



GOVERNMENT OF PUERTO RICO
PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY

**GOVERNMENT OF PUERTO RICO
DEBT MANAGEMENT POLICY**

MARCH 9, 2022

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I- GENERAL PROVISIONS	1
1.1 Title	1
1.2 Statutory Authority	1
1.3 Application.....	1
1.4 Definitions.....	1
1.5 Effectiveness	7
1.6 Amendments	7
1.7 Derivatives	8
1.8 Capital Leases	8
ARTICLE II - COMPREHENSIVE CAP ON ALL NET TAX-SUPPORTED DEBT	8
2.1 Comprehensive Cap	8
2.3 Certification of the Secretary of Treasury	8
ARTICLE III - ADDITIONAL RESTRICTIONS ON THE ISSUANCE OF TAX-SUPPORTED DEBT	9
3.1 AAFAF Approval	9
3.2 Long-Term Borrowing for Capital Improvements Only	9
3.3 Maturity Limitation on Tax-Supported Debt.....	9
3.4 Mandatory Principal Amortization	9
3.5 Refinancings Permitted only for Cash Flow Savings in Every Fiscal Year	10
ARTICLE IV- RESTRICTIONS ON THE ISSUANCE OF DEBT BY PUBLIC CORPORATIONS	10
4.1 Application.....	10
4.2 AAFAF Approval	10
4.3 Borrowing for Capital Improvements Only.....	10
4.4 Refinancings Permitted only for Cash Flow Savings in Every Fiscal Year	10
ARTICLE V- LIMITATIONS ON SHORT-TERM BORROWING AND ADVANCE FUNDING.....	11
5.1 Limitations on the Issuance of Tax and Revenue Anticipation Notes.....	11
5.2 Limitations on the Issuance of Bond or Grant Anticipation Notes.....	11
ARTICLE VI- DEBT AFFORDABILITY REPORT	11

GOVERNMENT OF PUERTO RICO DEBT MANAGEMENT POLICY

ARTICLE I- GENERAL PROVISIONS

1.1 Title

This document shall be known and may be cited as the “Government of Puerto Rico Debt Management Policy” (the “**Policy**”).

1.2 Statutory Authority

This Policy is adopted pursuant to Article 3 of Act No. 101-2020, as amended, known as the “Puerto Rico Debt Responsibility Act” (the “**Debt Responsibility Act**”), which requires that the Puerto Rico Fiscal Agency and Financial Advisory Authority (“**AAFAF**”, by its Spanish acronym) adopt and maintain a debt management policy that is consistent with the Plan of Adjustment (as defined herein).

1.3 Application

Except as otherwise provided herein, this Policy shall apply to the Commonwealth and to any other Government Entity (each of such terms as defined herein).

1.4 Definitions

As used in this Policy, the following terms have the meanings set forth below:

- a. **AAFAF:** has the meaning provided in Article 1.2 hereof.
- b. **Appropriation Funded Debt:** means a Debt that carries a promise, though not a legal obligation, of the Commonwealth to appropriate funds to cover debt service.
- c. **Capital Improvements:** means (i) any project or projects funded, or proposed to be funded, in whole or in part, by or through public monies, to construct, reconstruct, restore, rehabilitate or purchase any equipment, property or facilities, including, without limitation, buildings, park facilities, infrastructure, information technology systems or other equipment, with a useful life of 5 years or more that is funded on a necessarily non-recurring basis that is to be used as a public asset or for the public benefit and when it is appropriate to spread such costs over multiple Fiscal Years and (ii) any projects or programs or loans to finance projects or programs pursuant to Act No. 121 of June 27, 1977, as amended, known as the “Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority Act” and Act No. 103-2001, as amended, known as the “Puerto Rico Housing Finance Authority Act.”
- d. **CCDA:** means the Puerto Rico Convention Center District Authority, a public corporation and instrumentality of the Commonwealth created by Act No. 351-2000, as amended.

e. **COFINA:** means the Puerto Rico Sales Tax Financing Corporation, a public corporation and instrumentality of the Commonwealth created by Act No. 91-2006, as amended.

f. **Commonwealth:** means the Commonwealth of Puerto Rico.

g. **Commonwealth Constitution:** means the Constitution of the Commonwealth of Puerto Rico.

h. **Commonwealth Instrumentality Plan:** means a plan of adjustment or Qualifying Modification for a Government Entity, including any plan of adjustment or Qualifying Modification for HTA, CCDA or PRIFA.

