



Financial and Economic Forum

Federal Home Loan Bank of New York

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Commonwealth of Puerto Rico Fiscal and Economic Update

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Agenda

1 Recent Credit Accomplishments

2 Revenue Update

3 Economic Trends & Development

4 FY15 Budget and Other Next Steps

The Commonwealth of Puerto Rico has worked aggressively to strengthen Puerto Rico's credit and address rating agency concerns

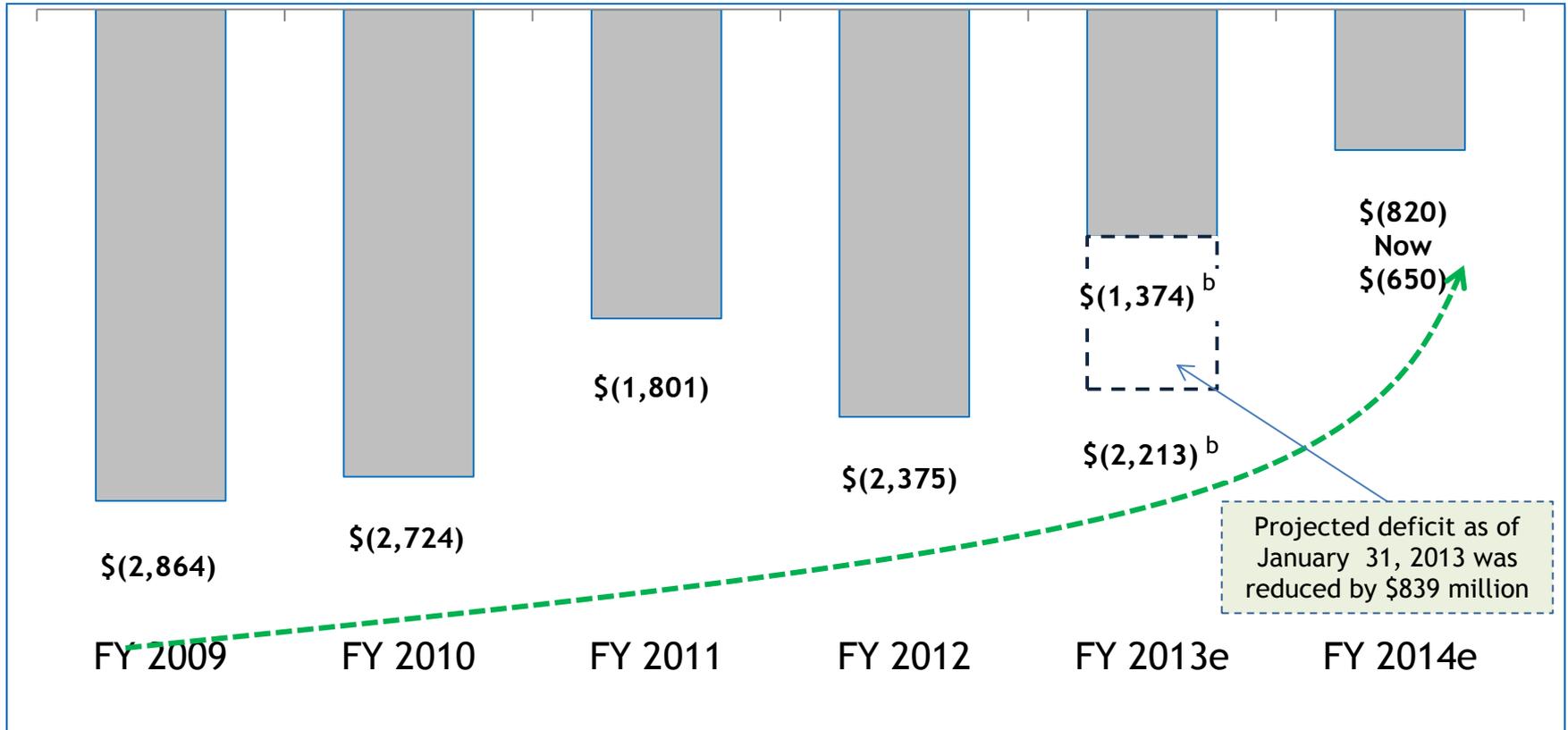
Challenges faced...	...Puerto Rico has taken action:	
<p>1 Size of the General Fund's Structural Deficit</p>	<ul style="list-style-type: none"> Approved a budget for fiscal year 2014 that reduces the budget deficit from \$2.213 billion in FY2013 and \$2.354 billion in FY2012 to \$820 million in FY2014 by enhancing and diversifying our revenue base. Now we filed amendments to the budget legislation to further reduce expenses and reduced deficit to \$650 million in FY 2014. Governor committed to present a balance budget for FY 2015 without deficit financing or refinancing of debt. 	
<p>2 Insolvency of the Commonwealth's Pension System</p>	<ul style="list-style-type: none"> Act 3-2013 delivered on the long-standing promise of enacting meaningful and comprehensive reform of our main pension system that eliminates the projected need for approximately \$900 million in annual pay-as-you-go contributions in the future. Moody's itself labeled this achievement a "credit positive". Act 160-2013 delivered on the long-standing promise of enacting meaningful and comprehensive pension reform to the Teacher's Pension System that reduces the projected need for approximately \$560 million in annual pay-as-you-go contributions in the future to ensure cash flow sufficient to pay pension obligations as they become due. 	
<p>3 Continue Reforming our Public Corporations</p>	<ul style="list-style-type: none"> Significant steps have been taken to turn the Commonwealth's main public corporations, including PRASA, Highways, Ports Authority and PREPA, into entities capable of operating without budgetary subsidies or deficit financing from the General Fund or GDB. New measure imposes additional fiscal discipline on public corporations by limiting GDB's ability to provide deficit financing to them. <ul style="list-style-type: none"> Measure should also help GDB preserve its liquidity. Proposed new Mass Transit Authority merges mass transit assets currently held by HTA, Metropolitan Bus Authority and Maritime Transportation Authority into new entity; expected to result in operational and budgetary efficiencies and lead HTA to financial self-sufficiency, speeding its return to the capital markets. 	

The Commonwealth of Puerto Rico has worked aggressively to strengthen Puerto Rico’s credit and address rating agency concerns

Challenges faced...	...Puerto Rico has taken action:	
<p>4 Enhance Market Access and Liquidity</p>	<ul style="list-style-type: none"> PR Legislature passed key new measures* Among others: <ol style="list-style-type: none"> <u>Strengthen COFINA’s financial capacity</u>: increased the state portion of SUT to 6.0% from 5.5%, increasing by over 9% revenues available for COFINA debt service <u>Enhance market access for municipalities</u>: created COFIM a new financing entity similar to COFINA to issue debt backed by the municipal SUT, allowing municipalities to refinance \$500+ million outstanding municipal SUT debt with GDB 	
<p>5 Meeting Spending and Revenue Targets</p>	<ul style="list-style-type: none"> For the first six months of fiscal year 2014, General fund revenues were \$93 million above budgeted estimates and general fund expenses are \$92 below budgeted appropriations. Revised revenue projection for fiscal year 2014 continues to be in line with budget. 	
<p>6 Make Continued Economic Progress</p>	<ul style="list-style-type: none"> Commonwealth continues to execute short-term, aggressive outreach plan with clear and achievable goals and benchmarks that have already resulted in the creation of over 30k jobs, increased tourism activity, added investment in pharma and life sciences and the introduction of new players and new sectors to the economic arena. Key wins include Seabourne, Crowley, Puma Energy, Lilly, over \$600 million in public construction projects, as well as noteworthy projects in agriculture. Key economic markers reveal improved month to month conditions. 	

