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Robert F. Mujica Jr.  
**Executive Director**

**BY ELECTRONIC MAIL**

June 30, 2023

Honorable Pedro R. Pierluisi Urrutia  
Governor of Puerto Rico

**Re: PRASA FY2024 Certified Budget**

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** (“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 Aqueduct and Sewer Authority (“PRASA”), attached as **Exhibit 1** to the Resolution (the “Fiscal Year 2024 PRASA Budget”), is a compliant budget for the reasons set forth in the Resolution.

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

Sincerely,

Robert F. Mujica Jr.  
Executive Director

CC: Hon. Omar Marrero Díaz  
PRASA Governing Board  
Ms. Doriel Pagán Crespo  
Mr. Omar Rivera Rolón

**EXHIBIT A**

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

**June 29, 2023**

**RESOLUTION CERTIFYING FISCAL YEAR 2024 BUDGET FOR THE PUERTO  
RICO AQUEDUCT AND SEWER 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 a budget for covered instrumentalities of the Commonwealth of Puerto Rico, such as the Puerto Rico Aqueduct and Sewer Authority (“PRASA”), 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, on March 6, 2023, the Oversight Board, pursuant to Section 202(a) of PROMESA, submitted to the Governor and Legislature a notice providing a schedule for developing, submitting, approving, and certifying the fiscal year 2024 budget for PRASA; and

WHEREAS, on May 26, 2023, the Oversight Board, pursuant to Section 202(b) of PROMESA, submitted to the Governor and Legislature a forecast of revenues to be used in preparing the fiscal year 2024 budget for PRASA; and

WHEREAS, on June 1, 2023, PRASA submitted to the Oversight Board its proposed fiscal year 2024 budget; and

WHEREAS, the Oversight Board treated the proposed fiscal year 2024 PRASA budget that was submitted by PRASA, as the Governor’s submission of a proposed budget pursuant to PROMESA section 202(c); and

WHEREAS, on June 16, 2023, pursuant to Section 202(c)(1)(B) of PROMESA, the Oversight Board provided to the Governor a NoV whereby the Oversight Board determined that

the proposed fiscal year 2024 PRASA budget required revisions before the Oversight Board could certify it as compliant with the requirements of PROMESA; and

WHEREAS, on June 16, 2023, pursuant to Section 202(c)(2) of PROMESA, the Oversight Board requested the Governor submit a revised proposed fiscal year 2024 budget for PRASA addressing and incorporating each of the items detailed in the NoV; and

WHEREAS, by letter dated June 23, 2023, PRASA informed that it would not submit a revised proposed fiscal year 2024 PRASA budget as required by the NoV; and

WHEREAS, the Oversight Board developed a fiscal year 2024 budget for PRASA and, on June 29, 2023, after substantial deliberations, the Oversight Board determined that its fiscal year 2024 budget for PRASA 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 PRASA 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 PRASA 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.

**EXHIBIT 1: PUERTO RICO AQUEDUCT & SEWER AUTHORITY  
FISCAL YEAR 2024 CERTIFIED BUDGET**

**EXHIBIT 1**

**Section 1 – The Budget.** <sup>[1]</sup>

**REVENUES**

| <b>\$ Thousands</b>   | <b>FY24 Budget</b> |
|---|--------------------|
| Total Service Revenues <sup>[2]</sup>                                   | \$1,122,758        |
| Miscellaneous Revenues (incl. insurance proceeds and interest revenues) | \$4,500            |
| <b>Total Authority Revenues</b>   | <b>\$1,127,258</b> |
| <b>Total Senior and Senior Sub Debt</b>                                 | <b>(\$254,336)</b> |
| Payroll and Related, Net <sup>[2]</sup>                                 | (\$335,386)        |
| Electricity <sup>[2]</sup>  | (\$198,088)        |
| Maintenance & Repair <sup>[2]</sup>                                     | (\$63,844)         |
| Chemicals <sup>[2]</sup>  | (\$71,708)         |
| Other Expenses <sup>[2]</sup>   | (\$204,593)        |
| Capitalized Expenses  | \$23,129           |
| <b>Total Net Operating Expenses</b>                                     | <b>(\$850,491)</b> |
| <b>FEMA and Other Funds for Operating Expenses</b>                      | <b>\$17,000</b>    |
| Capital Improvement Fund, Net   | (\$32,567)         |
| Operating Reserve Fund  | (\$5,794)          |
| <b>Other Deposits and Funds</b>   | <b>(\$38,361)</b>  |
| <b>Commonwealth Payments Fund</b>                                       | <b>\$0</b>         |
| <b>Balance</b>  | <b>\$1,070</b>     |

**Notes:**

[1] Includes net impact of revenue and cost saving measures that have been applied to the respective line items in the budget.

[2] Further detail and measures breakdown shown in the following pages.

