2021 Fiscal Plan for the Puerto Rico Industrial Development Company

As certified by the Financial Oversight and Management Board for Puerto Rico

May 27, 2021

DISCLAIMER

The Financial Oversight and Management Board for Puerto Rico (the "FOMB," or "Oversight Board") has formulated this fiscal plan based on, among other things, information obtained from the Commonwealth of Puerto Rico (the "Commonwealth," or the "Government").

This document does not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation or review services in accordance with standards established by the American Institute of Certified Public Accountants or any other organization. Accordingly, the Oversight Board cannot express an opinion or any other form of assurance on the financial statements or any financial or other information or the internal controls of the Government and the information contained herein.

This fiscal plan is directed to the Governor and Legislature of Puerto Rico based on underlying data obtained from the Government. No representations or warranties, express or implied, are made by the Oversight Board with respect to such information.

This fiscal plan is not a Title III plan of adjustment. It does not specify classes of claims and treatments. It neither discharges debts nor extinguishes liens.

This fiscal plan is based on what the Oversight Board believes is the best information currently available to it. To the extent the Oversight Board becomes aware of additional information after it certifies this fiscal plan that the Oversight Board determines warrants a revision of this fiscal plan, the Oversight Board will so revise it.

For the avoidance of doubt, the Oversight Board does not consider and has not considered anything in this fiscal plan as a "recommendation" pursuant to Section 205(a). Nevertheless, to the extent that anything in this fiscal plan is ever deemed by the Governor or Legislature, or determined by a court having subject matter jurisdiction, to be a "recommendation" pursuant to Section 205(a), the Oversight Board hereby adopts it in this fiscal plan pursuant to PROMESA Section 201(b).

Any statements and assumptions contained in this document, whether forward-looking or historical, are not guarantees of future performance and involve certain risks, uncertainties, estimates and other assumptions made in this document. The economic and financial condition of the Government and its instrumentalities is affected by various legal, financial, social, economic, environmental, governmental and political factors. These factors can be very complex, may vary from one fiscal year to the next, and are frequently the result of actions taken or not taken, not only by the Government and the Oversight Board, but also by other third-party entities such as the government of the United States. Examples of these factors include, but are not limited to:

- Any future actions taken or not taken by the United States government related to Medicaid or the Affordable Care Act;
- The amount and timing of receipt of any distributions from the Federal Emergency Management Agency and private insurance companies to repair damage caused by Hurricanes María and Irma;
- The amount and timing of receipt of any amounts allocated to Puerto Rico and provided under the Community Disaster Loans Program;
- The amount and timing of any additional amounts appropriated by the United States government to address the impacts of the COVID-19 pandemic;
- The amount and timing of receipt of any additional amounts appropriated by the United States government to address the funding gap described herein;
- The timeline for completion of the work being done by the Puerto Rico Electric Power Authority ("PREPA") to repair PREPA's electric system and infrastructure and the impact of any future developments or issues related to PREPA's electric system and infrastructure on Puerto Rico's economic growth;
- The impact of the COVID-19 pandemic on the financial, social, economic, and demographic condition of Puerto Rico;
- The impact of the measures described herein on outmigration; and
- The impact of the resolution of any pending litigation in the Title III cases

Because of the uncertainty and unpredictability of these factors, their impact cannot be included in the assumptions contained in this document. Future events and actual results may differ materially from any estimates, projections, or statements contained herein. Nothing in this document should be considered as an express or implied warranty of facts or future events; provided, however, that the Government is required to implement the measures in this fiscal plan and the Oversight Board reserves all its rights to compel compliance. Nothing in this document shall be considered a solicitation, recommendation or advice to any person to participate, pursue or support a course of action or transaction, to purchase or sell any security, or to make any investment decision.

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List of Acronyms and Key Terms