i. **Comprehensive Cap:** means, collectively, the Primary Debt Limit and the Secured Debt Sub-Limit.

j. **Cumulative Cash Flow Deficit:** means the excess of the expenses to be paid during a Fiscal Year that would ordinarily be paid out of or financed by anticipated tax or other revenues over the aggregate amount available (other than from the proceeds of the notes issued to fund the cumulative cash flow deficit) during such period for the payment of such expenses, as further provided in Section 148 of the U.S. Internal Revenue Code of 1986, as amended, and the U.S. Treasury regulations and rulings thereunder

k. **CVIs:** means the contingent value instruments to be issued pursuant to the Plan.

l. **Debt:** means, collectively, bonds, notes, loans, contingent value instruments, and any other evidence of indebtedness for borrowed money, including lease revenue bonds or notes, bond and grant anticipation notes, certificates of participation, land-secured financings (such as special tax revenue bonds and limited obligation assessment bonds), conduit financings (such as financings for affordable rental housing and qualified 501(c)(3) organizations), lines of credit, interfund borrowing, special financing programs or structures offered by the federal or state government (such as Qualified Energy Conservation Bonds) or other tax credit obligations or obligations that provide subsidized interest payments, but excluding capital leases and lease-purchase transactions unless otherwise determined by AAFAF in accordance with Article 1.8 hereof.

m. **Debt Responsibility Act:** has the meaning provided in Article 1.2 hereof.

n. **Debt Policy Period:** has the meaning provided in Article 1.5 hereof.

o. **Debt Policy Revenues:** means, collectively, without duplication:

i. revenues derived from taxes, fees, permits, licenses, fines or other charges imposed, approved or authorized by the Legislative Assembly of the Commonwealth, including, without limitation, any such revenue owned by, or assigned to, any Government Entity (including COFINA);

ii. all other revenues or monies deposited in the General Fund or any debt service or other governmental fund of the Government; and

iii. the revenues generated or imposed and owned by any of the entities identified in **Exhibit A** hereto;

provided, however, that “Debt Policy Revenues” shall exclude any of the foregoing which:

1. is generated or imposed and owned by any of the entities identified in **Exhibit B** hereto;
2. is imposed by law or municipal ordinance and owned by any municipality of the Commonwealth (including without limitation, municipal property taxes, municipal sales and use taxes, volume of business taxes (*patente*) and construction excise taxes);
3. consists of proceeds from the issuance of Debt, including from a refinancing transaction;
4. is transferred or received from the federal government (other than federal excise tax revenues from rum and other distilled spirits produced in the Commonwealth and covered over to the General Fund); or
5. consists of proceeds from claims on property or casualty insurance policies.

For illustrative purposes, included as **Exhibit C** hereto is the calculation of Debt Policy Revenues for Fiscal Year 2021.

p. **Effective Date:** means the date on which the Plan of Adjustment becomes effective in accordance with its terms.

q. **Fiscal Year:** means a fiscal year of the Commonwealth, commencing on July 1st and concluding on June 30th of the following calendar year.

r. **General Fund:** means the Government’s primary operating fund.

s. **GO Bonds:** means the general obligation bonds of the Commonwealth that were Outstanding prior to the Effective Date and are set to be extinguished on the Effective Date.

t. **Government:** means the Government of the Commonwealth.

u. **Government Entities:** means all agencies, departments, offices, public corporations, boards, and any other instrumentalities of the Commonwealth, including any entities not in existence as of the Effective Date.

v. **HTA:** means the Puerto Rico Highways and Transportation Authority, a public corporation and instrumentality of the Commonwealth created by Act No. 74 of June 23, 1965, as amended.

w. **Maximum Annual Debt Service:** means the maximum scheduled annual debt service (including principal and interest payments due and payable on Debt bearing current interest and, in the case of capital appreciation bonds or similar instruments, the maturity value due and payable on such instruments in the year in which it is due and payable) for any Fiscal Year on all Net Tax-Supported Debt; provided, however, that:

