



David A. Skeel Jr.
Chair

Members

Andrew G. Biggs
Arthur J. González
Antonio L. Medina
John E. Nixon
Justin M. Peterson
Betty A. Rosa

Robert F. Mujica Jr.
Executive Director

BY ELECTRONIC MAIL

June 30, 2023

Honorable Pedro R. Pierluisi Urrutia
Governor
Commonwealth of Puerto Rico

Dear Governor Pierluisi:

Pursuant to a Resolution, adopted by the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), a copy of which is attached hereto as **Exhibit A** (the “Resolution”), and Section 202(e)(4) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), the Oversight Board hereby issues this compliance certification that the fiscal year 2024 budget for the Puerto Rico Highways and Transportation Authority (“HTA”), attached as **Exhibit 1** to the Resolution (the “Fiscal Year 2024 HTA Budget”), is a compliant budget for the reasons set forth in the Resolution.

The Oversight Board looks forward to working with you and the HTA to implement fully the Fiscal Year 2024 HTA Budget for the benefit of the people of Puerto Rico.

Sincerely,

Robert F. Mujica Jr.
Executive Director

Hon. Pierluisi Urrutia

June 30, 2023

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CC: Hon. Omar Marrero Díaz
HTA Governing Board
Mr. Edwin González Montalvo
Hon. Francisco Parés Alicea

EXHIBIT A

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

June 29, 2023

**RESOLUTION CERTIFYING FISCAL YEAR 2024 BUDGET FOR THE PUERTO
RICO HIGHWAYS & TRANSPORTATION AUTHORITY**

WHEREAS, on June 30, 2016, the federal Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”) was enacted; and

WHEREAS, Section 101 of PROMESA created the Financial Oversight and Management Board for Puerto Rico (“the Oversight Board”); and

WHEREAS, Section 202(c) of PROMESA establishes a multi-step procedure for the development, review, and approval of budgets for covered instrumentalities of the Commonwealth of Puerto Rico, such as the Puerto Rico Highways and Transportation Authority (“HTA”), providing that (i) the Governor must submit a proposed budget to the Oversight Board; (ii) the Oversight Board must review the proposed budget and determine, in the Oversight Board’s sole discretion, either that the proposed budget complies with the applicable fiscal plan or that it does not, in which case the Oversight Board must issue a notice of violation (“NoV”) and recommended revisions, giving the Governor an opportunity to correct the violations; (iii) the Governor may then submit a revised proposed budget; and (iv) if the Governor fails timely to submit a proposed budget that the Oversight Board determines in its sole discretion is a compliant budget, the Oversight Board shall develop and submit to the Governor its own compliant budget; and

WHEREAS, by letter dated May 2, 2023, the Oversight Board, pursuant to Section 202(a) of PROMESA, provided notice of the schedule for developing, submitting, approving, and certifying a revised fiscal year 2024 budget for HTA; and

WHEREAS, on May 19, 2023, pursuant to Section 202(c)(1)(B) of PROMESA, the Oversight Board provided to the Governor a forecast of revenues to be used in preparing the fiscal year 2024 budget for HTA; and

WHEREAS, on May 30, 2023, pursuant to Section 202(c)(1) of PROMESA, the Governor submitted to the Oversight Board a proposed fiscal year 2024 budget for HTA; and

WHEREAS, on June 9, 2023, pursuant to Section 202(b) of PROMESA, the Oversight Board provided the Governor a NoV informing the Governor that the proposed fiscal year 2024 budget for HTA was not compliant with the fiscal plan for HTA and included a description of the corrective actions and required revisions necessary for the Oversight Board to certify it as compliant with the requirements of PROMESA; and

WHEREAS, on June 20, 2023, pursuant to Section 202(c)(2) of PROMESA, the Governor submitted a revised proposed fiscal year 2024 budget for HTA; and

WHEREAS, the Oversight Board determined that the Governor's proposed revised fiscal year 2024 budget for HTA did not reflect a compliant budget as required by Section 202(c)(2) of PROMESA; and

WHEREAS, the Oversight Board developed a fiscal year 2024 budget for HTA and, on June 29, 2023, after substantial deliberations, the Oversight Board determined that its fiscal year 2024 budget for HTA is a compliant budget as required by Sections 202(c)(2) and 202(e)(4) of PROMESA, which budget is attached hereto as Exhibit 1 (the "Compliant FY2024 HTA Budget"); and

NOW, THEREFORE, IT IS HEREBY RESOLVED that, pursuant to Sections 202(c)(2) and 202(e)(4) of PROMESA, the Oversight Board shall submit to the Governor the Compliant FY2024 HTA Budget, and such budget shall be: (i) deemed to be approved by the Governor; (ii) the subject of a compliance certification to be issued by the Oversight Board to the Governor; and (iii) in full force and effect beginning on July 1, 2023.



