

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



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*Natalie Jaresko*  
Executive Director

BY ELECTRONIC MAIL

February 5, 2018

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

Dear Governor Rosselló Nevares:

By letter dated December 12, 2017, the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board"), pursuant to PROMESA § 202(a) set deadlines for the Governor's submission to the Oversight Board of his proposed budget for fiscal year 2019, and that the budget be prepared in accordance with the guidelines to be provided by the Oversight Board. On December 21, 2017, the Oversight Board issued a revised set of deadlines for the Governor's submission to the Board of his proposed budget for fiscal year 2019.

The referenced guidelines for the second milestone due February 23, 2018 for the Commonwealth, PREPA and PRASA and April 20, 2018 for UPR, HTA, GDB and COSSEC are attached hereto as Appendix A. The Board reserves the right to modify this listing as needed based on additional information provided by the Government.

Sincerely,

Natalie A. Jaresko  
Executive Director

CC: Christian Sobrino Vega  
Gerardo Portela Franco

## Appendix A

**CENTRAL GOVERNMENT  
FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO  
GUIDELINES FOR MILESTONE #2 OF THE 2019 CONSOLIDATED BUDGET**

**Milestone #2: To be provided by February 23<sup>rd</sup>**

1. Identify the basis on which each agency and public corporation prepares a Budget. Where available, provide associated policies and procedures around budgeting for agencies and public corporations, including but not limited to, the budget development and approval process. Please provide Budget reapportionment/transfer policies and procedures separately, to the extent they are not already incorporated as part of the larger Budget policies.
2. Where applicable and for all agencies and public corporations- please provide evidence of Board of Director/Secretary approval of your FY18 Budget, including resolutions, minutes, etc. Please also provides copies of any presentations and/or analysis submitted to the Board as part of the FY18 Budget approval process.
3. Provide copies of all guidance provided to agencies and public corporations regarding the FY19 Budget process, FY19 Budget milestones and requirements from each agency and public corporation. To the extent all of this information is publicly available on OMB's website, please confirm.
4. Provide a detailed budget of revenues for FY19 that is consistent with the trajectory for the primary fiscal balance in the Fiscal Plan, using the same basis of accounting used to prepare the Fiscal Plan (modified accrual basis of accounting) and in accordance with the accounting policies used to prepare the audited financial statements of the Commonwealth.
5. Please provide the annual revenue budget split across a 12 month period and provide significant assumptions underlying the monthly split.
6. Provide support for FY19 revenue estimates by major revenue category, including key economic, demographic, policy and other assumptions affecting revenue trends, and comparisons to historical periods. To the extent these differ significantly from those used in the Fiscal Plan, please explain significant differences and provide explanations for these differences.
7. Provide a statement of significant assumptions and methods of estimation used for preparing the revenue budget assumptions including key economic, demographic, policy and other assumptions and comparisons to historical periods. Key economic, demographic, policy and other assumptions used to prepare the budget should be the same assumptions used to prepare the Fiscal Plan.
8. Provide third party certifications for revenues for Special Revenue funds, Federal Funds and Other Income, including the following where applicable:

- a. Third party certifications, including government advisors, evidencing third party reviews/assessments
  - b. Board of Director certifications of revenues and supporting analyses/assessments performed
  - c. Copies of Special Laws underlying Special Revenue Funds
  - d. Copies of notice of awards provided by the Federal Government and/or supporting documentation to evidence expected Federal Funds
  - e. Copies of support evidencing Other Income, including but not limited to, statements underlying interest income, legal/financial documents evidencing asset sales/ expected asset sales and expected timing of the transaction
9. Provide a reconciliation of the revenue budget to the Fiscal Plan with explanations of any variance. However, it is not expected that total revenues would deviate from Fiscal Plan submitted and approved.
10. Provide a comparison of revenues to prior two budgets and to prior two years of actuals (if possible) and explain key differences.
11. Besides answering the questions in the response letter, provide all numbers in a backup excel file.

**PREPA/PRASA**  
**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO**  
**GUIDELINES FOR MILESTONE #2 OF THE 2019 CONSOLIDATED BUDGET**

**Milestone #2: To be provided by February 23<sup>rd</sup>**

1. Identify the basis on which each instrumentality prepares a Budget. Where available, provide associated policies and procedures around the budgeting process, including but not limited to, the budget development and approval process. Please provide Budget reappropriation/transfer policies and procedures separately, to the extent they are not already incorporated as part of the larger Budget policies.
2. Provide evidence of Board of Director approval of your FY18 Budget, including resolutions, minutes, etc. Please also provide copies of any presentations and/or analysis submitted to the Board as part of the FY18 Budget approval process.
3. Provide copies of all guidance provided to subsidiaries/units, including departments or groups that are part of the instrumentality responsible for building the budget, regarding the FY19 Budget process and FY19 Budget milestones. To the extent all of this information is publicly available, please confirm.
4. Please provide any documentation around existing governance, budget oversight and review procedures as well as the management structures/hierarchy currently in place at the instrumentality as well as their roles and responsibilities (ie. Board of Directors/Trustees, Budget & Finance Committees, etc.)
5. Provide a detailed budget of revenues for FY19 that is consistent with the trajectory for the primary fiscal balance in the Fiscal Plan under U.S. GAAP.
6. Please provide the annual budget split across a 12 month period and provide significant assumptions underlying the monthly split.
7. Provide support for FY19 revenue estimates by major revenue category, including, but not limited to, operating revenues, other operating revenues, other income, and other assumptions affecting revenue trends, and comparisons to historical periods. This level of detail should be the same as used for the Fiscal Plan.
8. Identify the basis of the revenue budget provided (ie. cash based, accrual based, modified accrual, etc).
  - a. To the extent the instrumentality creates a revenue budget based on more than one method, please provide a reconciliation between the two types of budget.
  - b. If there are expense or capital expenditure related budgets already prepared, include these with the submission of the revenue budget.
9. Provide a statement of significant assumptions and methods of estimation used for preparing the revenue budget (essentially the same level of detail for the assumptions in the Fiscal Plan) including key revenue, financing, macro-economic, policy, customer and