- i. in the case of variable rate Debt, the calculation shall assume that such Debt bears interest at the maximum annual rate permitted by law;
- ii. in the case of bond anticipation notes, the calculation shall assume that the debt service payable thereunder is equivalent to the debt service expected to be payable on the bonds in anticipation of which such bond anticipation notes are being issued, as determined by AAFAF, provided that the interest rate assumed for such Debt shall be equal to the greater of (x) the interest rate of the most recent General Obligation Debt issued plus 200 basis points and (y) the applicable municipal bond BBB Index plus 300 basis points;
- iii. in the case of grant anticipation notes, the debt service payable thereunder will not be included in the calculation of Maximum Annual Debt Service if (x) such grant anticipation notes are secured and payable solely from proceeds of money that are not Debt Policy Revenues or (y) based on a grant agreement or legislation, AAFAF determines that there is a reasonable expectation that the grant will be received, provided that if the grant is cancelled, the funds are deobligated or AAFAF otherwise determines that there is no longer a reasonable expectation that the grant will be received, the calculation of Maximum Annual Debt Service shall assume that the grant anticipation notes are amortized through a thirty (30) year term with an interest rate equal to the greater of (x) the interest rate of the most recent General Obligation Debt issued plus 200 basis points and (y) the applicable municipal bond BBB Index plus 300 basis points;
- iv. the debt service payments on New GO CABs issued pursuant to the Plan of Adjustment to holders or insurers of GO Bonds and PBA Bonds, and payments on CVIs issued pursuant to the Plan of Adjustment or other contingent value instruments issued pursuant to or in connection with a Commonwealth Instrumentality Plan, including a Commonwealth Instrumentality Plan for HTA, CCDA, or PRIFA, in satisfaction of claims asserted by (x) holders or insurers of bonds issued by such Government Entity or (y) other creditors of such Government Entity, will not be included in the calculation of Maximum Annual Debt Service.

For the avoidance of doubt, any capital appreciation general obligation bonds or similar tax supported debt obligations issued to anyone other than the holders or insurers of GO Bonds and PBA Bonds pursuant to the Plan, and any contingent value instruments or similar tax supported debt obligations issued other than pursuant to or in connection with the Plan of Adjustment or any Commonwealth Instrumentality Plan, shall be included in the calculation of Maximum Annual Debt Service, irrespective of whether issued prior to or after the Effective Date. For illustrative

purposes, attached as **Exhibit D** hereto is the calculation of the Maximum Annual Debt Service as of the date of the approval of this Policy.

a. **Natural Disaster:** A disaster, such as a hurricane, earthquake, pandemic, terrorism or other natural disaster or similar emergency, that results in a federally declared disaster declaration.

b. **Net Tax-Supported Debt:** means any Tax-Supported Debt, excluding:

i. Debt guaranteed by the good faith, credit and taxing power of the Commonwealth that is not payable from or secured by Debt Policy Revenues requiring its continued payment from non-Debt Policy Revenues, to the extent that (i) there is a reasonable expectation at the time of the issuance of such Debt, as determined by AAFAF, that the non-Debt Policy Revenues will be sufficient to pay debt service on such Debt through its maturity, such that the guarantee is only provided as a credit enhancement to reduce the cost of capital and (ii) the Commonwealth's guarantee has not been drawn upon in the five (5) most recently completed Fiscal Years; and

ii. Debt being refinanced through the proceeds of the proposed Debt issuance for which compliance with the Comprehensive Cap is being certified by the Secretary of Treasury in accordance with Article 2.3 hereof, provided that a verification agent has certified that sufficient monies will be available to satisfy in full the refinanced Debt.

x. **New GO CABS:** means the New GO Bonds issued as capital appreciation bonds under the Plan.

y. **New GO Bonds:** means the new general obligation bonds of the Commonwealth issued on the Effective Date pursuant to the Plan.

z. **Outstanding:** means Debt that (i) has not been paid in full in accordance with its terms or (ii) has not been legally defeased in accordance with the defeasance requirements set forth in the applicable definitive issuance documents.

aa. **PBA:** means the Puerto Rico Public Buildings Authority, a public corporation and instrumentality of the Commonwealth created by Act No. 56 of July 19, 1958, as amended.

bb. **PBA Bonds:** means the bonds issued by PBA that were Outstanding prior to the Effective Date.

cc. **Plan of Adjustment:** means the Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al., including the exhibits and schedules thereto (including, for the avoidance of doubt, the Plan Supplement), certified under Title III of PROMESA, as the same is amended, supplemented, or modified from time to time.

dd. **Policy:** has the meaning provided in Article 1.1 hereof.

ee. **PRASA:** means the Puerto Rico Aqueduct and Sewer Authority, a public corporation and instrumentality of the Commonwealth created by Act No. 40 of May 1, 1945, as amended.

ff. **PREPA:** means the Puerto Rico Electric Power Authority, a public corporation and instrumentality of the Commonwealth created by Act No. 83 of May 2, 1941, as amended.