AAFAF	Puerto Rico Fiscal Agency and Financial Advisory Authority (Spanish acronym)
ARP	American Rescue Plan Act
COVID-19	Coronavirus Disease 2019
Commonwealth or CW	Commonwealth of Puerto Rico
DDEC	Puerto Rico Department of Economic Development Commerce (Spanish acronym)
DSA	Debt Sustainability Analysis
EDA	Economic Development Administration
FEDE	Special Fund for Economic Development
Federal Government	The U.S. Federal Government
FEMA	Federal Emergency Management Agency
FOMB	Financial Oversight and Management Board for Puerto Rico
GDB	Government Development Bank for Puerto Rico
GDB-DRA	GDB Debt Recovery Authority
Government	Government of Puerto Rico
Governor	Governor Pedro Rafael Pierluisi Urrutia
Hurricanes	Hurricane Irma and Hurricane Maria
Island	Puerto Rico
Parties	AAFAF and the Government
PayGo	New pensions program by which agencies and instrumentalities are responsible for paying their pension obligations on an annual basis via a "PayGo Charge"
PRIDCO	Puerto Rico Industrial Development Company
PRIICO	Puerto Rico Industrial Investment Corporation
PROMESA	Puerto Rico Oversight, Management and Economic Stability Act
Rums Fund	Rums of Puerto Rico Fund
SIF	Special Incentives Fund
2021 CW Fiscal Plan	2021 Fiscal Plan for Puerto Rico as certified by the Financial Oversight and Management Board on April 23, 2021
2020 PRIDCO Fiscal Plan	PRIDCO Fiscal Plan certified by the Financial Oversight and Management Board on June 29, 2020

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EXECUTIVE SUMMARY

The Puerto Rico Industrial Development Company ("PRIDCO"), a public corporation under the Puerto Rico Department of Economic Development and Commerce ("DDEC", for its Spanish acronym), was created to foster economic development in Puerto Rico by attracting investment and job creation in a variety of industries, including manufacturing, information technology and life sciences, through a portfolio of buildings, facilities and properties.

PRIDCO is the beneficial owner of a large inventory of industrial properties, with 1,520 units and 766 undeveloped lots located throughout Puerto Rico. It is estimated that approximately 55 units are not able to be occupied without remediation and potentially should be demolished. The PRIDCO portfolio comprises industrial and commercial-use buildings and lots that companies may rent or, in limited cases, purchase. PRIDCO's current real estate portfolio includes 23.1 million square feet of buildings, of which 15.5 million is occupied, 6.0 million is vacant and the remaining 1.6 million is unavailable for rent and in need of structural repairs or remediation.[1]

Act 141-2018 mandated the consolidation of related business development activities and back office staff functions within DDEC. As part of that effort, PRIDCO has transferred all business development and back-office employees to DDEC. This transfer was completed in January 2021. In conformance with Act 141-2018 and Act 60-2019, PRIDCO is no longer directly responsible for economic development activities or managing incentive funds and will focus exclusively on its responsibilities as a manager of its real estate holdings. These real estate activities will position PRIDCO as an asset owner/manager focused on: (i) servicing the needs of tenants; (ii) providing for the long-term capital needs of PRIDCO's properties to maintain occupancy; (iii) developing or re-developing sites to accommodate long-term demand for real estate; and (iv) increasing occupancy, revenue and surplus—all subject to the overall goal of fostering economic development in Puerto Rico.

The 2020 PRIDCO Fiscal Plan recommended certain strategic initiatives for PRIDCO including improving its capital expenditure funding plans, pursuing measures to drive increased occupancy, conducting a needs assessment relating to information systems, and evaluating the feasibility of alternative operating models, which are discussed further in Chapter 6. PRIDCO is currently working with the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF") and its advisors to pursue these initiatives with various deadlines ranging from July 31, 2021 through October 31, 2021, allowing adequate time to review the results of the studies and determine a path to long-term sustainability.

Assuming all measures are implemented and yield the expected results, the fiscal plan outlined herein results in a 5-year cumulative forecast surplus of approximately $17.9 million, without payment of debt service. The forecasted surplus excludes necessary capital expenditures to improve the condition of inventory, which is pending the completion of a capital needs assessment described further in section 6.3. Additionally, any cost share obligation associated with currently unknown FEMA reconstruction funds that may be awarded, based on the damage of recent earthquakes, is excluded from the projected surplus. Given the potential

[1] Portfolio statistics as of March 22, 2021.

magnitude of such exclusions, the forecasted surplus of $17.9 million is subject material change.

Chapter 1: “Long-term economic trends in Puerto Rico” and Chapter 4: “Macroeconomic and demographic trajectory” of the 2021 Fiscal Plan For Puerto Rico as certified by the Financial Oversight and Management Board for Puerto Rico on April 23, 2021 (“2021 CW Fiscal Plan”) are hereby incorporated by reference.

PART I: PRIDCO OVERVIEW

Chapter 1. BACKGROUND

PRIDCO is a government-owned corporation established in 1942 through Act No. 188 of May 11, 1942 ("the Act"), as amended, with the mission to promote Puerto Rico as an investment destination for companies and industries worldwide. As part of Operation Bootstrap, the name given to a series of projects that transformed Puerto Rico into an industrial economy, PRIDCO was created primarily to develop industrial parks and buildings to encourage U.S. and foreign investors to establish and expand their business operations in Puerto Rico.