## TOTAL REVENUES <sup>[1]</sup>

| <b>\$ Thousands</b>             | <b>FY24 Budget</b> |
|---------------------------------|--------------------|
| Service Revenues - Regular      | \$919,641          |
| Service Revenues - Government   | \$203,117          |
| <b>Total Service Revenues</b>   | <b>\$1,122,758</b> |
| Miscellaneous Revenues          | \$4,500            |
| <b>Total Authority Revenues</b> | <b>\$1,127,258</b> |

### Notes:

[1] Includes net impact of revenue measures that have been applied to the respective line items in the budget.

## PAYROLL <sup>[1]</sup>

| <b>\$ Thousands</b>                    | <b>FY24 Budget</b> |
|--|--------------------|
| Payroll & Related <sup>[2]</sup>       | \$214,436          |
| Net Additions <sup>[3]</sup>           | \$4,808            |
| Christmas Bonus                        | \$3,037            |
| Health Medical Plan <sup>[4]</sup>     | \$22,104           |
| Pension Pay Go                         | \$91,000           |
| <b>Total Gross Payroll and Related</b> | <b>\$335,386</b>   |
| Capitalized Cost                       | (\$23,129)         |
| <b>Total Net Payroll and Related</b>   | <b>\$312,257</b>   |

### Notes:

[1] Includes net impact of expense saving measures that have been applied to the respective line items in the budget.

[2] Refer to Payroll & Related breakdown.

[3] Net additions (i.e., net additions = new hires - employees leaving). This value is based on the best available information provided by PRASA at the time of reporting.

[4] Excludes health medical plan costs for Net additions and Pre-Retired employees which are accounted for in the respective line item.

**PAYROLL & RELATED <sup>[1]</sup>**

| <b>\$ Thousands</b>                               | <b>FY24 Budget</b> |
|---|--------------------|
| Payroll & Related Base                            | \$205,596          |
| Pre-Retired                                       | \$4,904            |
| Discretionary Salary Increases <sup>[2]</sup>     | \$3,540            |
| Non-Discretionary Salary Increases <sup>[3]</sup> | \$395              |
| <b>Total Payroll &amp; Related</b>                | <b>\$214,436</b>   |

**Notes:**

- [1] Includes net impact of expense saving measures that have been applied to the respective line items in the budget.
- [2] Restricted Reserve Account contingent upon the commencement of the metering pilot program and alignment with the objectives and principles of the Civil Service Reform.
- [3] Funds solely to be used for salary adjustments to comply with the minimum wage regulations.

**MAINTENANCE & REPAIRS <sup>[1]</sup>**

| <b>\$ Thousands</b>                   | <b>FY24 Budget</b> |
|---------------------------------------|--------------------|
| Corrective Maintenance and Repair     | \$59,562           |
| Preventive Maintenance                | \$4,282            |
| <b>Total Maintenance &amp; Repair</b> | <b>\$63,844</b>    |

**Notes:**

- [1] Includes net impact of cost saving measures that have been applied to the respective line items in the budget.

**OTHER EXPENSES** <sup>[1]</sup>

| <b>\$ Thousands</b>                        | <b>FY24 Budget</b> |
|--|--------------------|
| Operations <sup>[2]</sup>                  | 38,000             |
| Professional Services <sup>[3]</sup>       | 31,590             |
| Technical Assistance <sup>[3]</sup>        | 18,967             |
| Materials & Supplies                       | 15,108             |
| Billings & Collections                     | 16,790             |
| IT Services / Licenses                     | 13,171             |
| Water Purchase                             | 9,642              |
| Fuels and Oils                             | 9,383              |
| Waste Treatment & Disposal                 | 7,292              |
| Asphalt materials and services             | 4,672              |
| Rentals                                    | 21,151             |
| Third Party Vendors                        | 7,396              |
| Other Expenses (Office Supplies & Others)  | 3,620              |
| Telephone and Network                      | 4,816              |
| Contingencies & Fines                      | 1,003              |
| Water Transport                            | 1,992              |
| <b>Total Other Expenses</b> <sup>[3]</sup> | <b>\$204,593</b>   |

**Notes:**

- [1] Includes net impact of cost saving measure that have been applied to the respective line items in the budget.
- [2] Includes SuperAqueduct Operations, Insurance and Security expenses.
- [3] Further details in schedule below.



**PROFESSIONAL SERVICES <sup>[1]</sup>**

| <b>\$ Thousands</b>                | <b>FY24 Budget</b> |
|------------------------------------|--------------------|
| Financial Audit and Consulting     | \$350              |
| Legal Consulting Fee               | \$2,188            |
| Marketing and Advertising          | \$591              |
| Other Professional Services        | \$28,461           |
| <b>Total Professional Services</b> | <b>\$31,590</b>    |

**TECHNICAL ASSISTANCE <sup>[1]</sup>**

| <b>\$ Thousands</b>                   | <b>FY24 Budget</b> |
|---------------------------------------|--------------------|
| Bacteriological and Chemical Analysis | \$2,541            |
| Technical Assistance                  | \$16,426           |
| <b>Total Technical Assistance</b>     | <b>\$18,967</b>    |

**Notes:**

[1] Includes net impact of cost saving measures that have been applied to the respective line items in the budget.