gg. **PRIFA:** means the Puerto Rico Infrastructure Financing Authority, a public corporation and instrumentality of the Commonwealth created by Act No. 44 of June 21, 1988, as amended.

hh. **Primary Debt Limit:** means seven and ninety-four hundredths percent (7.94%).

ii. **PROMESA:** means the Puerto Rico Oversight, Management and Economic Stability Act, Pub. L. No. 114–187, 130 Stat. 549 (2016), 48 U.S.C. 2101 et. seq.

jj. **Qualifying Modification:** means a qualifying modification under Title VI of PROMESA.

kk. **Secured Debt Sub-Limit:** means twenty-five one hundredths percent (0.25%) of Debt Policy Revenues.

ll. **Secured Net Tax-Supported Debt:** means Net Tax-Supported Debt that is securitized or secured by a lien on or pledge of revenues constituting Debt Policy Revenues.

mm. **Secretary of Treasury:** means the Secretary of Treasury of the Commonwealth.

nn. **Tax-Supported Debt:** means, collectively, without duplication:

- i. direct Debt of the Commonwealth for the payment of which the good faith, credit and taxing power of the Commonwealth has been pledged (including the New GO Bonds);
- ii. Debt issued by any Government Entity and guaranteed by the good faith, credit and taxing power of the Commonwealth;
- iii. Appropriation Funded Debt; and
- iv. Debt issued by any Government Entity (including COFINA), whether or not guaranteed by the Commonwealth, that is secured by or payable from:
 1. Debt Policy Revenues; or
 2. lease or other agreements with the Commonwealth or any agency thereof, whether or not subject to annual or periodic legislative appropriations;

provided, however, that the following shall not be considered “Tax-Supported Debt”:

- a. tax anticipation notes, revenue anticipation notes, and tax and revenue anticipation notes, provided that they are issued in compliance with Article 5.1 hereof;
- b. grant anticipation notes that are secured or payable in whole or in part by Debt Policy Revenues, provided that they are issued in compliance with Article 5.2 hereof and that, based on a grant agreement or legislation, AAFAF determines that there is a reasonable expectation that the grant will be received;
- c. Debt issued in connection with a Natural Disaster to respond directly to damage or destruction and associated risks to the health, safety and welfare of the people of Puerto Rico, provided such funding is used exclusively to respond to the health, safety and welfare needs associated with the Natural Disaster;
- d. revenue bonds of Government Entities payable solely from user charges or securitizations and transition charges imposed upon customers or former customers of a utility or transportation system, including, without limitation, the self-supporting Debt of PRASA, PREPA, HTA or any related securitization entity and any other Debt that is not payable from Debt Policy Revenues, in each case, and only to the extent such Debt is not guaranteed by the good faith, credit and taxing power of the Commonwealth;
- e. contingent value instruments issued pursuant to or in connection with a Commonwealth Instrumentality Plan in satisfaction of claims asserted by (i) holders or insurers of bonds issued by such Government Entity or (ii) other creditors of such Government Entity;
- f. Debt of a Government Entity owed to another Government Entity that is outstanding as of the Effective Date (including, for the avoidance of doubt, any Debts owed to the GDB Debt Recovery Authority, the GDB Public Entity Trust, and Government Development Bank for Puerto Rico); and
- g. Debt incurred by a Government Entity under the Clean Water State Revolving Fund or the Drinking Water State Revolving Fund programs.

1.5 Effectiveness

This Policy shall become effective on the first calendar day immediately following the Effective Date and shall end on the date on which there are no New GO Bonds or CVIs Outstanding (the “**Debt Policy Period**”).

1.6 Amendments

This Policy may be amended, modified or supplemented by AAFAF from time to time provided that such amendments, modifications or supplements are consistent with the Plan of Adjustment and the Debt Responsibility Act.

1.7 Derivatives

The use of derivatives and structured products by Government Entities shall be governed by a separate derivatives policy to be adopted by AAFAF within six (6) months from the date hereof.

1.8 Capital Leases

Within sixty (60) days from the approval of this Policy, each Government Entity shall provide AAFAF a report identifying all capital leases and lease-purchase transactions of such Government Entity, including the term, annual payments, residual payments, and any other information requested by AAFAF. Such information will be used by AAFAF to, within nine (9) months from the date of this Policy, develop a separate policy and/or amend this Policy to regulate and establish limitations for capital leases and lease-purchase transactions.