Until 1997, PRIDCO's efforts in fostering Puerto Rico's economic development were complemented by the activities of the Economic Development Administration ("EDA"). The EDA was an investment promotion agency, of the Government of Puerto Rico ("Government"), in charge of attracting new businesses within the manufacturing and services sectors. On January 1, 1998, in accordance with Act No. 203 of December 29, 1997, the powers and functions of the EDA were transferred to PRIDCO and the latter became responsible for all the operations and activities that were previously conducted by the two separate entities. After the merger, PRIDCO remained a public corporation under the umbrella of DDEC in accordance with the Executive Reorganization Act of 1993, Reorganization Plan Num. 4 of June 22, 1994.

DDEC was established to implement and monitor the execution of public policy regarding economic development in the industrial, commercial, services and tourism sectors. PRIDCO falls under the umbrella of DDEC along with the Tourism Company, Trade and Export Company, and other agencies that contribute to the economic development of Puerto Rico. PRIDCO's real estate activity complements the incentives DDEC can offer to investors by providing access to a large inventory of industrial properties with affordable rental rates, and assistance with planning and permitting matters. PRIDCO also provides built-to-suit properties for strategic projects that primarily involve Fortune 500 companies.

Act 141-2018 created a reorganized DDEC, whereby PRIDCO remains under DDEC's purview and back-office functions are consolidated under DDEC. As of January 2021, PRIDCO had transferred all business development and back-office personnel to DDEC. The relationship between DDEC and PRIDCO is regulated by a memorandum of understanding that outlines services provided as well as reimbursement by PRIDCO to DDEC for such services (discussed further herein).

PRIDCO's powers are vested in and exercised by a Board of Directors. The Act provides that the Board of Directors shall consist of seven members. The Secretary of DDEC, the Secretary of the Treasury, the Executive Director of AAFAF, and the President of the Planning Board are each ex-officio members. The remaining three members are appointed by the Governor and confirmed by the Senate for terms of four years.

PRIDCO's inventory was affected by the impact of Hurricanes Irma and Maria in 2017. The earthquakes that struck Puerto Rico in 2019 and 2020 also damaged an estimated 200 PRIDCO buildings and, in a few instances, displaced PRIDCO tenants. The continuation of aftershocks through May 2020 and the impact of the COVID-19 pandemic further delayed the completion of property inspections, which are currently ongoing. Investment in PRIDCO properties remains a priority of the new management team.

As of February 28, 2021, PRIDCO had $93.1 million in total cash reported, of which only $48.8 million was unrestricted and available for PRIDCO operations. The vast majority of restricted cash are incentive funds, unrelated to PRIDCO operations, and are being transferred to the proper account owner in accordance with Act 60-2019.

Chapter 2. REAL ESTATE PORTFOLIO

PRIDCO owns the largest inventory of industrial properties in Puerto Rico, with approximately 1,520 units and 766 undeveloped lots. PRIDCO also owns the common areas located at industrial parks, such as street and utilities infrastructure, and is responsible for their maintenance. It is estimated that approximately 55 units are not able to be occupied without remediation and potentially should be demolished.[2]

EXHIBIT 1: PRIDCO PROPERTY PORTFOLIO

Real Estate	Unit Count	Sq. Ft.
Single Building	1,184	21,570,216
Multi Building	336	1,577,920

