

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



José B. Carrión III
Chair

Members

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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 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

Mr. Walter Alomar Jiménez
Governing Board
University of Puerto Rico
1187 Calle Flamboyán
San Juan, PR 00915

Mr. Darell Hillman Barrera
President
University of Puerto Rico
1187 Calle Flamboyán
San Juan, PR 00915

Dear Sirs:

By this letter, the Financial Oversight and Management Board for Puerto Rico (the “FOMB”), pursuant to PROMESA § 202(a), sets May 21, 2018, as the deadline for the submission to the FOMB of the proposed budget for fiscal year 2019 for the University of Puerto Rico (“UPR”). The expenditures in such proposed budget should be consistent with the expenditures projected in the UPR fiscal plan certified by the FOMB on April 20, 2018 (the “UPR fiscal plan”). Together with the proposed budget, the Governor and UPR’s Governing Board should provide: (i) the proposed

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resolution of UPR's Governing Board authorizing its budget; (ii) a detailed reconciliation of such proposed budget to the UPR 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 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 UPR'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:

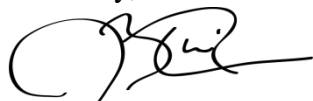
1. On or before June 8, 2018: The FOMB shall approve the Governor's proposed budget for UPR or provide notification of violations and provide descriptions of all necessary corrective actions. If the FOMB notifies violations and corrective actions, the Governor shall submit a revised budget (including the UPR'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.

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

May 3, 2018

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Andrew G. Biggs
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Arthur J. González
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Ana J. Matosantos
David A. Skeel, Jr.

CC: Christian Sobrino Vega
Natalie A. Jaresko
Walter Alomar Jiménez
Darrel Hillman Barrera
UPR Governing Board

Attachment

Appendix A
Fiscal Year ending June 30th, 2019

| Commonwealth of Puerto Rico | | | |
|--|----------------------------------|----------------------------|-----------------|
| University of Puerto Rico ("UPR") | | | |
| <u>Revenue Forecast</u> | | | |
| (\$ in thousands) | <u>Certified Fiscal Plan</u> | <u>Proposed Budget</u> | <u>Variance</u> |
| Slot machine receipts | 59,130 | 59,130 | - |
| Tuition | 195,040 | 195,040 | - |
| Campus-generated inflows | 89,764 | 89,764 | - |
| Other campus-generated inflows | 26,280 | 26,280 | - |
| Special revenue funds | 17,161 | 17,161 | - |
| Operating receipts | 387,375 | 387,375 | - |
| Central Government appropriations | 645,909 | 645,909 | - |
| Federal fund appropriation | 290,814 | 290,814 | - |
| Insurance proceeds | 40,000 | 40,000 | - |
| Total receipts | 1,364,099 | 1,364,099 | - |

A

B

Notes to Explain Adjustments in Appendix A:

Note A: The central Government appropriations reflected here have been decreased by \$70k from the number presented in the certified UPR fiscal plan so that it is consistent with the Commonwealth fiscal plan. This revised number will also be used for the fiscal year 2019 budget.

Note B: The revenue enhancement measures are embedded in the numbers shown and will be tracked to specific line items for the fiscal year 2019 budget and certified UPR fiscal plan. The monetary impact of revenue enhancement measures total an increase of \$114.6m from the baseline projected revenues. Specifically, tuition measures total \$102.7m as a result of the adjustment to undergraduate tuition (\$56.7m), adjustment to graduate tuition (\$17.3m), and reduction in tuition exemptions (\$28.6m). Measures that track to campus-generated inflows total \$6.9m. These measures include an adjustment to dues and charges (\$6.4m), as well as patent monetization (\$0.5m). Federal fund appropriations measures total \$5.0m and are due to federal grants and contracts. Per the certified UPR fiscal plan, along with the revenue enhancement measures, there is an implementation expense on training and tutoring of \$8.0m. This amount is not included in the fiscal year 2019 revenue forecast measures as these expenditures will be tracked separately as part of the fiscal year 2019 expenditures.