



*José B. Carrión III*  
Chair

Members

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

Natalie Jaresko  
Executive Director

**BY ELECTRONIC MAIL**

April 27, 2018

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

Mr. Gerardo Portela Franco  
Puerto Rico Fiscal Agency and Financial  
Advisory Authority  
PO Box 42001  
San Juan, PR 00940-2001

Dear Sirs:

By this letter, the Financial Oversight and Management Board for Puerto Rico (the “FOMB”), pursuant to PROMESA § 202(a), sets May 7, 2018, as the deadline for the submission to the FOMB of the proposed budget for fiscal year 2019 for Puerto Rico Aqueduct and Sewer Authority (“PRASA”). The expenditures in such proposed budget should be consistent with the expenses projected in the latest PRASA fiscal plan certified by the FOMB. Together with the proposed budget, the Governor and PRASA’s Governing Board should provide: (i) the proposed resolution of PRASA’s Governing Board authorizing its budget; (ii) a detailed reconciliation of such proposed budget to the latest fiscal plan for PRASA as certified by the FOMB; (iii) capital improvement plans and their supporting detail; and (iv) supporting detail that evidences consistency with historical actual expenditures or explaining if there is a significant difference. The Governor should also provide budget to actual reporting templates, including proposed key performance indicators (“KPIs”) for post-certification reporting pursuant to PROMESA 203(a)(2).

More specific details will be provided in a letter specifying the guidelines for fiscal year 2019 budget Milestone #4 (i.e. submission to the Financial Oversight Management Board for Puerto Rico of PRASA's expenditure budget).

By this letter, pursuant to PROMESA § 202(a), the FOMB also sets the following deadlines for subsequent steps in route to the approval of the budget:

1. On or before June 8, 2018: The FOMB shall approve the Governor's proposed budget for PRASA or provide notification of violations and provide descriptions of all necessary corrective actions. If the FOMB notifies violations and corrective actions, the Governor shall submit a revised budget (including the PRASA Governing Board resolution on electronic format with its supporting documentation authorizing such revised budget) to the FOMB on or before June 18, 2018.
2. June 29, 2018: (a) If the Governor submits a revised, compliant budget to the FOMB, the FOMB shall approve it and issue a compliance certification to the Governor. (b) If the Governor fails to submit a revised, compliant budget to the FOMB, the FOMB shall submit its own compliant budget to the Governor on July 1, 2018 and that budget, pursuant to PROMESA § 202(e)(4), shall be (i) deemed to be approved by the Governor, (ii) deemed to be subject to a compliance certification issued by the FOMB to the Governor, and (iii) in full force and effect beginning the first day of the fiscal year.
3. Any time through June 29, 2018: Pursuant to PROMESA § 202(f), if the Governor and FOMB each certify that a jointly developed budget reflects a consensus among them, then such budget shall serve as the budget for the instrumentality for fiscal year 2019.

Pursuant to PROMESA § 202(b), the FOMB provides the forecast of revenues for the period covered by the budget that is attached hereto for use in developing the budget.

All submissions required herein shall be sent to the following email address: [budget@promesa.gov](mailto:budget@promesa.gov)

We look forward to working with you throughout the budget approval process.

Sincerely,



José B. Carrión  
Chair

Honorable Ricardo A. Rosselló Nevares  
Mr. Gerardo Portela Franco  
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CC: Christian Sobrino Vega  
Natalie A. Jaresko  
Elí Díaz Atienza  
Gerardo Lorán Butrón

Attachment

## Appendix

Fiscal Year ending June 30, 2019

| <b>Commonwealth of Puerto Rico</b>                          |                                  |                            |                 |
|---|----------------------------------|----------------------------|-----------------|
| <b>Puerto Rico Aqueducts and Sewers Authority ("PRASA")</b> |                                  |                            |                 |
| <u>Revenue Forecast</u>                                     |                                  |                            |                 |
| (\$ in millions)  | <u>Certified<br/>Fiscal Plan</u> | <u>Proposed<br/>Budget</u> | <u>Variance</u> |
| Operating Revenue   | 890                              | 943                        | (53) A          |
| Miscellaneous Revenue                                       | 27                               | 27                         | - B             |
| Revenue Enhancement Initiatives                             | 53                               | -                          | 53 C            |
| <b>Total Revenues</b>                                       | <b>970</b>                       | <b>970</b>                 | <b>-</b>        |

**Notes to Explain Adjustments in Appendix A:**

Note A: The monetary impact of revenue enhancement initiatives is part of operating revenue and will be tracked to this line item for the FY19 Budget whereas it is tracked on a separate line item for the certified Fiscal Plan.

Note B: Miscellaneous revenue reflects developers contributions, other income and insurance proceeds.

Note C: PRASA has incorporated initiatives to improve revenues. Rate Increase (\$23M), Increased Government Accounts Collections (\$29M)