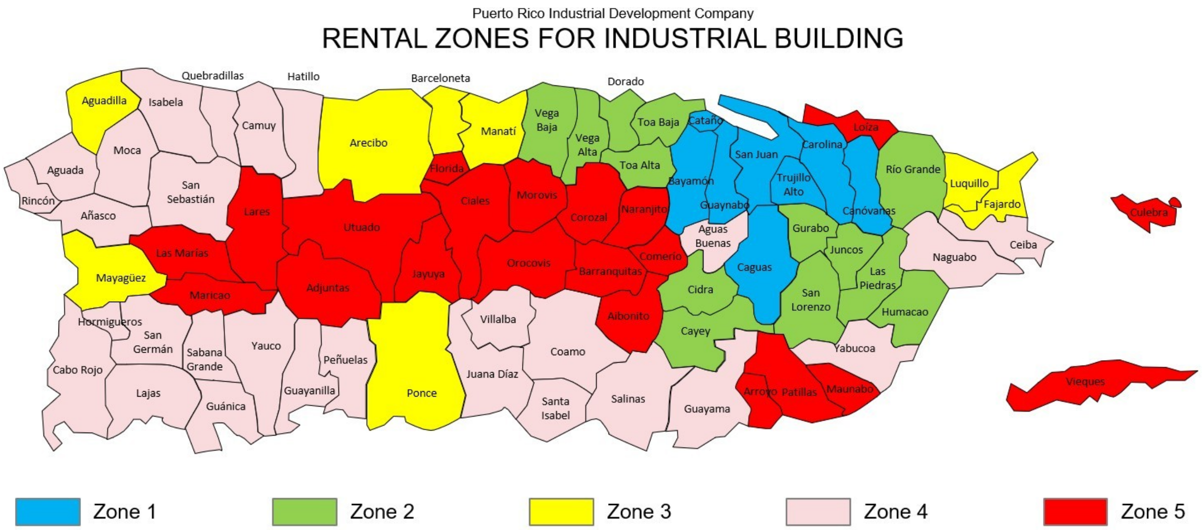
Land	Count	Sq. Meters
Lots	766	17,980,650

Source: PRIDCO Property List as of March 2021; subject to change

PRIDCO's current real estate portfolio includes 23.1 million square feet of buildings, of which 15.5 million is occupied, 6.0 million is vacant and the remaining 1.6 million is unavailable for rent and in need of structural repairs or remediation. The PRIDCO portfolio is considered quite diverse, with over 524 tenants with rental agreements ranging from $100 per month to $100,000 per month. Out of ~$62 million of forecasted gross rents for fiscal year 2021, ~$60.7 million is generated from 415 private sector tenants while ~$1.3 million is generated from 27 public sector tenants (e.g. 12 central government agencies and 15 municipalities).

Rental rates within PRIDCO's portfolio are principally determined by the industrial zone in which a property's respective municipality lies. There are 5 zones in total (ranked based on the rental rate per square foot, with Zone 1 having the highest demand and Zone 5 the lowest), as illustrated in Exhibit 2.

[2] Portfolio statistics as of March 22, 2021.



The portfolio is heavily clustered in the West, South and East regions and primarily consists of Manufacturing and Warehouse & Distribution space. The zone categorizations mostly consider economic factors based on a 2003 economic study performed for the issuance of the Series 2003 General Purpose Revenue Bonds. Zone 1 consists of the seven municipalities that make up the metropolitan area where real estate is considered to be highly desirable due to stable infrastructure, proximity to ports and concentration of economic activity. Zone 5 municipalities are considered to be the least desirable real estate due to their distance from the metropolitan area and limited development potential. Due to the economic hardship that Puerto Rico has suffered since 2006, rental rates have not been increased.

The portion of PRIDCO's portfolio that is currently under lease agreements (approximately 72%) is subject to a variety of terms and conditions resulting from different arrangements with tenants. Terms and conditions vary from full-service leases to triple net rent arrangements. The most common lease contract used in PRIDCO's portfolio makes tenants responsible for all maintenance expense and makes PRIDCO responsible for major repairs and maintenance such as roof repairs, electrical, plumbing, and underground pest control.

PRIDCO's assets can be separated into three broad categories: Trusteed Properties, Non-Trusteed Properties, and PRIICO Properties.

Trusteed Properties: The Trusteed Properties are those properties owned by PRIDCO whose revenues are purportedly pledged to the holders of certain General Purpose Revenue Bonds, Series A and B (collectively, the "Revenue Bonds"), issued under a Trust Indenture, dated as of July 1, 1964, as amended (the "Trust Indenture").[3] At this time, the Trusteed

3 Pursuant to the Trust Indenture, the term "Trusteed Properties" means: (i) those PRIDCO properties that constituted the Trusteed Properties under the 1958 Trust Indenture on the date of its release, including all machinery and other equipment owned by the Company and located on or used in connection with such properties, (ii) any other properties of the Company, including any such machinery and other equipment owned by the Company and any first mortgages on real property held by the Company as mortgagee or first mortgage bonds, which become "Trusteed Properties" by the terms of the 1964 Trust Indenture, and (iii) all improvements of and additions to the properties referred to in clauses (i) and (ii) of this paragraph which are acquired or constructed by or on behalf of the Company.

Properties are believed to represent 1,352 units with over 18 million square feet of space and 62 lots with over one million square meters of land (~66% occupied). The Trusteed Properties are anticipated to generate over $37 million of gross revenue in FY2021.