ARTICLE II - COMPREHENSIVE CAP ON ALL NET TAX-SUPPORTED DEBT

2.1 Comprehensive Cap

A. Primary Debt Limit

During the Debt Policy Period, neither the Commonwealth nor any other Government Entity shall incur additional Net Tax-Supported Debt if the proposed issuance of such Debt would cause the ratio of (i) the Maximum Annual Debt Service due in any future Fiscal Year on all Net Tax-Supported Debt (including any Net Tax-Supported Debt Outstanding and the additional Net-Tax Supported Debt to be issued) to (ii) the average of the annual Debt Policy Revenues during the immediately preceding two (2) Fiscal Years, in the case of each of (i) and (ii), as certified by the Secretary of the Treasury, to exceed the Primary Debt Limit.

B. Secured Debt Sub-Limit

During the Debt Policy Period, neither the Commonwealth nor any other Government Entity shall incur additional Secured Net Tax-Supported Debt (except for any Debt issued by COFINA to refinance the COFINA bonds outstanding as of the Effective Date) if the proposed issuance of such Debt would cause the ratio of (i) the Maximum Annual Debt Service due in any future Fiscal Year on all Secured Net Tax-Supported Debt (including (x) any Secured Net Tax-Supported Debt Outstanding (other than the COFINA bonds Outstanding as of the Effective Date) and (y) the additional Secured Net-Tax Supported Debt to be issued) to (ii) the average of the annual Debt Policy Revenues during immediately preceding two (2) Fiscal Years, in the case of each of (i) and (ii), as certified by the Secretary of the Treasury, to exceed the Secured Debt Sub-Limit. For the avoidance of doubt, any proposed issuance of Secured Net Tax-Supported Debt must also comply with the Primary Debt Limit.

2.2 Certification of the Secretary of Treasury

The Secretary of Treasury's certification of compliance with the Comprehensive Cap shall be conclusive and binding absent manifest error, and the validity of such Net Tax-Support Debt

shall not be subject to legal challenge; provided, however, that, in issuing such certification, with respect to the calculation of the revenues of public corporations included as Debt Policy Revenues, the Secretary of the Treasury may rely on certifications from officers of such public corporations. For the avoidance of doubt, the Comprehensive Cap shall apply in addition to the limitation imposed on the incurrence of public Debt established pursuant to Article VI, Section 2 of the Commonwealth Constitution.

ARTICLE III - ADDITIONAL RESTRICTIONS ON THE ISSUANCE OF TAX-SUPPORTED DEBT

3.1 AAFAF Approval

Any issuance of Tax Supported Debt must be approved by resolution of the Board of Directors of AAFAF, in its role as fiscal agent, prior to its issuance.

3.2 Long-Term Borrowing for Capital Improvements Only

Tax-Supported Debt may only be incurred during the Debt Policy Period to finance Capital Improvements, as determined by the issuer of such Debt and approved by AAFAF, or to refinance Tax-Supported Debt in accordance with the terms and provision of Article 3.5 hereof. Proceeds derived from any such issuance may be used to cover any and all direct and indirect expenses that are necessary to carry out such Capital Improvements, including, without limitation, any and all expenses incurred in connection with the issuance itself.

3.3 Maturity Limitation on Tax-Supported Debt

No Tax-Supported Debt issued during the Debt Policy Period may have a legal final maturity later than thirty (30) years from the date of its original issuance, and no such Debt (except for bond or grant anticipation notes) may be refinanced by any Debt extending such legal final maturity date beyond such original thirty (30)-year maturity date limitation or, if the legal original issuance maturity date is less than 30 years, beyond such original issuance maturity date; provided, however, that, the foregoing shall not apply to (a) Tax Supported Debt issued to finance public housing facilities, subject to the limitation established in the Commonwealth Constitution, or (b) Tax-Supported Debt issued to refinance Debt that was Outstanding prior to the Effective Date and had a legal maturity of more than thirty (30) years, subject to terms and provision of Article 3.5 hereof. In the case of the Debts described in (a) and (b) above, no such Debt may be refinanced by any Debt extending the legal final maturity date beyond the original issuance maturity date.

3.4 Mandatory Principal Amortization

No series of Tax-Supported Debt issued during the Debt Policy Period may be issued unless (a) its principal commences to amortize within two (2) years of its original issuance date, or such other period not to exceed five (5) years from original issuance as may be permitted under the U.S. Internal Revenue Code for tax exempt financing of new construction or reconstruction of Capital Improvements, and (b) continues amortizing in each and every year until such Debt is no longer outstanding. Required principal amortization shall be set according to the type, purpose and size of the Debt being issued.