With FY2013 audit well underway, Puerto Rico continues on track to achieve historic reduction in General Fund deficit

Historical and Projected Deficit ^a(in millions)

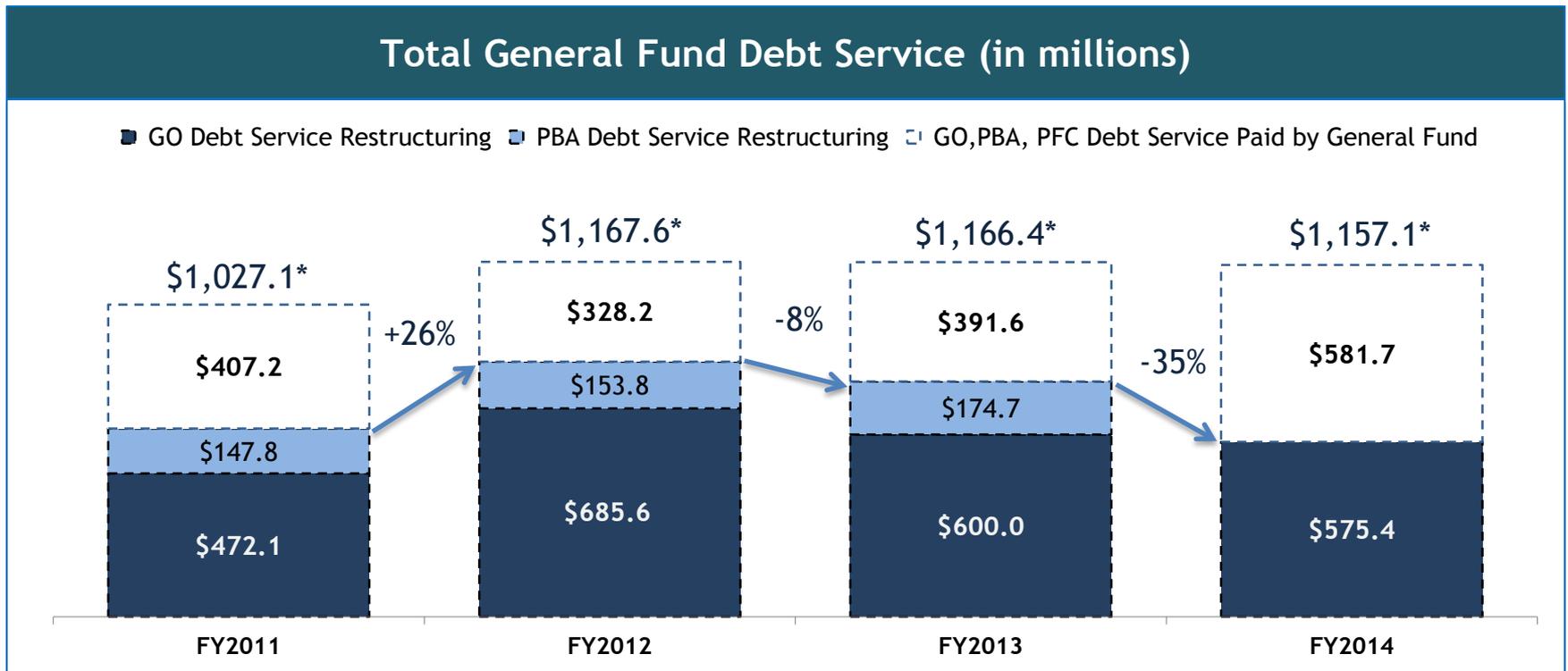


(a) Source for Fiscal Years 2009-2012: “Commonwealth of Puerto Rico - Financial Information and Operating Data Report”, dated October 15, 2013. Deficit for fiscal year 2013 and 2014 is preliminary and subject to change. Results presented for FY 2009 and FY 2010 exclude approximately \$442 million and \$50 million, respectively, of non-recurring expenses accrued during prior fiscal years that have been previously accounted as part of total expenditures for such fiscal years.

(b) After implementation of corrective measures by current Administration, deficit for FY 2013 was initially revised from \$2.213 billion as of January 31, 2013 to \$1.602 billion as of April 30, 2013, and again revised to \$1.374 billion as of the result of the audit process of year ended June 30, 2013. The approximately \$2.213 billion deficit found in January 31, 2013 was composed of (i) a revenue shortfall of \$965 million, (ii) \$333 million COFINA deficit financing, (iii) \$775 million in debt refinancing and (iv) \$140 million of overspending (eliminated by OMB by June 30, 2013).

E: Estimated, preliminary and subject to change.

We are phasing out the practice of restructuring GO and PBA debt service payments for budgetary relief



- General Fund budgets for FY 2013 and FY 2014 were designed with a debt service restructuring of \$775 million (\$600 million in GO and \$175 million in PBA bonds) and \$575 million (in GOs), respectively.
- For the first time since FY 2009, there will be no PBA debt service restructuring in FY 2014.
- Our plan is to eliminate the practice of debt service restructuring by FY 2015.

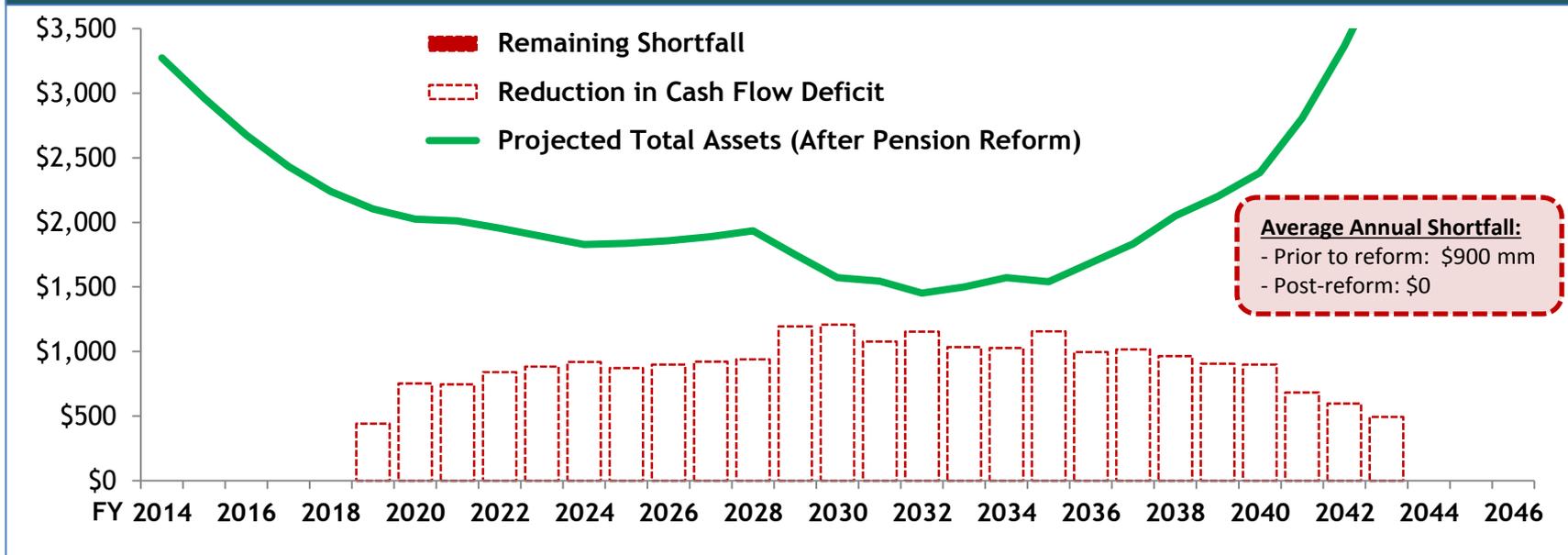
Source: "Commonwealth of Puerto Rico - Financial Information and Operating Data Report, dated October 15, 2013." Debt restructuring for fiscal year 2014 is preliminary and subject to change without prior notice, including as a result of market and general economic conditions

*Total debt service due for each fiscal year before any restructuring

With Act 3-2013 we enacted a comprehensive pension reform; the Employees Retirement System faced a projected annual cash flow deficit of \$900 million

- The Employees Retirement System’s pension reform of Act 3-2013, which has been labeled a “credit positive” by the rating agencies, provides a **cash-flow solution** to ensure that all the System’s obligations are paid when due.
- Changes enacted by Act 3-2013 include moving participants to a **defined contribution plan**, **annuitizing the defined contribution benefits**, **increasing retirement age**, **increasing employee contribution**, modifying (and eliminating for future retirees) “Special Law” benefits, eliminating disability benefits and changing survivor benefits.
- With an additional annual contribution through 2033 (\$120 million for FY 2014), it is **projected that the system’s \$900 million average cash flow deficit is eliminated**.
- The Puerto Rico Supreme Court has already **upheld the constitutionality** of the reform.
- **In contrast to other U.S. jurisdictions**, Puerto Rico has shown **political courage** and taken decisive action to tackle the long-term risk presented by its largest retirement system.