Non-Trusteed Properties: The Non-Trusteed Properties are those properties owned by PRIDCO that are neither Trusteed Properties nor PRIICO Properties. At this time, the Non-Trusteed Properties are believed to represent approximately 158 units (~ 72% occupied) with over four million square feet of space and over 704 lots with 10.1 million square meters of land. The Non-Trusteed Properties are anticipated to generate ~$13.0 million of gross revenue in FY2021. The proceeds of 27 specified Non-Trusteed Properties, if and when sold, are purportedly collateral under a $25.0 million (excluding accrued, unpaid interest) note payable to the Government Development Bank -Debt Recovery Authority (the “GDB-DRA”). The GDB-DRA loan is not secured by mortgages over such Non-trusteed properties, which comprise over eight million square meters of industrial and public lands.

PRIICO Properties: On several occasions, PRIDCO constructed highly customized facilities that required significant capital investment to attract high-caliber tenants to Puerto Rico. PRIDCO established the Puerto Rico Industrial Investment Corporation (“PRIICO”), a separate entity, as a conduit used to borrow construction funds to develop these facilities. PRIICO borrowed the funds required to construct six special facilities from a commercial bank and lent the funds to PRIDCO to build the facilities. These six facilities, totaling approximately 0.8 million square feet, are leased by PRIDCO to the tenant with the rent therefrom assigned to the lender as security for the loan to PRIICO, together with a mortgage over the facility. These mortgages remain current, as the properties are 100% occupied with rent collected directly by the lender through a lock-box arrangement. Certain leases will expire simultaneous to the associated mortgage loans, these tenants are expected to renegotiate new leases with PRIDCO.

During FY2021, PRIICO sold a tenant occupied property and retired the mortgage associated with the property. Net proceeds for the transaction after transaction costs and retirement of related debt were $3.7 million. There are currently ten PRIICO units with tenants. Despite constituting only 3.3% of the portfolio by total SF, these properties are anticipated to generate revenue of approximately $12.3 million during FY2021, or 19.7% of PRIDCO’s total annual rental revenue, and will cover mortgage payments of the same amount.

PART II: 2021 PRIDCO FISCAL PLAN

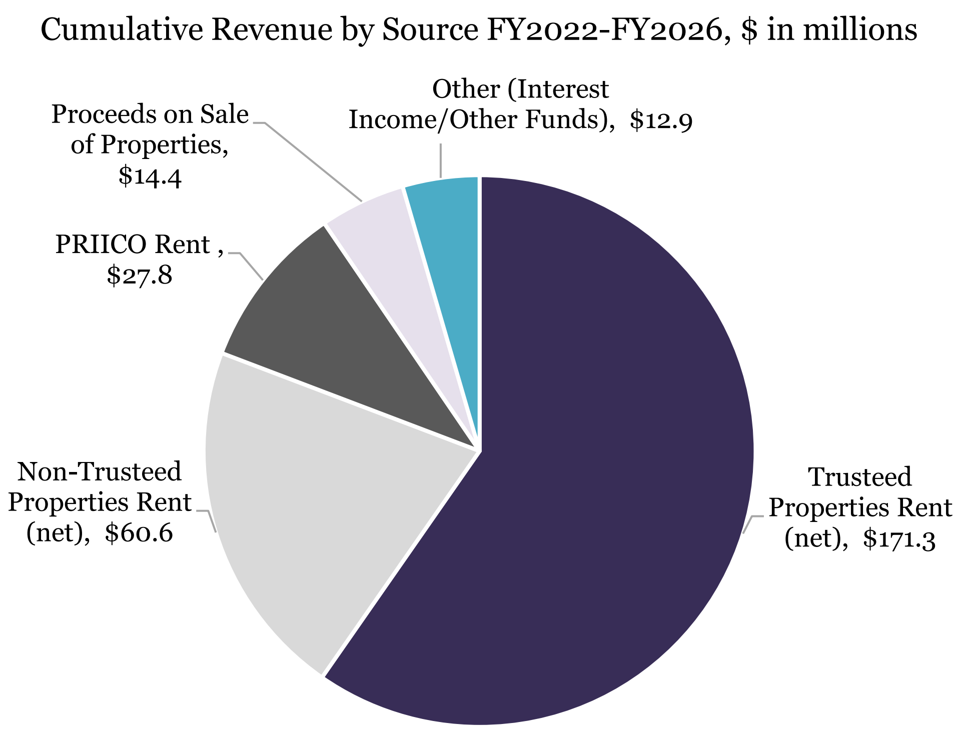
Chapter 3. BASELINE PROJECTIONS

The PRIDCO fiscal plan outlined herein incorporates the macroeconomic forecast utilized in the 2021 CW Fiscal Plan. Chapter 1: “Long-term economic trends in Puerto Rico” and Chapter 4: “Macroeconomic and demographic trajectory” of the 2021 CW Fiscal Plan submission are hereby incorporated by reference.