3.5 Refinancings Permitted only for Cash Flow Savings in Every Fiscal Year

Refinancings of Tax-Supported Debt are permitted only if (a) there is no increase in the aggregate amount of principal and interest payable in any fiscal year and (b) such refinancing produces positive net present value savings of at least three percent (3%), after taking into consideration transaction expenses, which shall not exceed three percent (3%) of the principal amount of the refinanced Debt unless otherwise specifically authorized by AAFAF; provided, however, that, (i) refinancings without cash flow savings in every fiscal year are permitted if the refinancing is completed in direct response to a Natural Disaster, the debt service due in any future fiscal year does not increase by more than ten percent (10%) and the financing is required by its terms to be repaid in full within ten (10) years and does not exceed the Primary Debt Limit and (ii) refinancings with net present value savings of less than three percent (3%) shall be permitted if the refinancing allows for amendments to the underlying bond resolution, indenture or trust agreement or for other reasons, that AAFAF determines, in its discretion, are beneficial to the Government or the issuer of such Debt. For the avoidance of doubt, the provisions of this Article 3.5 shall not apply to Debt issued to refinance or repay bond or grant anticipation notes.

ARTICLE IV– RESTRICTIONS ON THE ISSUANCE OF DEBT BY PUBLIC CORPORATIONS

4.1 Application

Except as otherwise expressly provided herein, the provisions of this Article IV shall be applicable to the issuance of Debt by all Government Entities (other than any such Debt that is Tax-Supported Debt, which is subject to Article III hereof). Notwithstanding the foregoing, the provisions of Articles 4.3 and 4.4 hereof shall not be applicable to PREPA, PRASA or HTA.

4.2 AAFAF Approval

Any issuance of Debt by a Government Entity shall be approved by resolution of the Board of Directors of AAFAF, in its role as fiscal agent, prior to its issuance, regardless of whether such Debt is Tax-Supported Debt.

4.3 Borrowing for Capital Improvements Only

Government Entities may only issue Debt to (a) finance Capital Improvements aimed at improving the services provided by such Government Entity (if applicable), as determined by the issuer of such Debt and approved by AAFAF, (b) refinance Debt in accordance with the terms and provisions of Article 4.4 hereof, or (c) restructure Debt issued prior to the enactment of the Debt Responsibility Act.

4.4 Refinancings Permitted only for Cash Flow Savings in Every Fiscal Year

Refinancings of Debt by any Government Entity are permitted only if (a) there is no increase in the aggregate amount of principal and interest payable in any fiscal year and (b) such refinancing produces positive net present value savings of at least three percent (3%), after taking into consideration transaction expenses, which shall not exceed three percent (3%) of the principal amount of the refinanced Debt unless otherwise specifically authorized by AAFAF; provided,

however, that, (i) refinancings without cash flow savings in every fiscal year are permitted if the refinancing is completed in direct response to a Natural Disaster, the debt service due in any future fiscal year does not increase by more than ten percent (10%) and the financing is required by its terms to be repaid in full within ten (10) years and (ii) refinancings with net present value savings of less than three percent (3%) shall be permitted if the refinancing allows for amendments to the underlying bond resolution, indenture or trust agreement or for other reasons, that AAFAF determines, in its discretion, are beneficial to the Government or the issuer of such Debt. For the avoidance of doubt, the provisions of this Article 4.4 shall not apply to Debt issued to refinance or repay bond or grant anticipation notes.

ARTICLE V– LIMITATIONS ON SHORT-TERM BORROWING AND ADVANCE FUNDING

5.1 Limitations on the Issuance of Tax and Revenue Anticipation Notes

No tax or revenue anticipation note shall be issued in any given Fiscal Year which would cause the principal amount of all tax and revenue anticipation notes outstanding to be greater than 110% of the projected Cumulative Cash Flow Deficit for such Fiscal Year.

Tax anticipation notes, revenue anticipation notes, tax and revenue anticipation notes shall mature no later than the last day of the Fiscal Year in which they were issued.

5.2 Limitations on the Issuance of Bond or Grant Anticipation Notes

No bond or grant anticipation note that is secured in whole or in part by Debt Policy Revenues shall mature later than one year after their date of issuance or be renewed for a period exceeding two years from the date of original issue.