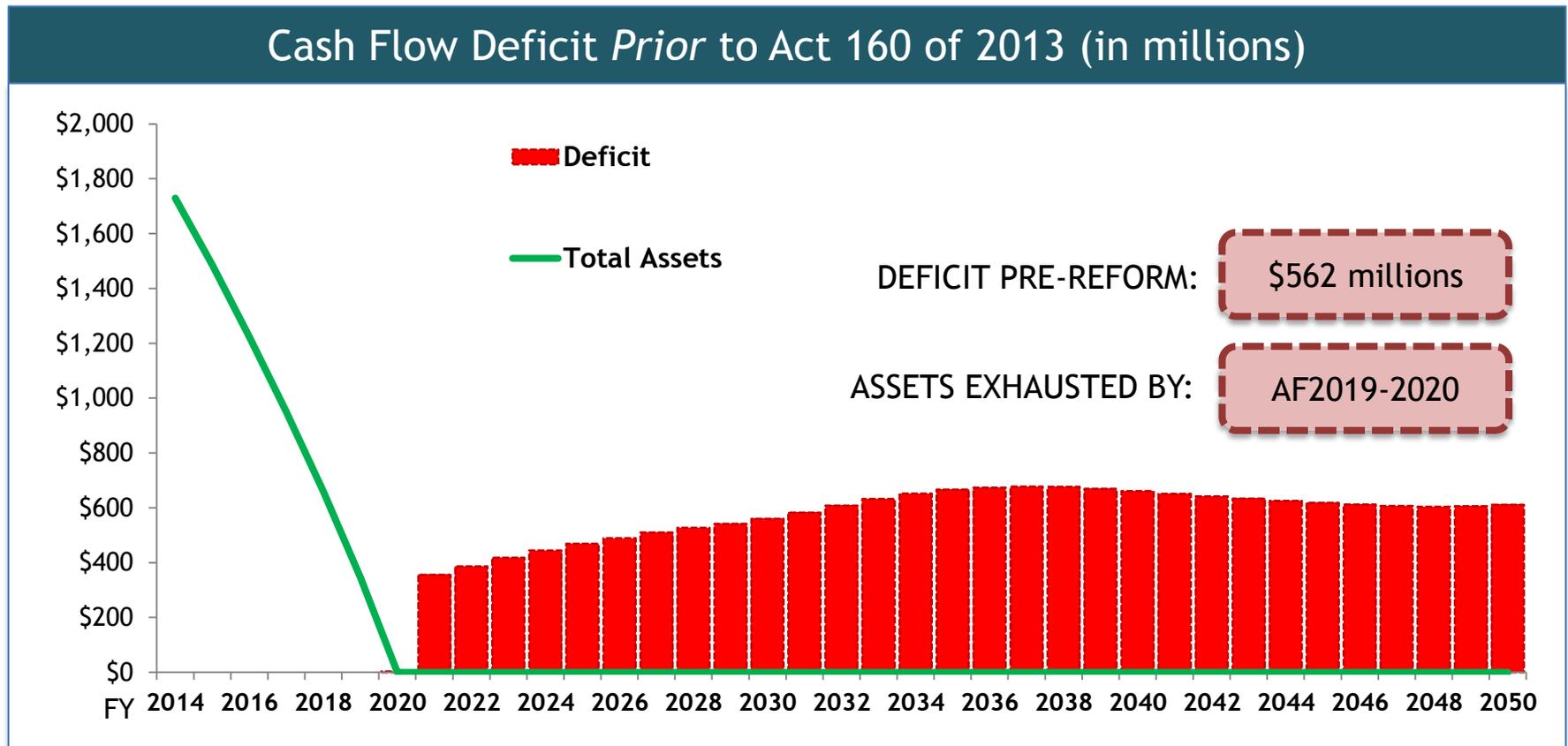
Cash Flow Deficit Projection After Act 3 and Act 32 of 2013 (in millions)



Note: The amounts presented are estimates, the end result could vary. This chart takes into account an investment rate of return of 6.00% and does not take into account the retirement of ERS covered employees that may have retired as a result of the reform.

Without reform, the Teachers Retirement System faced a projected annual cash flow deficit of \$562 million beginning FY2020

- Annual cash flow deficit prior to Act 160-2013 averaged \$562 million per year beginning in FY2019-FY2020 until FY2049-2050. In other words, General Fund would have had to contribute \$562 annually million, on average, on top of (i) employer contributions already legislated under Act 114-2011 and (ii) funding of “Special Law” benefits.

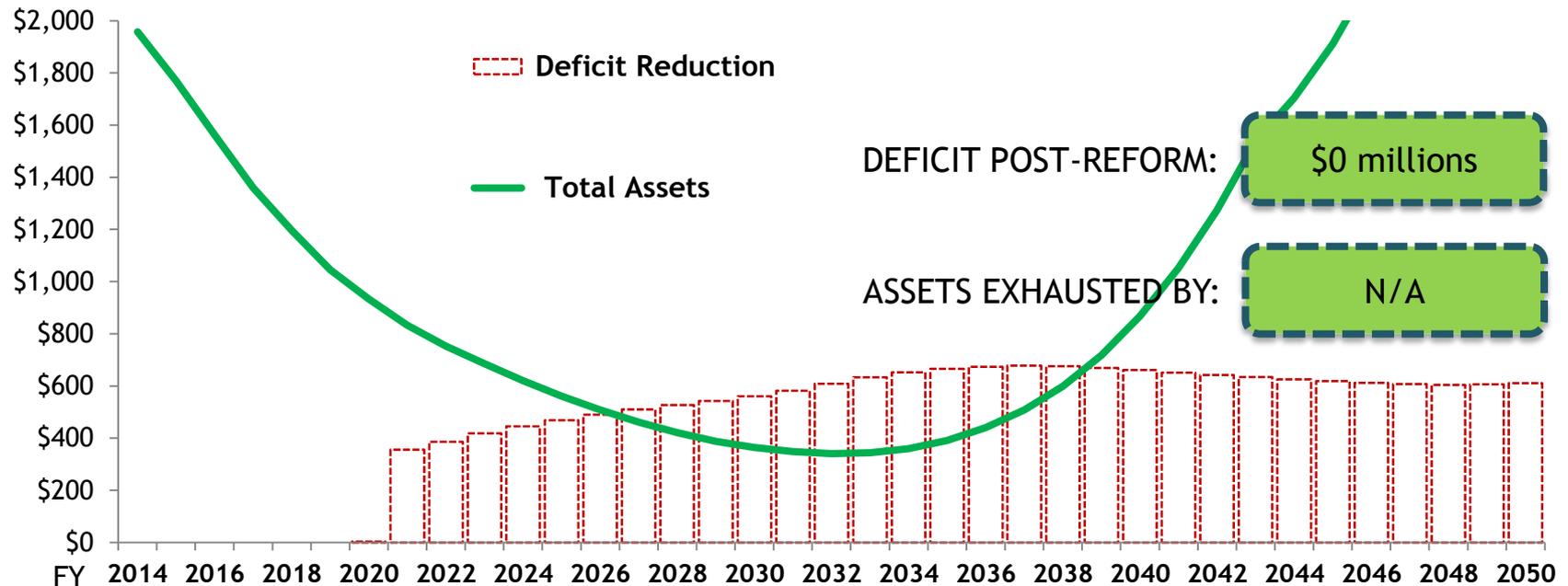


Note: Numbers presented are estimates; final results could vary. Projection considers an investment return of 5.95%, teacher hiring, retirement and attrition at historical levels, among other important assumptions. For a summary of TRS actuarial assumptions, consult FY2012 Actuarial Report.