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EXHIBIT 1 – BUDGET
PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY

Section I. – Budget Overview

In \$ thousands	Fiscal Plan Projections
Toll fare revenues	188,544
Toll fine revenues	40,347
Transit revenues	6,829
Operating FTA funds	37,470
Other operating income	63,604
Operating CW transfer	138,109
Total Operating Revenues	474,903
CW CapEx funds	186,743
Federal CapEx funds	278,008
Total Capital Revenues	464,751
Total Consolidated Revenues	939,654
Payroll & pension costs	54,662
Toll highways administration and maintenance costs	50,073
Tren Urbano & Feeder Bus costs	104,882
Other operating costs	43,064
Total Operating Expenses	252,682
Federal highway construction costs	207,206
Non-federal highway construction costs	220,915
Emergency repair costs	29,119
Transit construction program costs	46,083
Other capital costs	60,528
Total Capital Expenses	563,851
Total Consolidated Expenses	816,533
Total Surplus / (Deficit)	123,121
Senior lien debt payment	30,000

CW loan payment	18,169
Total Debt Payment	48,169
Total Remaining Surplus / (Deficit)	74,952
Total Reserve Deposits	25,771
Total Balance	49,181

Toll fare revenues

In \$ thousands	Fiscal Plan Projections
Toll fare revenue from existing toll rates	137,865
Toll Revenue Optimization	13,078
Toll fare revenue from increased toll rates	28,301
Toll fare revenues from dynamic toll lanes (“DTL”)	5,633
Toll fare revenues from bi-directional tolling	3,666
Total toll fare revenues	188,544

Toll fine revenues

In \$ thousands	Fiscal Plan Projections
Toll fine revenue from existing fine rates	27,435
Toll fine revenue from tiered fine rates	12,913
Total toll fine revenues	40,347

Transit revenues

In \$ thousands	Fiscal Plan Projections
Tren Urbano fare revenue	6,054
Feeder Bus fare revenue	676
Bus Rapid Transit “BRT” fare revenue	98
Total transit revenue	6,829

Operating FTA funds

In \$ thousands	Fiscal Plan Projections
Operating FTA funds	37,470
Total operating FTA funds	37,470

Other operating income

In \$ thousands	Fiscal Plan Projections
Other Operating income	10,981
American Rescue Plan Act (“ARPA”) Reimbursement	39,217
FEMA Property Reconstruction	13,406
Total other operating income	63,604

Operating Commonwealth (“CW”) transfer

In \$ thousands	Fiscal Plan Projections
Operating CW transfer	138,109
Total other operating income	138,109

Commonwealth (“CW”) CapEx funds

In \$ thousands	Fiscal Plan Projections
CW CapEx appropriation	54,370
Total CW CapEx appropriation	54,370
Puerto Rico Trust Fund – Calle Loiza (PR 37)	40,000
Puerto Rico Trust Fund – PR 05	26,000
Total Puerto Rico Trust Fund	66,000
Rollover Abriendo Caminos funds	11,702
Rollover non – federal highways funds	46,362
Rollover CDBG funds	1,638
Rollover Emergency funds	6,671
Total Rollover Funds	66,373
Total CW Capex Funds	186,743

Federal CapEx funds

In \$ thousands	Fiscal Plan Projections
FHWA Regular Funds	207,206
Total Non-ER FHWA Funds	207,206
FHWA Emergency Funds	24,719
Total Federal Emergency Funds	24,719
FTA Regular Funds	46,083
Total Transit Federal Funds	46,083
Total Federal CapEx Funds	278,008

Payroll & Pension costs

In \$ thousands	Fiscal Plan Projections
Main salaries – non-construction	9,789
Healthcare costs – non-construction	2,894
Christmas bonus – non-construction	162
Early retirement costs – non-construction	4,552
Other labor costs – non-construction	1,268
Total non-construction salaries & related benefits	18,665
Main salaries – transit	109
Healthcare costs – transit	21
Christmas bonus – transit	1
Other labor costs – transit	192
Total transit Salaries & Related Benefits	324
Pensions contributions	35,673
Total pensions costs	35,673
Total payroll & pension costs	54,662