ARTICLE VI– DEBT AFFORDABILITY REPORT

AAFAF will conduct periodic reviews of the affordability of all Tax-Supported Debt Outstanding and publish an annual debt affordability report. Such report may include, among other things, details on the debt portfolio, a risk assessment, as well as a debt affordability analysis for short- and long-term periods.

**PUBLIC CORPORATIONS WHOSE REVENUES ARE
INCLUDED AS DEBT POLICY REVENUES**

1. Puerto Rico Tourism Company
2. Puerto Rico Health Insurance Administration (ASES)
3. Puerto Rico Medical Services Administration (ASEM)
4. Agricultural Enterprises Development Administration (ADEA)
5. Puerto Rico Integrated Transport Authority (PRITA)
6. Puerto Rico Public Buildings Authority (PBA)
7. Cardiovascular Center of Puerto Rico and the Caribbean
8. Puerto Rico Convention Center District Authority (CCDA)
9. State Insurance Fund Corporation (SIFC)
10. Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF)
11. Redevelopment Authority of Roosevelt Roads
12. Automobile Accidents Compensation Administration (AACCA)
13. Institute of Puerto Rican Culture
14. Public Housing Administration
15. Puerto Rico School of Plastic Arts
16. Institutional Trust of the National Guard of Puerto Rico
17. Puerto Rico Infrastructure Financing Authority (PRIFA)
18. Integral Development of the Cantera Peninsula
19. Land Authority of Puerto Rico
20. Culebra Conservation and Development Authority
21. Musical Arts Corporation
22. Fine Arts Center Corporation
23. Puerto Rico Public Broadcasting Corporation
24. Agricultural Insurance Corporation
25. Puerto Rico Conservatory of Music Corporation
26. Corporation for the “Caño Martín Peña” Enlace Project
27. Puerto Rico Public-Private Partnership Authority
28. University of Puerto Rico Comprehensive Cancer Center
29. Center for Diabetes

EXHIBIT B

**GOVERNMENT ENTITIES WHOSE REVENUES ARE NOT INCLUDED
AS DEBT POLICY REVENUES**

1. Agency Fund (Special Deposit Fund)
2. Government Development Bank for Puerto Rico (GDB)
3. Municipal Revenues Collection Center (CRIM)
4. Public Corporation for the Supervision and Deposit Insurance of Puerto Rico Cooperatives (COSSEC)
5. Puerto Rico Aqueduct and Sewer Authority (PRASA)
6. Puerto Rico Electric Power Authority (PREPA)
7. Puerto Rico Highways and Transportation Authority (PRHTA)
8. Puerto Rico Industrial Development Company (PRIDCO)
9. Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority (AFICA)
10. Puerto Rico Municipal Finance Agency (MFA)
11. Puerto Rico Municipal Finance Corporation (COFIM)
12. Puerto Rico Public Finance Corporation (PFC)
13. Puerto Rico Tourism Development Fund (TDF)
14. Puerto Rico Water Pollution Control Revolving Fund
15. Safe Drinking Water Treatment Revolving Fund
16. The Children's Trust Fund
17. University of Puerto Rico (UPR)
18. Puerto Rico Housing Finance Authority (HFA)
19. Puerto Rico Ports Authority

DEBT POLICY REVENUES

#	Description	Estimated ¹ Actuals FY 2021 (in millions)
1.	General Fund Revenues	
2.	Sales and Use Tax	2,498
3.	Individual Income Taxes	2,343
4.	Corporate Income Taxes	2,144
5.	Act 154	1,753
6.	Non-Resident Withholdings	367
7.	Alcoholic Beverages	266
8.	Cigarettes	114
9.	Motor Vehicles	612
10.	Excises on Off-Shore Shipment Rum	155
11.	Partnerships	474
12.	Other Excise Taxes	319
13.	Other General Fund Revenue ²	622
14.	Sub-total, GF Revenues (Excl. Other Tax Revenue)	11,668
15.	GF Portion of Misc. Tax Streams ³	479
16.	Conditionally Allocable Revenues ⁴	993
17.	Total General Fund Revenues	13,140
18.	Special Revenue Funds	
19.	SRF Revenues - Commonwealth Agencies and Public Corporations ⁵	1,290
20.	SRF Revenues - IFCUs ⁶	1,205
21.	Enterprise Fund Revenues ⁷	794
22.	Total, Special Revenue Funds	3,289
23.	Total, Own Source Revenue (Excl. COFINA)	16,428
24.	COFINA Settlement Amount	448
25.	Total, Debt Policy Revenues	16,876

Notes

(1) Amounts shown reflect estimated actual revenues per the Government parties as of the date of this Policy.

