García  
Arthur J. González  
José R. González  
Ana J. Matosantos  
David A. Skeel, Jr.

CC: Christian Sobrino Vega  
Natalie Jaresko