Act 160-2013 reduces TRS disbursements by approximately \$3.7 billion* in present value basis and eliminates the projected cash flow deficit

- The amendments include, among others, (i) moving all teachers to a defined contribution plan, (ii) fixing minimum pension at \$1,625 per month for non-retired teachers who retire with 30 years of service and \$500 for current retirees, (iii) eliminating merit pension, (iii) setting retirement age at 55 years old and 30 years of service for current teachers and at 62 years of age and 30 years of age for future teachers, (iv) modifying “Special Law” Benefits and (v) increasing General Fund inflows by increasing employee contribution, injecting an additional fixed annual contribution (\$30 million per year in FY2017 and FY2018; \$60 million per year from FY2019 to FY2042) and a variable annual contribution from FY2019 to FY2042 equal to the amount necessary to maintain assets above \$300 million.

Cash Flow Deficit Projection After Act 160 of 2013 (in millions)



* Disbursement reduction from FY2015 through FY2050, assuming a 5.95% discount rate.

Note: Numbers presented are estimates; final results could vary. Projection considers an investment return of 5.95%, teacher hiring, retirement and attrition at historical levels, among other important assumptions. For a summary of TRS actuarial assumptions, consult FY2012 Actuarial Report. Variation in asset depletion will depend on the number of teachers that retire earlier than expected.

3

Significant steps have been taken to turn public corporations into self-sufficient entities capable of operating without budgetary subsidies or GDB deficit financing



- In July 2013, PRASA implemented a 60% rate increase (on average) that will provide additional revenues to cover operational expenses and improve debt service coverage.
- As a result of this increase, in contrast with prior years, the Commonwealth does not anticipate having to appropriate funds to PRASA for its operational expenses.



- Acts 30 and 31 of 2013, signed into law on June 25, 2013, increase HTA's recurring annual revenues by approximately \$270 million.
- These new revenue measures allow HTA to (i) begin amortizing its lines of credit outstanding with GDB and other financial institutions, (ii) access the capital markets over time to repay GDB lines and (iii) fund operational expenses.



- On February 27, 2013, Puerto Rico finalized the P3 transaction involving the Luis Muñoz Marín International Airport and received an upfront payment of \$615 million.
- This transaction strengthened the Ports Authority's fiscal position and reduced both the Port Authority's and GDB's risk position by repaying over \$490 million most of which had been either owed to or guaranteed by the GDB.



- Conversion to natural gas as a fuel source has been completed at PREPA's 2nd largest generating plant, reducing oil dependency by another 11%; negotiations to permit the conversion of PREPA's largest generating plant (18% of total capacity) are underway.
- In August 2013, with over \$1.6 billion of orders from investors, PREPA successfully completed a \$673 million bond issuance to fund its capital improvement program, including the conversion to natural gas of existing oil-fired generation units, which is expected to enable PREPA to improve its operating efficiency.

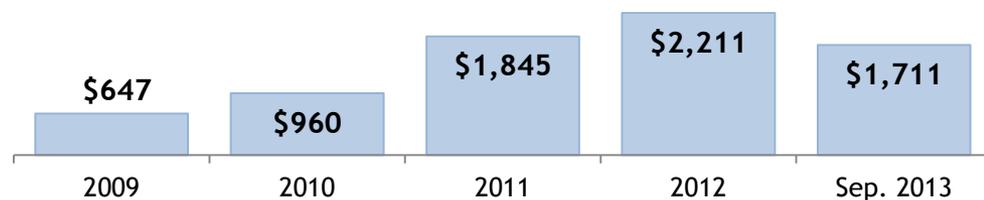
These public corporations are key drivers of Puerto Rico's economic growth with a combined CIP of approximately \$1,206 million in FY 2014.

To protect GDB's liquidity and ensure public corporations are on path to self-sufficiency, new legislation also limits GDB's ability to provide deficit financing

A. GDB's lending practices have failed to impose sufficient restraint on public corporations, compromising GDB's balance sheet and liquidity.

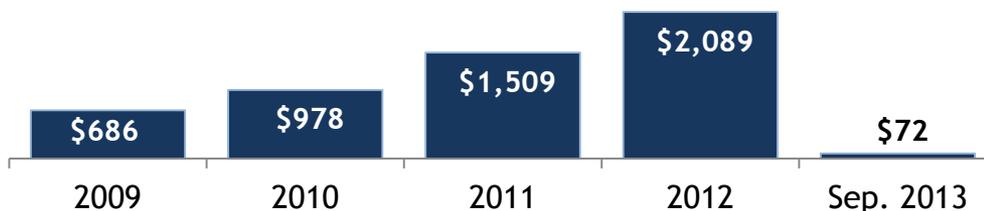
HTA ²

From 2008 to 2012, GDB loans to HTA increased from \$647 million to \$2,211 million.



PRASA

From 2009 and 2012, GDB loans to PRASA increased from \$686 million to \$2,089 million.



B. Deficit financing loans by GDB were mostly payable from future increases in rates, taxes or other charges, which permitted public corporations to unduly rely on GDB and avoid making decisions necessary to guarantee self-sufficiency.

New Substantive Restrictions

Legislation prohibits GDB from originating deficit financings, subject to certain limited exceptions¹, effectively requiring public corporations to meet an "Additional Bonds Test" prior to loans being approved.

Measure will impose additional fiscal discipline on public corporations and help preserve GDB liquidity.

¹ For example, GDB will continue to be able to extend loans to public corporations to ensure the timely payment of principal and interest on maturing debt obligations.

² Sept. 2013 reduction due to issuance of \$400 million RBC BAN to repay outstanding GDB lines to HTA.

FY2013 CAFR is on schedule as a result of Administration's measures to ensure compliance with May 1, 2014 audit deadline

Due to delayed audit process, the FY2012 CAFR was issued on September 16, 2013, four and a half months after May 1 due date.

- Significant risk at start of audit process:
 - (i) Decentralized accounting system;
 - (ii) Quantity of component units included in the CAFR;
 - (iii) Change of auditors; and
 - (iv) Implementation of New GASB pronouncements (i.e. GASB 61).

- Measures taken by Administration
 - (i) Assignment of additional resources from local and international audit firms to component units whose financial statements have not been timely provided to the Commonwealth;
 - (ii) Execution of a memorandum of understanding between the Treasury Department, OMB and GDB for the coordination of all financial statement-related tasks and the designation of GDB, in its role as fiscal agent of the Commonwealth, to review and monitor the progress of certain component units;
 - (iii) Establishment of an Audit Oversight Committee comprised of Treasury Department and GDB personnel in order to continuously monitor the status and progress of the audit and the Commonwealth's financial statements; and
 - (iv) Taken action to speed the provision of data to Central Accounting and outside auditors.

- Audit Status
 - (i) As of February 7, 2014, 42 of 68 (62%) component units and other fiscal independent agencies have issued their financial statements (last year this completion was obtained during Summer 2013).
 - (ii) 16 component units and other fiscal independent agencies will issue their financial statements before February 28, 2014, at which point approximately 85% of relevant entities will have had their financial statements issued.
 - (iii) Financial statements of remaining entities (15%) are expected to be received on or before March 31, 2014. This would represent a significant advance over last year, when several entities (i.e. UPR, Ports Authority, PRGERS) issued their financials after July 2013.
 - (iv) Speed of providing auditing data and support to auditors has increased significant when compared to prior year.

With FY2013 audit in an advanced stage, in contrast to FY2012, audit process has not uncovered material revisions to previously reported General Fund deficit.

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FY 2014 first semester revenue results are above estimates...