(2) Other General Fund includes select, smaller revenue streams contributing to General Fund revenues, such as property taxes, interest, tax on dividends, inheritance and gift taxes, other petroleum products, horse races, insurance premiums, penalties and fees, slot machine revenue, other motor vehicles licenses, alcoholic beverage licenses, and excise tax on cement, among others.

(3) Total General Fund portion of misc. tax streams includes select portions of various revenue streams tied to General Fund and specific allocations (e.g., FAM portion of SUT, CINE allocation from SUT, portion of Rum Cover Over Tax transferred to third parties such as the Conservation Trust, portions of Cigarette Excise Tax collections allocated to third parties).

(4) Total Conditionally Allocable Revenues includes select revenue streams based on legal designation. These revenue streams include: Commonwealth property taxes, Gasoline Excise Taxes, Gas Oil and Diesel Taxes, Vehicle License Fees, certain portions of the petroleum products excise tax, and portions of the rum tax cover over.

(5) Includes all Special State Funds (FEE), Ingresos Propios (IP), and Otros Ingresos (OI) related to all Commonwealth agencies and public corporations (e.g., Gaming Commission, Department of Health, Automobile Accidents Compensation Administration (AACA), Department of Transportation and Public Works, Department of Education, Department of Justice, General Services Administration), among approximately 80 other Government Entities and programs.

(6) Includes: Puerto Rico Tourism Company; Puerto Rico Health Insurance Administration (ASES); Agricultural Enterprises Development Administration (ADEA); Puerto Rico Integrated Transit Authority (PRITA); Medical Services Administration of Puerto Rico (ASEM); Public Building Authority (PBA); Cardiovascular Center Corporation of Puerto Rico and the Caribbean; Convention Center of District Authority; State Insurance Fund Corporation (SIFC); Fiscal Agency and Financial Advisory Authority (AAFAP). This line item excludes Puerto Rico Housing Finance Authority (HFA) and Puerto Rico Ports Authority.

(7) Enterprise Revenues include all revenues associated with the 9-1-1 Fund, the Lottery Fund, and the Unemployment Fund.

EXHIBIT D

MAXIMUM ANNUAL DEBT SERVICE

(in millions)

Description	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Commonwealth Debt Service - Principal	(377)	(376)	(376)	(374)	(371)	(368)	(363)	(357)	(350)	(342)
Commonwealth Debt Service - Interest	(308)	(289)	(270)	(251)	(233)	(214)	(196)	(178)	(160)	(142)
Commonwealth Debt Service - Total	(684)	(665)	(646)	(625)	(604)	(582)	(559)	(535)	(510)	(484)
COFINA Debt Service Payment	(466)	(485)	(504)	(525)	(546)	(568)	(591)	(615)	(640)	(666)
Total Debt Service¹	(1,150)	(1,150)	(1,150)	(1,150)	(1,150)	(1,150)	(1,150)	(1,150)	(1,150)	(1,150)

Description	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2037	FY 2038	FY 2039	FY 2040	FY 2041
Commonwealth Debt Service - Principal	(332)	(318)	(301)	(283)	(262)	(239)	(214)	(186)	(156)	(126)
Commonwealth Debt Service - Interest	(125)	(112)	(99)	(87)	(76)	(65)	(56)	(47)	(40)	(33)
Commonwealth Debt Service - Total	(457)	(429)	(400)	(370)	(338)	(304)	(270)	(233)	(195)	(159)
COFINA Debt Service Payment	(693)	(721)	(750)	(780)	(812)	(846)	(880)	(917)	(955)	(991)
Total Debt Service¹	(1,150)	(1,150)	(1,150)	(1,150)	(1,150)	(1,150)	(1,150)	(1,150)	(1,150)	(1,150)

Description	FY 2042	FY 2043	FY 2044	FY 2045	FY 2046
Commonwealth Debt Service - Principal	(131)	(136)	(142)	(147)	(153)
Commonwealth Debt Service - Interest	(28)	(23)	(18)	(12)	(6)
Commonwealth Debt Service - Total	(159)	(159)	(159)	(159)	(159)
COFINA Debt Service Payment	(991)	(991)	(991)	(991)	(991)
Total Debt Service¹	(1,150)	(1,150)	(1,150)	(1,150)	(1,150)

Notes

(1) Excludes Capital Appreciation Bonds.