other assumptions and comparisons to historical periods. Key revenue, financing, macro-economic, policy, customer and other assumptions used to prepare the budget should be the same assumptions used to prepare the Fiscal Plan with exceptions clearly noted. To the extent assumptions related to operating expenses or capital expenditures are already prepared, include these with the submission of the revenue assumptions.

10. Provide third party certifications for revenues for Proprietary Income, Special Revenue Funds, Federal Funds and Other Income, including the following where applicable:
  - a. Third party certifications evidencing third party reviews/assessments
  - b. Board of Director certifications of revenues and supporting analyses/assessments performed
  - c. Copies of Special Laws underlying Special Revenue Funds
  - d. Copies of notice of awards provided by the Federal Government and/or supporting documentation to evidence expected Federal Funds
  - e. Copies of support evidencing Other Income, including but not limited to, statements underlying interest income, legal/financial documents evidencing asset sales/ expected asset sales and expected timing of the transaction
11. Provide a reconciliation of the budget to the Fiscal Plan with explanations of any variance. However, total revenues should not deviate from Fiscal Plan submitted and approved.
12. Provide a comparison of revenues to prior two budgets and to prior two years of actuals (if possible) and explain key differences.
13. Besides answering the questions in the response letter, provide all numbers in a backup excel file.

**INSTRUMENTALITIES (UPR, HTA, GDB, COSSEC)  
FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO  
GUIDELINES FOR MILESTONE #2 OF THE 2019 CONSOLIDATED BUDGET**

**Milestone #2: To be provided by April 20<sup>th</sup>**

1. Identify the basis on which each instrumentality prepares a Budget. Where available, provide associated policies and procedures around the budgeting process, including but not limited to, the budget development and approval process. Please provide Budget reappropriation/transfer policies and procedures separately, to the extent they are not already incorporated as part of the larger Budget policies.
2. Provide evidence of Board of Director approval of your FY18 Budget, including resolutions, minutes, etc. Please also provide copies of any presentations and/or analysis submitted to the Board as part of the FY18 Budget approval process.
3. Provide copies of all guidance provided to subsidiaries/units, including departments or groups that are part of the instrumentality responsible for building the budget, regarding the FY19 Budget process and FY19 Budget milestones. To the extent all of this information is publicly available, please confirm.
4. Please provide any documentation around existing governance, budget oversight and review procedures as well as the management structures/hierarchy currently in place at the instrumentality as well as their roles and responsibilities (ie. Board of Directors/Trustees, Budget & Finance Committees, etc.)
5. Provide a detailed budget of revenues for FY19 that is consistent with the trajectory for the primary fiscal balance in the Fiscal Plan under U.S. GAAP.
6. Please provide the annual budget split across a 12 month period and provide significant assumptions underlying the monthly split.
7. Provide support for FY19 revenue estimates by major revenue category, including, but not limited to, operating revenues, other operating revenues, other income, and other assumptions affecting revenue trends, and comparisons to historical periods. This level of detail should be the same as used for the Fiscal Plan.
8. Identify the basis of the revenue budget provided (ie. cash based, accrual based, modified accrual, etc).
  - a. To the extent the instrumentality creates a revenue budget based on more than one method, please provide a reconciliation between the two types of budget.
  - b. If there are expense or capital expenditure related budgets already prepared, include these with the submission of the revenue budget.
9. Provide a statement of significant assumptions and methods of estimation used for preparing the revenue budget (essentially the same level of detail for the assumptions in the Fiscal Plan) including key revenue, financing, macro-economic, policy, customer and

other assumptions and comparisons to historical periods. Key revenue financing, macro-economic, policy, customer and other assumptions used to prepare the budget should be the same assumptions used to prepare the Fiscal Plan with exceptions clearly noted. To the extent assumptions related to operating expenses or capital expenditures are already prepared, include these with the submission of the revenue assumptions.

10. Provide third party certifications for revenues for Special Revenue Funds, Federal Funds and Other Income, including the following where applicable:
  - a. Third party certifications evidencing third party reviews/assessments
  - b. Board of Director certifications of revenues and supporting analyses/assessments performed
  - c. Copies of Special Laws underlying Special Revenue Funds
  - d. Copies of notice of awards provided by the Federal Government and/or supporting documentation to evidence expected Federal Funds
  - e. Copies of support evidencing Other Income, including but not limited to, statements underlying interest income, legal/financial documents evidencing asset sales/ expected asset sales and expected timing of the transaction
11. Provide a reconciliation of the revenue budget to the Fiscal Plan with explanations of any variance. However, total revenues should not deviate from Fiscal Plan submitted and approved.
12. Provide a comparison of revenues to prior two budgets and to prior two years of actuals (if possible) and explain key differences.
13. Besides answering the questions in the response letter, provide all numbers in a backup excel file.