3.1 Baseline Projections

A financial forecast was developed for PRIDCO to estimate operating cash flows and support long-term financial planning. PRIDCO’s baseline revenues and expenditures are associated with real estate management and forecasted using the proposed FY2022 budget as the starting point. Considering operations per PRIDCO’s existing infrastructure, the forecasted revenue is driven by rental rates and assumes each occupied property will renew its lease upon maturity.

EXHIBIT 3: CUMULATIVE REVENUE BY SOURCE – BASELINE PROJECTIONS

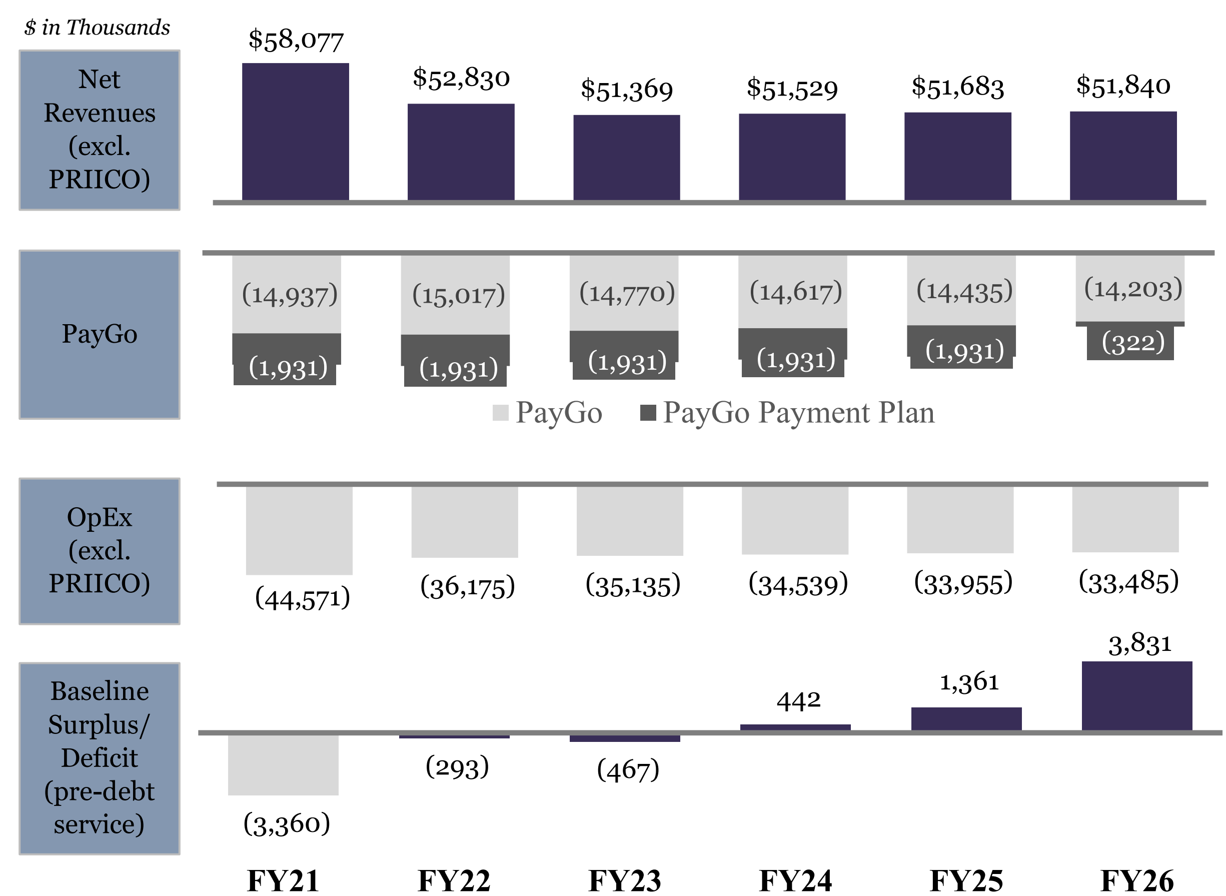


PRIDCO’s baseline performance expectations are outlined in Exhibit 4. The net revenue forecast is based on active leases within PRIDCO’s property portfolio, net of anticipated uncollectible accounts. Despite moderate improvements in rental revenue, total revenue declines from FY2021 through FY2023 as a result of lower forecasted asset sales and the reduction of rental revenues associated with maturing PRIICO mortgages.

