

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



José B. Carrión III
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Ana J. Matosantos
David A. Skeel, Jr.

Natalie A. Jaresko
Executive Director

BY ELECTRONIC MAIL

May 3, 2018

The Honorable Ricardo A. Rosselló Nevaes
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

Mr. Carlos Contreras Aponte
Governing Board
Puerto Rico Highways & Transportation Authority
José de Diego Ave., Minillas Government Center
San Juan, PR 00907

Dear Sirs:

By this letter, the Financial Oversight and Management Board for Puerto Rico (the “FOMB”), pursuant to PROMESA § 202(a), sets May 25, 2018, as the deadline for the submission to the FOMB of the proposed budget for fiscal year 2019 for the Puerto Rico Highways & Transportation Authority (“HTA”). The expenditures in such proposed budget should be consistent with the expenditures projected in the HTA fiscal plan certified by the FOMB on April 20, 2018 (the “HTA fiscal plan”). Together with the proposed budget, the Governor and HTA’s Governing Board should provide: (i) the proposed resolution of HTA’s Governing Board authorizing its budget; (ii) a detailed reconciliation of such proposed budget to the HTA fiscal plan (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

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specific details will be provided in a letter specifying the guidelines for fiscal year 2019 budget Milestone #4 (i.e. submission to the FOMB of HTA'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 HTA 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 HTA's 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 by July 1st, 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. Further detail can be found on HTA model.

All submissions required herein shall be sent to the following email address: budget@promesa.gov.

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

Sincerely,



José B. Carrión

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

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CC: Christian Sobrino Vega
Natalie A. Jaresko
Javier Hernández Carreras

Attachment

Appendix A
Fiscal Year ending June 30th, 2019

Commonwealth of Puerto Rico			
Puerto Rico Highways & Transportation Authority ("HTA")			
<u>Revenue Forecast</u>			
(\$ in thousands)	<u>Certified Fiscal Plan</u>	<u>Proposed Budget</u>	<u>Variance</u>
Toll revenue	132,728	132,728	-
Transit revenue	29,308	29,308	-
Toll fines	18,948	18,948	-
Other income	6,265	6,265	-
Operating revenues	187,249	187,249	-
Gasoline tax	138,923	-	138,923
Diesel tax	12,500	-	12,500
Petroleum products tax	290,748	-	290,748
Cigarettes taxes	19,992	-	19,992
Motor vehicle license fees	29,600	-	29,600
Act 30 - Licenses fees transferred to act	54,394	-	54,394
Revenues retained by central Government	546,156	-	546,156
Recurrent revenues	733,405	187,249	546,156
State funds earmarked for capital expenditures	82,073	82,073	-
Additional funding from Commonwealth	97,300	97,300	-
Funding from Commonwealth	179,373	179,373	-
Federal Highway Administration ("FHWA") funds	405,676	405,676	-
Federal emergency revenues	256,565	256,565	-
Federal Transit Administration ("FTA") funds	50,000	50,000	-
Hurricane loss assessment - Insurance and FEMA revenue	54,004	54,004	-
Federal and other funding	766,244	766,244	-
Subtotal receipts	1,679,023	1,132,867	546,156
Revenues retained by central Government	(546,156)	-	(546,156)
Total receipts (excluding revenues retained by central Government)	1,132,867	1,132,867	-

Notes to Explain Adjustments in Appendix A:

Note A: The toll revenue has been decreased by \$0.8m from the numbers presented in the certified HTA fiscal plan so that they are consistent with the certified Commonwealth fiscal plan. These revised numbers will be used for the fiscal year 2019 budget.

Note B: The revenues retained by the central Government have been decreased by \$6.3m, respectively, from the numbers presented in the certified HTA fiscal plan so that they are consistent with the certified Commonwealth fiscal plan. These revised numbers will be used for the fiscal year 2019 budget.

Note C: HTA receives an annual appropriation from the Commonwealth for capital expenses.

Note D: These funds are available for use pursuant to the certified Commonwealth fiscal plan.

Note E: The revenue enhancement measures are embedded in the numbers shown and will be tracked to specific line items for fiscal year 2019 budget. The monetary impact of revenue enhancement measures total an increase of \$7.0m from the baseline projected revenues. Specifically, toll revenue totals \$132.7m as a result of toll

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optimization (\$1.5m) and an increase in tolls on existing roads (\$7.3m). Toll optimization measures also track to toll fines, causing an impact due to violation avoidance (-\$6.3m). Other income is projected at \$6.3m, which includes the benefit from measures related to ancillary revenue (\$0.8m), including advertisement revenues, real estate dispositions and service signs. Measures related to FHWA funds (\$3.8m) are due to an increase in discretionary federal and recovery grants to offset capital improvement plan ("CIP") and strategic project expenditures.