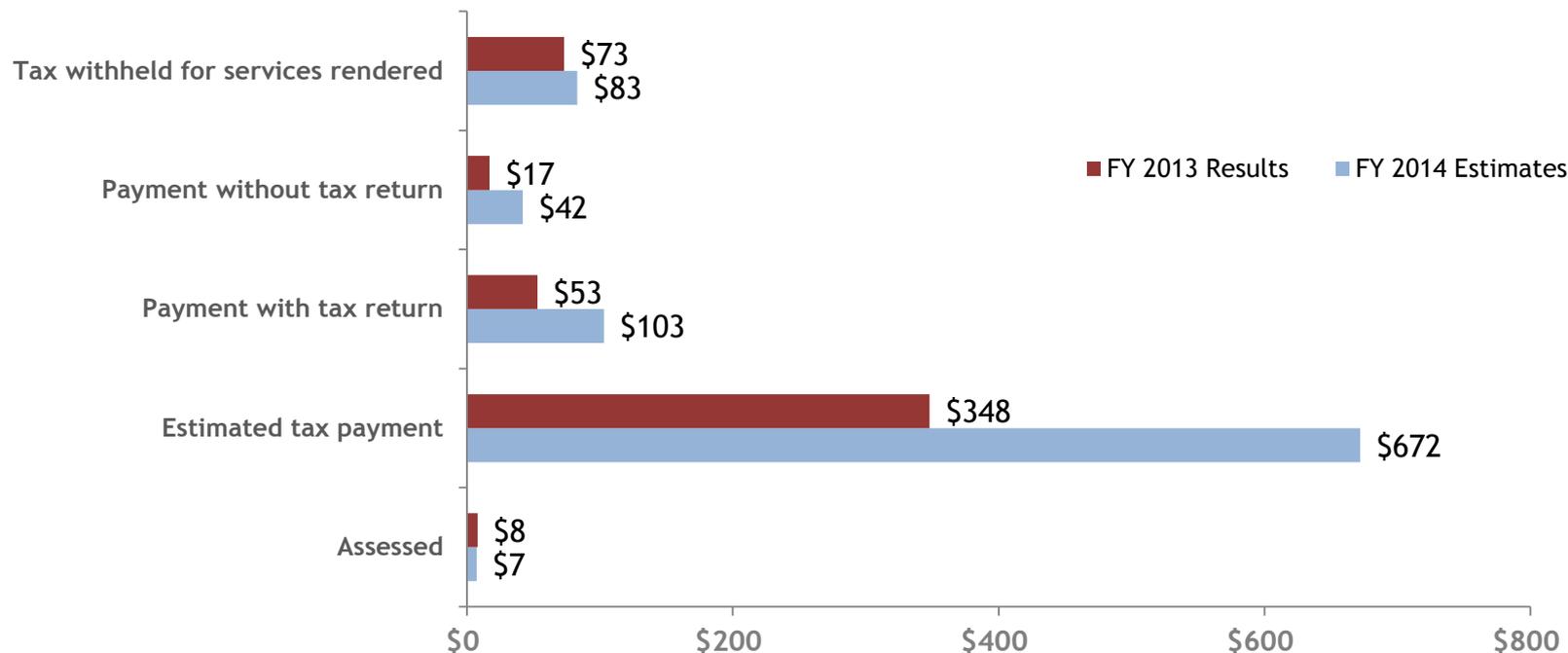
YTD General Fund Revenues (July - December)								
Tax Type	YTD Results				Estimated July- Dec FY2014	Revenues vs Estimated (\$)	Revenues vs Estimated (%)	
	FY13	FY14	Variance	% Change				
Individual	\$926	\$880	(\$46)	-4.97%	\$929	(\$49)	-5.31%	
Corporations	\$486	\$924	\$438	90.18%	\$816	\$108	13.23%	
Non-Resident Withholdings	\$345	\$433	\$87	25.28%	\$422	\$11	2.56%	
Sales and Use Tax(1)	\$0	\$0	\$0	0.00%	\$26	(\$26)	-100.00%	
Property Taxes	\$6	\$10	\$4	57.81%	\$0	\$10	0.00%	
Foreign (Act 154)	\$898	\$901	\$2	0.23%	\$892	\$9	0.99%	
Alcoholic Beverages	\$145	\$143	(\$2)	-1.51%	\$146	(\$2)	-1.65%	
Tobacco Products	\$89	\$81	(\$8)	-9.14%	\$89	(\$8)	-9.35%	
Motor Vehicles	\$195	\$196	\$1	0.57%	\$196	(\$1)	-0.31%	
Off-Shore Shipment Rum	\$134	\$158	\$24	17.78%	\$144	\$14	9.70%	
Others	\$197	\$235	\$37	18.98%	\$207	\$28	13.29%	
Total YTD Results	\$3,421	\$3,959	\$537	15.70%	\$3,866	\$93	2.39%	

(1) Amount to the General Fund is \$0 given that first \$644 million of Sales Tax collected goes to COFINA for debt payment.

Corporate income tax revenues are substantially above expectations

Corporate Income Tax Revenue Breakdown*

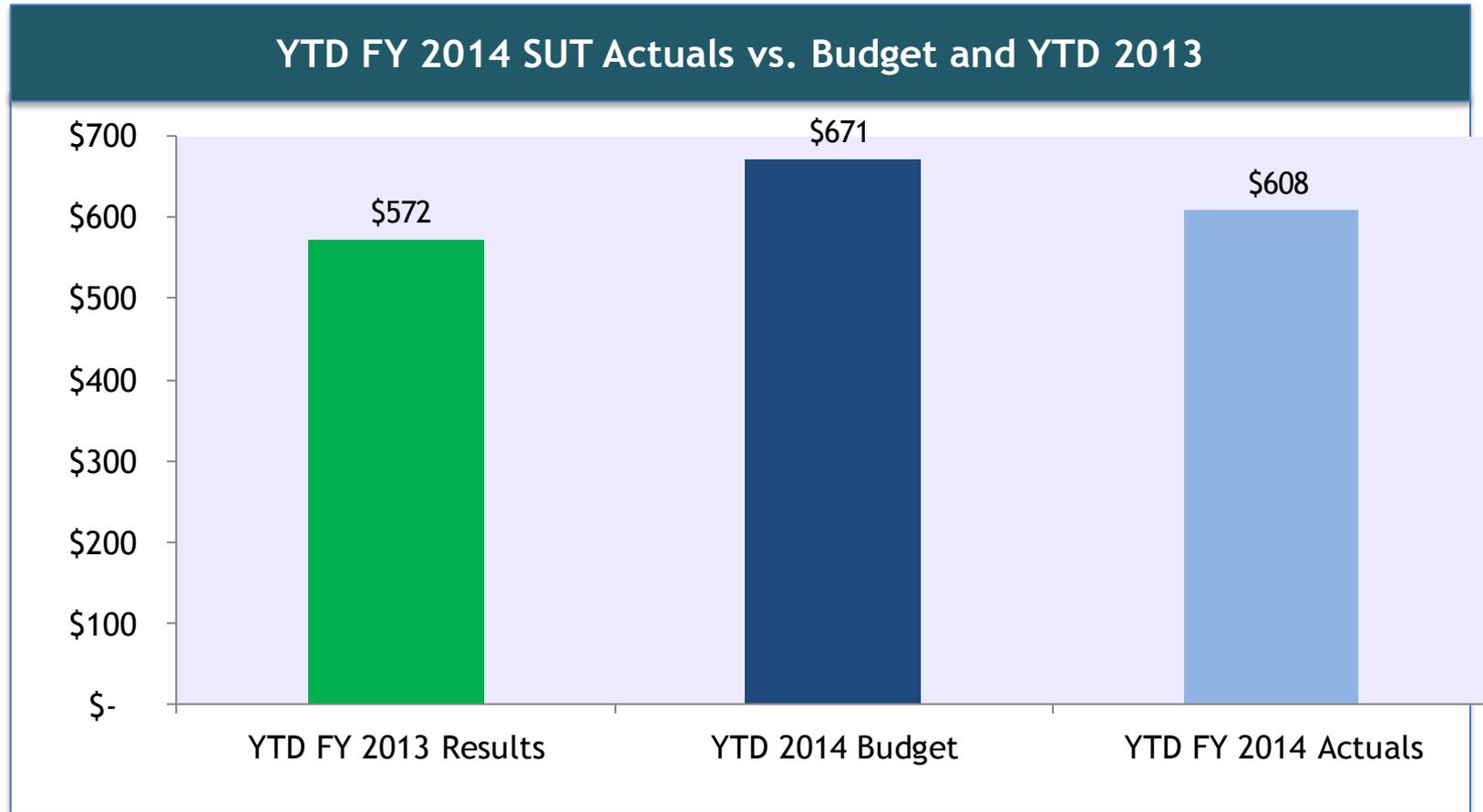
FY 2013 YTD: \$499 millions
 FY 2014 YTD: \$907 millions



Net Corporate income tax revenues are \$408 million over FY 2013 and \$108 million over FY 2014 budget estimate.