Employee payroll and related expenses are projected to be approximately $5 million per year based on the proposed FY2022 budget and grow annually by inflation. Other expenses (excluding PayGo, payroll, CapEx, and payments for PRIICO mortgages) are forecasted to be approximately $27 million in FY22 and grow annually by inflation.

PRIICO Properties do not generate a surplus to PRIDCO as PRIICO rents are aligned with payment of principal and interest on mortgage loans secured by such properties. Lease renewals after the mortgages expire, if any, are anticipated to be accretive to PRIDCO's surplus, but at potentially lower rental income levels.

EXHIBIT 4: BASELINE FINANCIAL PROJECTIONS (EXCLUDING DEBT SERVICE)



3.2 Shared Services Memorandum of Understanding

DDEC and its subsidiary organizations have customarily relied on memorandums of understanding ("MOU's") to facilitate the transfer of services and costs. Under an MOU, the transferee incurring the costs would be paid revenue by the transferor who is benefiting from the services but not incurring the costs. The amount transferred is referred to by DDEC and PRIDCO as the "DDEC Management Fee." The DDEC Management Fee compensates DDEC for the costs incurred with back-office services provided to PRIDCO. The PRIDCO and DDEC management teams have been working to implement best practices and structure the MOU to improve fiscal performance. Such actions include minimizing unnecessary overlap of incurred expenses, aligning the DDEC Management Fee with the services provided, and setting expectations for the reduction of the DDEC Management Fee over time.

As of January 2021, PRIDCO has reassigned 143 employees to DDEC including 87 back-office personnel and 56 developmental personnel. As of March 2021, PRIDCO maintains 41 core personnel responsible for asset management functions ("PRIDCO front office").

In November 2020, PRIDCO and DDEC entered into a five-year MOU that regulates reimbursement by PRIDCO of back-office personnel and non-personnel costs incurred by DDEC in providing services to PRIDCO. The 2020 PRIDCO Fiscal Plan had estimated back-office expenses transferred to DDEC in FY2021 of $10.7 million, comprised of approximately $6.6 million of personnel costs and approximately $4.1 million of non-personnel costs. However, the actual amount transferred for the DDEC Management Fee in FY2021 will only be $2.9 million given that the employee transfer was finalized in January 2021 (as opposed to the beginning of the fiscal year as was intended). The FY21 fee amount will only cover personnel costs from the period January 2021 to June 2021; all related non-personnel costs were paid by PRIDCO not DDEC. The cost of the transferred back-office expenses in FY2022 is approximately $9.8 million, comprised of approximately $6.0 million of personnel costs and approximately $3.8 million of non-personnel costs.

3.3 Enhancing Property Investment

PRIDCO's budgeting constraints has historically provided limited investment spending for its capital expenditures, leading to deferred repairs and the deterioration of its facilities. Consequently, PRIDCO faces numerous funding challenges relating to past, current, and future capital expenditure projects, including:

- Urgent backlogged projects;
- Restoration of earthquake affected building damage;
- Reserve funding for future maintenance and greenfield/brownfield developments;
- Demolition and environmental remediation.

The deferral of building repairs and maintenance, including plumbing, electrical and minor roof repairs, has negatively impacted PRIDCO's ability to sustain occupancy and lead to a decline in revenues. Furthermore, as such activities do not significantly extend the life of the property, they are expensed within the annual budget and not capitalized.

To remedy this history of underinvestment with adequate funding amounts and facilitate the investment in the current portfolio, PRIDCO intends to increase its near-term budget for repairs and maintenance and roll-over any unused capital spending budgeted for FY2021. Specifically, the fiscal plan includes a reallocation of $2.3 million for FY2022 capital expenditure spending to repairs and maintenance. With this increase, the total spending for repairs and maintenance is forecasted to be $4.9 million in FY2022 targeted at tenant occupancy concerns. Further, to address the backlog of repair and maintenance projects and focus the investment on the current property portfolio, the reallocation has been forecasted throughout the fiscal plan period.

In managing deferred capital projects, PRIDCO will draw from the capital expenditure reserve fund established in the 2020 PRIDCO Fiscal Plan (the "Capex Reserve Fund"). This fund currently maintains a balance of $11 million including funds allocated, but unused, during FY2021 and provides for up to $8.4 million to address urgent demolition needs.