**CAPITAL IMPROVEMENT FUNDING BREAKDOWN**

| <b>\$ Thousands</b>                           | <b>FY24 Budget</b> |
|---|--------------------|
| Beginning Cash Balance Use                    | \$99,319           |
| FEMA/CDBG Appropriations <sup>[1]</sup>       | \$553,659          |
| CDBG Mitigation                               | \$13,424           |
| American Rescue Plan Act Funds                | \$31,171           |
| State Revolving Funds (Grants & Loans)        | \$219,641          |
| Rural Development Funds (Grants & Loans)      | \$6,133            |
| PRASA Operating Revenues                      | \$32,567           |
| <b>Total Capital Improvement Plan Funding</b> | <b>\$955,913</b>   |

**CAPITAL IMPROVEMENT PLAN EXPENDITURES BREAKDOWN <sup>[2]</sup>**

| <b>\$ Thousands</b>                                | <b>FY24 Budget</b> |
|--|--------------------|
| Reconstruction & Recovery                          | \$526,762          |
| Mandatory Compliance                               | \$119,523          |
| Mitigation & Resiliency                            | \$7,093            |
| Electric Generators and Meters                     | \$42,488           |
| Renewal & Replacement                              | \$67,409           |
| Non-Mandatory Compliance                           | \$62,837           |
| Quality  | \$30,733           |
| Safety & Growth                                    | \$30,789           |
| Fleet and IT                                       | \$13,762           |
| Others   | \$54,518           |
| <b>Total Capital Improvement Plan Expenditures</b> | <b>\$955,914</b>   |

**Notes:**

[1] Authority entered into a sub-award agreement with for \$200 million in CDBG funding to cover the state match of the FEMA permanent works.

[2] Per PRASA’s 2023 Certified Fiscal Plan.

**EXHIBIT 1 (cont.)**

**ENFORCEMENT OF THE CERTIFIED FISCAL YEAR 2024 BUDGET FOR THE PUERTO RICO AQUEDUCT AND SEWER AUTHORITY**

**Section 2.-** 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 and maintenance 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 Aqueduct and Sewer Authority (“PRASA”) Certified Budget for fiscal year 2024; and (4) the portion of the appropriations authorized for fiscal year 2024 that have been allocated, transferred, or designated 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; to (ii) orders by the United States district court with jurisdiction over all matters under Title III of PROMESA; (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; and (iv) as otherwise required under PRASA’s Master Agreement of Trust (“MAT”).

**Section 3.-** On or before August 31, 2023, the Executive Director of PRASA will provide to the Oversight Board a certification indicating whether there are any unused amounts of the fiscal year 2023 certified budget for items (1), (2), (3), and (4) of Section 2 and, if so, an itemization of such unused amounts.

**Section 4.-** Notwithstanding any other statement, no unused budget allotments from any previous fiscal year shall be used by PRASA to fund current fiscal year expenditures, except as otherwise expressly authorized in writing by the Oversight Board after June 30, 2023.

**Section 5.-** Any amount remaining to the credit of the Surplus Fund in accordance with Section 5.13(e) of the MAT may only be applied to expenditures set forth in this Certified Budget and subject to prior express written approval by the Oversight Board.

**Section 6.-** Prior express written approval from the Oversight Board shall be required for: (a) any reapportionment between the expense categories set forth on page 2 of this Exhibit; and (b) any reapportionment within (i) the Payroll category on page 4 of this Exhibit, (ii) the Professional Services category on page 7 of this Exhibit, and (iii) the Technical Assistance category on page 7 of this Exhibit if such Technical Assistance reapportionment exceeds the amount of \$5,000.

**Section 7.-** Reapportionments for (i) Maintenance and Repair and (ii) Chemicals, set forth on page 2 of this Exhibit, will not require approval from the Oversight Board, provided that on a monthly basis PRASA reports to the Oversight Board a detailed description of the event that required such reapportionment and the specific budget line items being modified.

**Section 8.-** Subject to the conditions set forth herein, the utilization of funds allocated for the Restricted Reserve Account titled "Discretionary Salary Increases" shall be contingent upon two factors: (1) the initiation and completion of a three-month operational period for the implemented meters during the Pilot Phase, and (2) adherence to the objectives and principles of the Civil Service Reform. Specifically, targeted salary increases shall be granted exclusively to critical positions to PRASA's operations with the prior, written authorization of the Oversight Board. Furthermore, the funds designated for the "Non-Discretionary Salary Increases" line item shall be allocated solely for the purpose of fulfilling the requirements outlined with the applicable minimum salary regulations.

**Section 9.-** Pursuant to Section 203 of PROMESA, PRASA must submit to the Oversight Board, no later than 15 days after the last day of each month of fiscal year 2024, 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 PRASA a template to be used for such reporting, in which case any quarterly budget to actual reports submitted by PRASA must be submitted consistent with such reporting template.

**Section 10.-** The Executive Director of PRASA shall be responsible for not spending or encumbering during fiscal year 2024 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 PRASA 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 11.-** 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 PRASA's budget.

**Section 12.-** The PRASA budget for FY2024 shall take effect on July 1, 2023.