* These numbers are net of the reserve of reimbursement and other accounting adjustments. Gross corporate tax revenues are estimated to be \$438 million as shown on page 17.

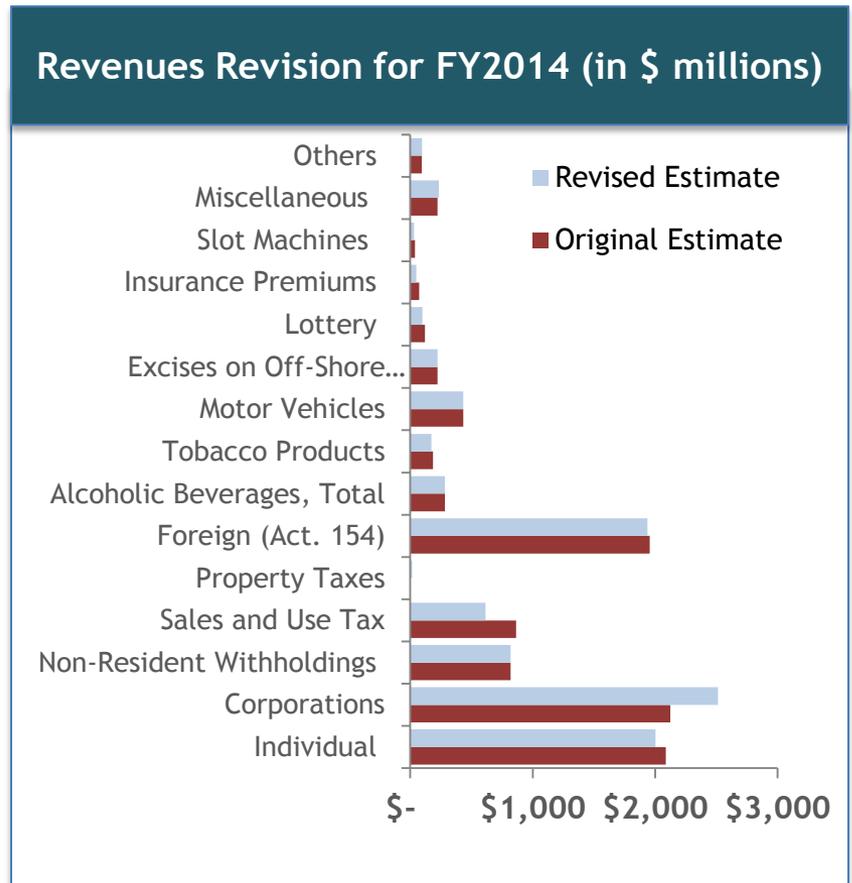
SUT has increased versus historical years; SUT Revenues for 1H FY 2014 were \$36 million higher than the same period in FY2013



July-December preliminary SUT collections of \$608 million are (i) 6.3% above the same period of FY 2013 and (ii) 9.5% below budgeted estimates.

FY2014 revenue estimates have been revised to reflect YTD results. Total FY 2014 revenues are still projected to total \$9,525 million

FY2014 General Fund Revenue Estimates <i>(in \$ millions)</i>	Estimate		
	Original	Revised	Change
General Fund Net Revenues	\$9,525	\$9,525	-
Components:			
Individual Tax	\$2,088	\$2,004	(\$84)
Corporate Tax	2,123	2,513	390
Non-Resident Withholdings	820	820	-
Sales and Use Tax	865	614	(251)
Property Taxes		16	16
Foreign (Act. 154)	1,956	1,938	(18)
Alcoholic Beverages, Total	284	283	(1)
Tobacco Products	186	174	(12)
Motor Vehicles	432	432	-
Excises on Off-Shore Shipment Rum	222	222	-
Lottery	120	99	(21)
Insurance Premiums	72	48	(24)
Slot Machines	39	32	(7)
Miscellaneous	224	234	10
Others	94	96	2



- Increases in corporate taxes were offset by reduced estimates for sales tax and individual income tax
- **Corporate taxes:**
 - Actual revenues are \$108 over budget and in order to address potential shortfalls, the budget excluded two FY 2014 estimated tax payments related to new legislation that was enacted in June 2013 (approximately \$250 million), now we are accounting for both.
- **Individual taxes:** Estimates for individual taxes were lowered due to headcount changes by government employers (10,000 less employees)
- **Sales tax:** Revision reflects changes in the estimate reflecting the current behavior of the new tax measures.

YTD FY 2014 revenues continue to exceed estimates

- Including results for January and using the new revised estimates, revenues for FY 2014 significantly exceeded FY 2013 and were above budget YTD
- Individual taxes, Corporate income taxes, and property taxes were up versus estimates; and year to date revenues were nearly \$40 million over budget

YTD General Fund Revenues (July - January)								
Tax Type	Actual		Year over Year Variance		Actual FY 2014	Estimated FY2014	FY 2014 Actual vs Estimated	
	FY 2013	FY 2014	(\$)	(%)			(\$)	(%)
Individual	\$1,102.7	1,054.8	(47.9)	-4.3%	1,054.8	1,030.0	24.8	2.4%
Corporations	546.3	1,016.3	470	86.0%	1,016.3	1,003.4	12.9	1.3%
Non-Resident Withholdings	411.2	475.6	64.4	15.7%	475.6	500.2	(24.6)	-4.9%
Sales and Use Tax ⁽¹⁾	75.8	79.0	3.2	4.2%	79.0	76.0	3.0	3.9%
Property Taxes	7.4	11.4	4.0	54.1%	11.4	11.1	0.3	2.7%
Foreign (Act 154)	1,034.7	1,043.1	8.4	0.8%	1,043.1	1,032.4	10.7	1.0%
Alcoholic Beverages	168.4	164.6	(3.8)	-2.3%	164.6	164.5	0.1	0.1%
Tobacco Products	106.6	101.4	(5.2)	-4.9%	101.4	97.8	3.6	3.7%
Motor Vehicles	234.6	232.1	(2.5)	-1.1%	232.1	235.6	(3.5)	-1.5%
Off-Shore Shipment Rum	171.2	174.1	2.9	1.7%	174.1	174.0	0.1	0.1%
Others	227.1	269.8	42.7	18.8%	269.8	261.3	8.5	3.3%
Total YTD Revenues	\$4,086	\$4,622	+536.2	+13.1%	\$4,622	\$4,586.3	+35.9	+0.8%

¹ Sales and Use tax revenues flow to COFINA until satisfying the Pledged Sales Tax Base Amount.