Toll highways administration and maintenance costs

In \$ thousands	Fiscal Plan Projections
Variable electronic toll collection fees	25,780
Highway Insurance Cost	3,508
Other toll highway administration & maintenance costs	20,786
Total toll highways administration and maintenance costs	50,073

Tren Urbano & Feeder Bus costs

In \$ thousands	Fiscal Plan Projections
Base fee for Tren Urbano operating contract	49,566
Other costs under Tren Urbano operating contract	1,500
Tren Urbano electricity costs	8,730
Tren Urbano insurance costs	11,789
Other regular Tren Urbano costs	51
Tren Urbano transit heavy maintenance & bridge inspection	20,470
Total Tren Urbano costs	92,106
Base fee for Feeder Bus operating contract	9,748
Other costs under Feeder Bus operating contract	1,841
Bus Rapid transit costs	984
COVID-19 special costs	203
Total Feeder Bus costs	12,776
Total Tren Urbano & Feeder Bus costs	104,882

Other operating costs

In \$ thousands	Fiscal Plan Projections
Non-Title III Professional Service Fees	8,681
Title III Professional Service Fees	8,000
Discretionary fund management team	324
FEMA Property Reconstruction	13,406
Other operating costs	12,653
Total other operating costs	43,064

Federal highway construction costs

In \$ thousands	Fiscal Plan Projections
Hard costs for regular federal highway construction	175,939
Total federal highway construction hard costs	175,939
Federal soft costs for planning & compliance	31,267
Total federal highway construction soft costs	31,267
Total federal highway construction costs	207,206

Non-federal highway construction costs

In \$ thousands	Fiscal Plan Projections
Hard costs for Abriendo Caminos Projects	11,341
Hard costs for other non-federal highway construction projects	76,474
Puerto Rico Trust Fund - Rehab. of Calle Loiza (PR 37)	26,000
Local construction costs	1,500
Total non-federal highway construction hard costs	115,315
Soft costs for Abriendo Caminos Projects	361
Non – federal funded project soft costs	99,754
CDBG-DR/MIT state soft costs	1,638
Capital ROW payments	3,847
Total non-federal highway construction soft costs	105,600
Total non-federal highway construction costs	220,915

Emergency repair costs

In \$ thousands	Fiscal Plan Projections
FHWA funded emergency repair costs	24,719
Local emergency repair costs	4,400
Total emergency repair costs	29,119

Transit construction program

In \$ thousands	Fiscal Plan Projections
Transit construction costs	46,083
Total transit construction costs	46,083

Other capital costs

In \$ thousands	Fiscal Plan Projections
Main salaries - construction	17,027
Healthcare costs - construction	5,670
Christmas bonus - construction	317
Other labor costs - construction	2,893
Critical workers program	1,022
Student internship program	45
Total construction salaries & related benefits	26,975
Toll optimization costs	30,979
Total toll optimization costs	30,979
Other construction program costs	2,574
Total other Highway construction program costs	2,574
Total other capital costs	60,528

Reserve deposits

In \$ thousands	Fiscal Plan Projections
General Reserve Fund	16,749
Reserve deposits for revision to employee classification	9,022
Total Reserve Deposits	25,771

Debt Service Payments

In \$ thousands	Fiscal Plan Projections
Senior lien debt payment	30,000
Commonwealth loan payment	18,169
Total Reserve Deposits	48,169

EXHIBIT 1 – BUDGET (cont.)

ENFORCEMENT OF THE PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY FY23 BUDGET

Section II – All appropriations and expenditures authorized in any prior fiscal year are terminated and no disbursement of public funds may be covered by such expenditure authorizations, except: (1) expenditures to carry out capital improvements that have been accounted for and kept on the books; (2) capital expenditures and equipment expenditures with procurement cycles that extend beyond the end of the fiscal year that have been accounted for and kept on the books; (3) the portion of any other expenditures authorized in the Puerto Rico Highway and Transportation Authority (“HTA”) Certified Budget for the fiscal year 2022; and (4) the portion of the appropriations authorized for fiscal year 2022 that have been encumbered on or before June 30 of such fiscal year. This restriction on expenditures authorized in any prior fiscal year shall not apply to: (i) programs financed in whole or part with federal funds; (ii) orders by the United States district court with jurisdiction over all matters under Title III of PROMESA; and (iii) matters pertaining to any consent decree or injunction, or an administrative order or settlement entered into with a Federal Agency, with respect to Federal programs.

