



COMMONWEALTH OF  
PUERTO RICO

Government Development Bank  
for Puerto Rico



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PUERTO RICO

Treasury Department



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## **COMMONWEALTH OF PUERTO PROVIDES UPDATE ON FISCAL AND ECONOMIC PROGRESS**

San Juan, P.R. – The Government Development Bank for Puerto Rico (GDB) today hosted a webcast to provide the investment community with an update on its fiscal and economic development progress.

Today's presenters were: Hon. Alejandro Garcia Padilla, Governor of Puerto Rico; David Chafey, President of the Board of the GDB; Jose Pagan Beauchamp, Interim President of the GDB; Melba Acosta Febo, Secretary of Treasury; Carlos Rivas, Director of the Office of Management and Budget; Alberto Bacó, Secretary, Department of Economic Development and Commerce; Antonio Medina, Executive Director of the Puerto Rico Industrial Development Company; Jose Coleman-Tio, Executive Vice President and General Counsel of the GDB; and Natalia Guzmán, Senior Vice President of the GDB.

The presentation covered the significant actions the GDB and the Commonwealth have taken to strengthen the Commonwealth's credit and protect bondholders, an update on the Commonwealth's revenues and operating expenses, an update on the GDB's financial health, Puerto Rico's progress on achieving a more diversified, knowledge-driven economy, and the Commonwealth's aggressive fiscal 2015 goals.

Topics discussed on the webcast included:

- Approval of FY 2015 budget, which seeks to eliminate the General Fund deficit one year ahead of schedule. This is Puerto Rico's first balanced budget in 22 years.
- FY 2014 revenues, which were 5.5% higher than FY 2013 and included a significant increase in Sales and Use Tax collections.
- Projection of the FY 2014 General Fund deficit, which is projected to be lower than initially configured, with adjustments to authorized expenses executed to largely offset revenue gaps.
- Detailed configuration of the FY2015 General Fund budget, which was approved without deficit financing or refinancing of general obligations, and includes comprehensive expense-side measures to help the Commonwealth central government become fiscally sustainable.
- Continued success of economic development initiatives centered on defending anchor industries while diversifying job sources on the Island, stimulating local entrepreneurship,

leveraging Puerto Rico's position as a stable, business-friendly jurisdiction, and taking full advantage of opportunities tied to Puerto Rico's relative fiscal autonomy

- Introduction of the Recovery Act to provide an orderly process through which public corporations can continue providing critical services without relying on the Commonwealth or the GDB for financial support.
- An update on the GDB's liquidity position, which includes approximately \$3.15 billion in liquid assets. Total deposits at the GDB have increased by more than \$650 million over the past six months.
- Progress on the Commonwealth's stated intention to make its public corporations self-sufficient and end decades-long reliance on the General Fund and GDB, thereby strengthening GO and related credits, as well as COFINA. This includes reform of the GDB's lending practices, along with the passage of the Sustainability Act and Recovery Act, which will provide the necessary framework for the public corporations to successfully achieve financial independence.
- PRASA, which is operating independently, without General Fund support, and a 60% average rate increase has resulted in approximately \$360 million in additional revenues for FY 2014, which is expected to be sufficient to cover operating and financial obligations for the next three years. PRASA will need to access the markets to refinance \$200 million in BANs due March 2015, and will need to obtain financing for FY CIP needs.
- HTA, which is addressing its operating and liquidity challenges; Acts 30 and 31 of 2013 provided HTA with new sources of revenue to repay HTA's obligations with the GDB. HTA is implementing additional cost saving initiatives, which are expected to save between \$15 million and \$30 million per year. The GDB is working with HTA to address its challenges without availing itself of the Recovery Act.
- PREPA, which faces significant fiscal and financial challenges that must be addressed in the near term including \$696 million in revolving credit facilities which is or will be due during the next 30 days absent additional forbearance agreements, high rates, significant leverage, limited fuel diversification, significant CAPEX needs, and burdensome environmental regulatory requirements. PREPA is implementing cost savings and operational improvements that are expected to generate approximately \$70 million in annual cost savings, and is in active discussions with key stakeholders to reach agreement to fix its budgetary and operational shortfall.
- Restoration of the Commonwealth's debt profile to entirely fixed rate securities, to create a simpler, more conservative debt structure for the Commonwealth's General Obligations.

- Roadmap to create over 90,000 jobs by the beginning of 2016, and 130,000 by 2018.
- Aggressive fiscal 2015 targets, including executing watershed budget, achieving self-sufficiency at PREPA and HTA, successfully completing the Commonwealth's TRANs financing, and accessing the market as necessary to refinance short-term maturities and further expand the Commonwealth's liquidity horizon.

Commenting on the update, Melba Acosta Febo, Secretary of the GDB, stated "Over the last 18 months, Puerto Rico has taken very meaningful and decisive actions to protect its fiscal health and establish a foundation for economic growth. We will continue with determination and focus to successfully guide Puerto Rico on this path. In the near-term, we are working to strengthen and diversify the economy by leveraging Puerto Rico's competitive advantages and consolidating its productive base, while also focusing on the long-term goal of building sustainable competitive advantages with a diversified, adaptive economy and workforce driven by technology and innovation."

The full presentation materials are available on the GDB's website: <http://www.gdb-pur.com>.

A replay of the webcast will be available shortly on the GDB's website.

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