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Economic Trends

The economy is showing signs of stabilization (data available as of November 2013)

Economy is not in a state of continuing decline

The GDB-EAI increased month-to-month from August to November 2013

Industrial sector indicators are improving

- *Upturn demand for electricity*

Positive news in the job market

- *Gains in employment in the latest four months*

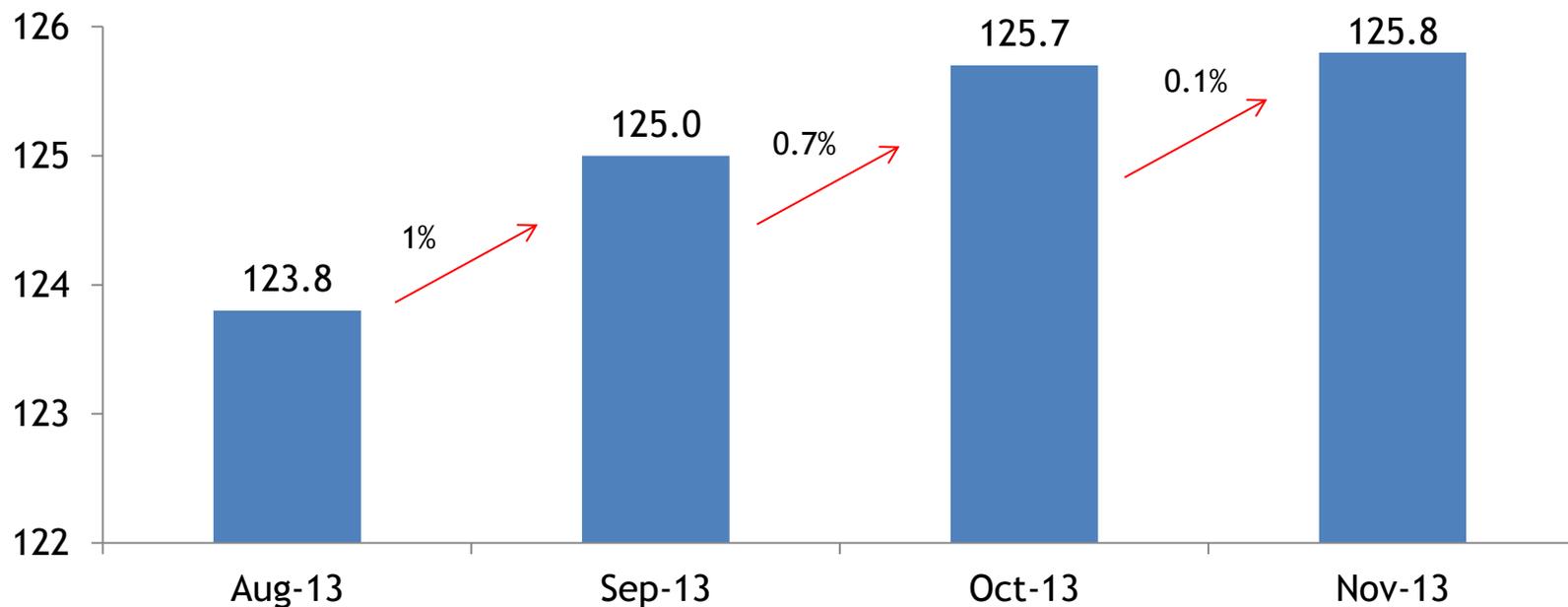
Consumer spending remains stable

- *Retail sales data show a stable-to-slightly-growing trend, an important plus for the economy, given the sector's size.*

Growth drivers are taking shape

The GDB Economic Activity Index increased on a month-to-month basis from August to November 2013

GDB - Economic Activity Index

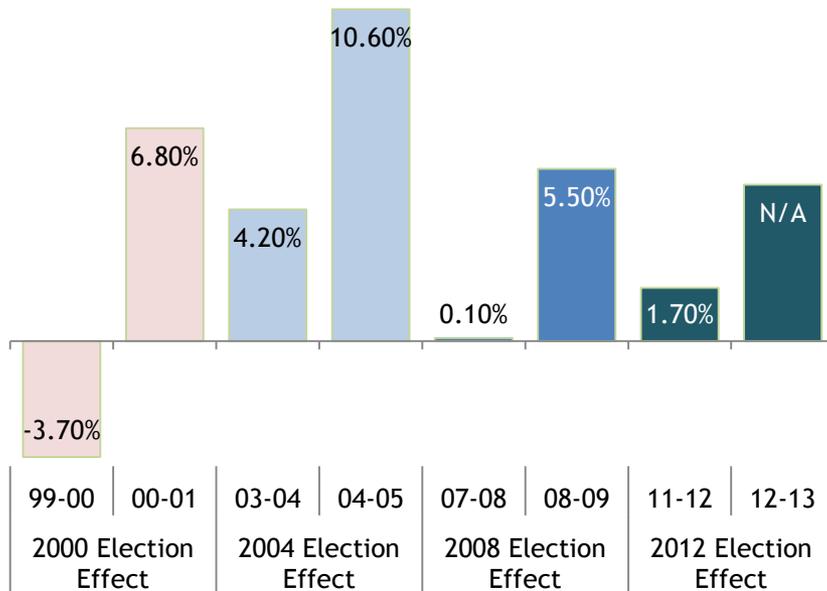


- The GDB Index of Economic Activity gained 1.2 points in September, 0.7 points in October, and a further 0.1 points in November.
- The year-on-year decline in the index stabilized in the last three months.

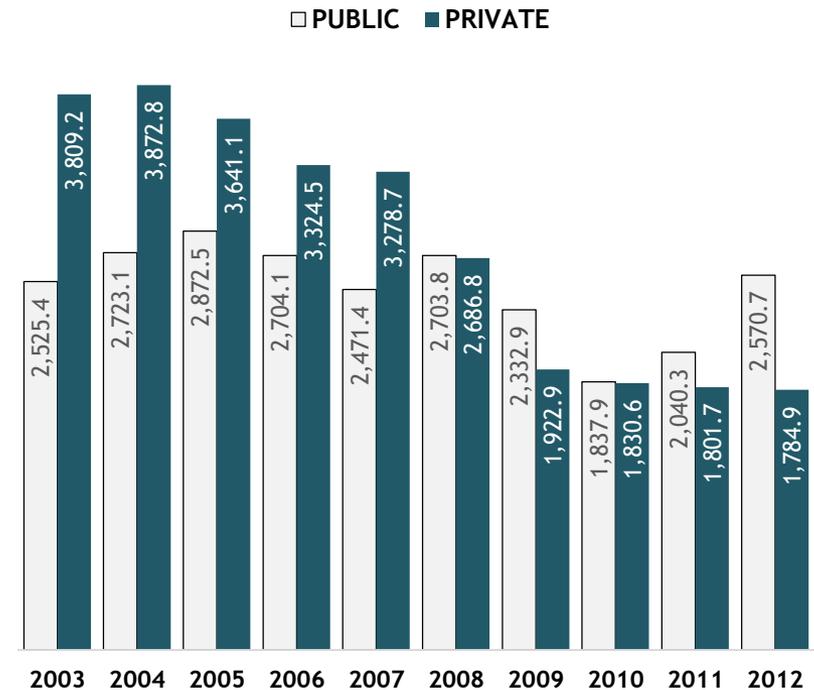
There is a pattern of increases in public sector construction around election years

Government expenditures show increases coinciding with every single election year

Government Expenditures
Growth Rate



Investment in construction in million current dollars—fiscal years

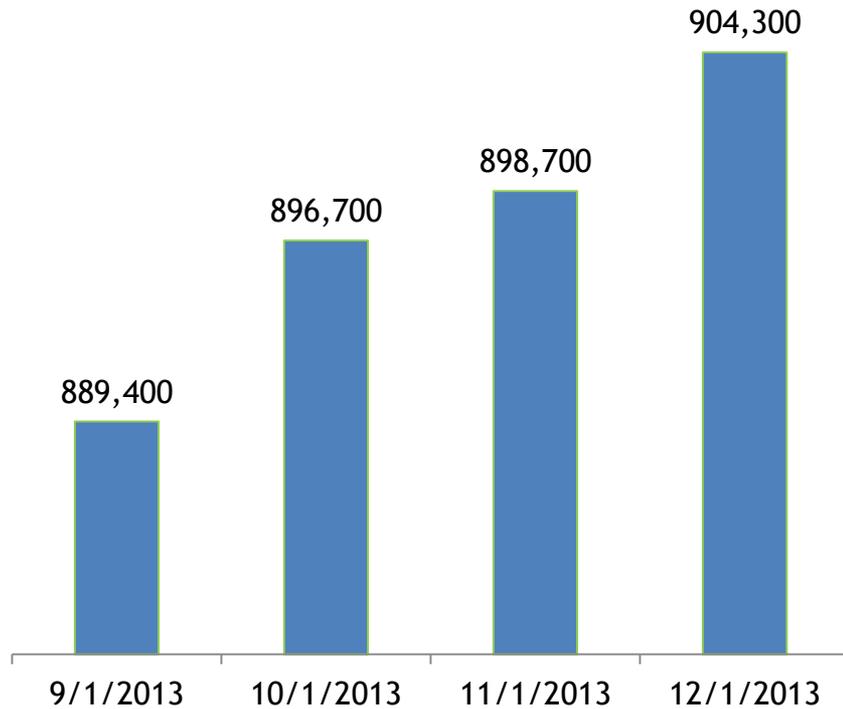


The contrast between public and private sector construction is significant. Private construction fell sharply for the period 2003 through 2009 and stabilized thereafter. Public sector construction moves in spurts, spiking in or around election time, Fiscal 2005, Fiscal 2008, and Fiscal 2012. Figures for Fiscal 2013 are not available yet.