Section III – The funds allocated to the “Reserve deposits for unforeseen non-Title III litigation costs” budget lines in Section 1 are to be kept in an interest-bearing account (separate from other accounts currently in use by HTA to conduct day-to-day operations). The Executive Director shall make monthly deposits (equal to 1/12th of the total amount) to fund the account as established in Section 1 up to the amounts provided therein. Any expenditure or use of the funds from the reserve account must be made in response to circumstances beyond HTA’s control which cause HTA to miss revenue targets and/or exceed expenditure targets. Such expenditures will require prior express and written authorization from the Oversight Board.

Section IV – The funds deposited to the “Reserve deposits for emergencies and unforeseen events” account are to be kept in an interest-bearing account (separate from other accounts currently in use by HTA to conduct day-to-day operations). Any expenditure or use of the funds from the reserve account must be made in response to circumstances beyond HTA’s control which cause HTA to miss revenue targets and/or exceed expenditure targets. Such expenditures will require prior express and written authorization from the Oversight Board.

Section V – The funds allocated for “Reserve deposits for revision to employee classifications,” including any new funds allocated for fiscal year 2024, are to be kept in an interest-bearing account, separate from all other accounts currently in use by HTA, for the sole purpose of funding HTA’s Employee Reclassification Program. Any expenditure or use of the funds within such separate account will require prior express and written authorization from the Oversight Board.

Section VI - The funds allocated for the "General Reserve fund" will only be available to HTA upon compliance with the covenants and reserve requirements of the HTA Plan of

Adjustment and New HTA Bonds Indenture. The funds in this account must be used solely in accordance with the provisions outlined in the New HTA Bonds Indenture, as applicable. The Executive Director of HTA shall provide written notice to the Oversight Board within ten (10) days of any amounts in the General Reserve Fund being made available to HTA (“Surplus Funds”). In addition, the Executive Director of HTA shall obtain prior written authorization from the Oversight Board prior to any expenditure or use of Surplus Funds.

Section VII – Notwithstanding any other statement, no unused budget allotments from any previous fiscal year shall be used by HTA to fund current fiscal year expenditures, except as otherwise expressly authorized in writing by the Oversight Board after June 30, 2023.

Section VIII – The appropriations approved in this budget may only be reprogrammed with the prior express written approval of the Oversight Board. For the avoidance of doubt, this prohibition includes any reprogramming of any amount, line item or expenditure provided in this budget, regardless of whether it is an intra-agency reprogramming. Reprogramming, also known as reapportionments, may be made into spend concepts and/or objects not explicitly listed in the FY2023 certified budget resolution as long as such requests are submitted to and approved in writing by the Oversight Board.

Section IX – Pursuant to Section 203 of PROMESA, HTA must submit to the Oversight Board, no later than 15 days after the last day of each month of FY2023, a budget to actual report, along with an explanation of relevant variances as provided in the certified Fiscal Plan. The Oversight Board may determine to provide HTA a template to be used for such reporting, in which case any quarterly budget to actual reports submitted by HTA must be submitted consistent with such reporting template.

Section X – The Executive Director of HTA shall be responsible for not spending or encumbering during FY2023 any amount that exceeds the authorized budget amounts. This prohibition applies to every budget amount authorized herein, including amounts for payroll and related costs. The Executive Director of HTA shall also certify to the Oversight Board by August 31, 2023, that no amount was spent or encumbered that exceeded the authorized budget amount in the certified budget for fiscal year 2023.

Section XI – The Oversight Board reserves the right to, in its sole discretion, issue a notice to the Governor, pursuant to PROMESA Section 202(a), setting forth a schedule for revising HTA’s budget.

Section XII – In conjunction with the reports required in these sections, a certification to the Oversight Board must be included stating (1) that no authorized budget amount of any previous fiscal year (except for those covered by the exceptions mentioned herein) has been used to cover any expenditure unless authorized by the express written approval of the Oversight Board.

Section XIII – The HTA Budget for FY2023 shall take effect on July 1, 2023.