Positive news in the general job market

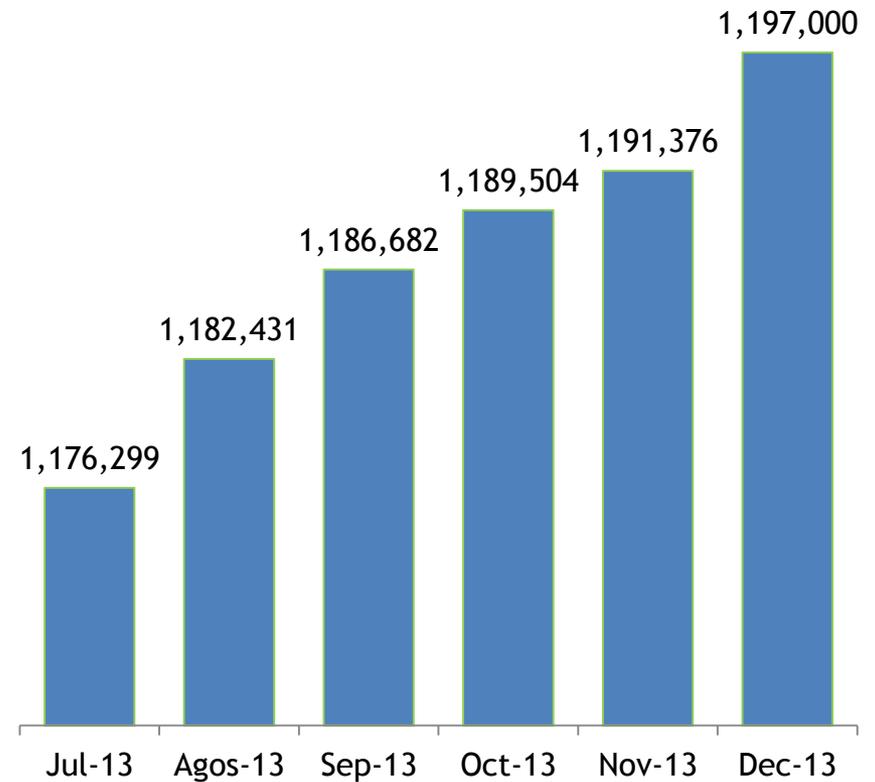
Total Employment

Seasonally adjusted BLS data show recent month-over-month employment gains.



Labor Force

Seasonally adjusted BLS data shows growth in labor force.



Consumer spending remains stable

- Consumer spending accounts for 88% of domestic aggregate demand.
- Retail sales data show a stable-to-slightly-growing trend, an important plus for the economy, given the sector's size.



*As of October of each fiscal year.

Economic Roadmap Progress

Robust Roadmap guiding successful execution

Vision

Build upon Puerto Rico's historic strengths to achieve a *more diversified, knowledge-driven economy* that addresses the challenges of globalization and seizes upon emerging opportunities

Goals

Near-term goal

Shore up and diversify the economy by leveraging Puerto Rico's competitive advantages and consolidating its productive base

Long-term goal

Build sustainable competitive advantage with a diversified, adaptive economy and workforce driven by technology and innovation

Policy Priorities

- 1 *Defend anchor industries* while diversifying job sources on the Island
- 2 *Stimulate local entrepreneurship* - drive growth of small and medium enterprises (SMEs)
- 3 Restore Puerto Rico's credibility as a *stable, business-friendly jurisdiction*
- 4 Take full advantage of opportunities tied to *Puerto Rico's relative fiscal autonomy*

Impact

By beginning of 2016

Over 90,000 jobs created

\$6 to \$7 billion in incremental GDP

By beginning of 2018

Over 130,000 jobs created

\$10 to \$12 billion in incremental GDP

Progress continues to be made on jobs and sector growth

- **Activity in focus sectors on track, diversifying and reshaping economy around growth areas - with jobs committed increasing from ~14K in Aug to >21K in Dec**
 - Pharma / Generics manufacturing - continued targeted new jobs (e.g., Lilly), while pursuing new companies to takeover plants planned for closure
 - Medical devices - committed jobs increased to over 1,700 from 1,124, evidencing of Puerto Rico's reinvigorated focus on this sector
 - Knowledge services - jobs committed jumped from 1,117 to 2,727, supporting Puerto Rico's strong value proposition for existing and new companies
 - Tourism - significant increase in cruise passengers vs. 2012 (130K more vs. 2012), hotels increasing PR's room inventory, new air routes and hubs (Seaborne, AirEuropa, Avianca, JetBlue)
 - These sectors represent key economic "drivers" - they are linked to US and global economy and trigger growth in other local sectors (from construction to retail)
- **Major projects moving forward**
 - Energy - renewable energy projects approved in January, \$60M in energy cost savings
 - Major projects - Seaborne, sugar cane, and infrastructure projects continue marching forward
 - Investors and financiers - More than \$1B investment committed from Paulson and Putnam Bridge, 2014 investment starting to materialize.
 - Continue developing housing initiatives such as "Mi Casa Propia" that provides subsidy of up to 3% of the sale price (up to \$200,000) to cover down payment and closing expenses. Up to 1,250 of sales of houses were promoted with this initiative during last 6 months of 2013 (sales equivalent to \$155 million) with an investment of \$15 million.
- **Moving forward on implementation infrastructure, tracking, and reporting**
 - New institution in DDEC focused on successful execution of Economic Roadmap

Agenda

1 Recent Credit Accomplishments

2 Revenue and Expense Update

3 Economic Trends & Development

4 FY15 Budget and Other Next Steps

Year over year comparisons underscore the Administration's achievements

<u>Topic</u>	<u>Status December 2012</u>	<u>Status December 2013</u>
Pension Systems	<ul style="list-style-type: none"> Pension systems facing collapse in 1-5 years 	 Central employee pension and Teachers employee pension systems reforms underway
PRASA Finances	<ul style="list-style-type: none"> PRASA faced obligations it could not meet 	 PRASA rate restructuring making it self-sufficient
PRHA	<ul style="list-style-type: none"> \$2B from PRHA without source of repayment 	 Raised over \$270M in new revenues directed
Budget Deficit	<ul style="list-style-type: none"> \$2.2B budget deficit for FY2013 	 \$820M budget deficit for FY 2014 down to \$650M with target reduction to \$0M for FY2015
Unemployment	<ul style="list-style-type: none"> 14.5% 	 14.3%
Labor Participation Rate	<ul style="list-style-type: none"> 41.7% 	 41.8%
Workforce Size	<ul style="list-style-type: none"> Decreasing consistently Jan – Dec 2012 (-22k) 	 Increasing consistently Jun-Dec 2013 (+26K)

 *Improvement since last year*

Next steps of Commonwealth's fiscal and economic plan



Present Detailed FY 2015 Budget Roadmap

- Administration's recently announced intention to reduce the current year deficit and plan for a balanced budget for Fiscal year 2015, one year earlier than originally planned.
 1. Identify special assignments that agencies can cover on their own or through their current budget.
 2. Adjusted agencies' operating budgets, including payroll and service contracts, which will be implemented by agency heads by applying discipline, austerity and creative management.



“We are proceeding with focus and determination to continue strengthening the Commonwealth’s financial position and build a solid foundation for economic prosperity and development”



Financial and Economic Forum

Federal Home Loan Bank of New York

February 11, 2014

San Juan, Puerto Rico

Commonwealth of Puerto Rico Fiscal and Economic Update

Melba Acosta Febo

Secretary of Treasury

Commonwealth of Puerto Rico