As outlined in strategic initiatives section 6.3, PRIDCO is currently performing an assessment of capital requirements across the portfolio. This analysis will influence the priority of spending related to the Capex Reserve Fund and quantify the amount of future capital investment requirements. PRIDCO will continue to provide status reports of capital spending activities and submit supporting data regarding proposed and ongoing capital projects for review by the Oversight Board.

Notably, to the extent these expenses are not made revenues will continue to decline and, over time, will render the property uninhabitable eliminating revenues from such properties.

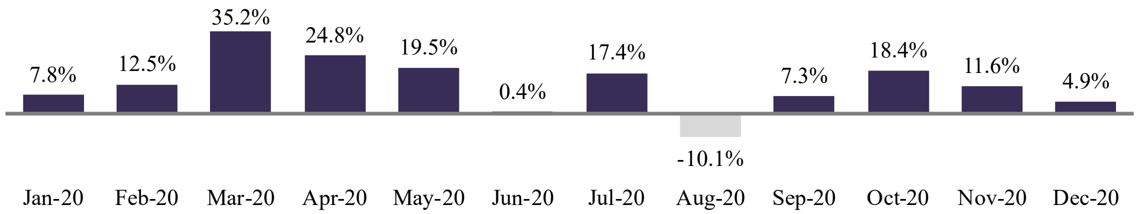
3.4 COVID-19

Prior to the onset of the COVID-19 pandemic, PRIDCO's management team did not expect any significant change in occupancies or rent collections. However, as a result of the pandemic, PRIDCO experienced an immediate spike in rent delinquencies, totalling 35.2% in March 2020, 24.8% in April 2020 and 19.5% in May 2020.

The higher rent delinquencies experienced during the COVID-19 pandemic is the result of business interruption experienced by many PRIDCO tenants due to the implementation of strict lockdown measures imposed on March 15, 2020. In May 2020, PRIDCO had over 75 tenants requesting moratoriums on their rent payments, representing approximately $620,000 or ~12% of monthly rent collections. PRIDCO management worked closely with tenants on a case-by-case basis to address pandemic concerns and maximize occupancy for the long-term. As a point of reference, after Hurricane Maria delinquencies spiked to approximately 40%, it took approximately 6 months to recover to normal levels.

The impact of the pandemic has not fully passed, however, management does not anticipate signficant spikes in delinquencies or requests for rent relief in the next fiscal year. This outlook is driven by the impact of local and federal stimulus packages and the gradual reopening of the local economy. FY2021 is expected to have a deliquency rate of 9%. Exihibit 5 illustrates the monthly delinquency rate from January 2020 through December 2020. PRIDCO's management is not forecasting to recover missed rents during fiscal year 2021.

EXHIBIT 5: DELINQUENCIES AS PERCENT OF GROSS REVENUE[4]



[4] Aug-20: The negative % is due to delinquencies that ended up being paid in subsequent periods.

Chapter 4. 2021 PRIDCO FISCAL PLAN MEASURES

The operational measures presented in this fiscal plan seek to support cost reductions and improve property management resulting in a more efficient and effective government structure.

4.1 PayGo Measures

PayGo has been forecasted using baseline actuarial assumptions consistent with the 2021 CW Fiscal Plan. The forecast for FY2022 includes payments for approximately 600 pensioners that have retired from PRIDCO. PRIDCO's pension reform measure is part of the Commonwealth's overall measure to progressively restore fiscal health to Puerto Rico while ensuring that adjustments to pension benefits occur in a manner that protects the economic well-being of all retirees. PRIDCO (in compliance with Act 106-2017) uses the Pay-as-you-Go ("PayGo") system. PRIDCO's pension contributions will be reduced by a maximum of 8.5% depending on participant pension amount, with no reduction to those with benefits less than $1,500 per month starting in July 2022, which is consistent with the 2021 CW Fiscal Plan.

Additionally, this fiscal plan is aligned with 2021 CW Fiscal Plan which includes the agreed upon pension reform with the Committee of Retirees and the System 2000 settlement agreed to with American Federation of State, County and Municipal Employees (AFSECME).

Chapter 20 "Pension reform" of the 2021 CW Fiscal Plan is hereby incorporated by reference.

4.2 Payroll Measures

The Uniform Healthcare Contribution has been set to $125 per member per month starting in fiscal year 2021 aligning with Act 26-2017. The savings associated with this measure, in addition to the payroll freeze through FY 2023, have been forecasted as an adjustment to baseline payroll expenditures.

Chapter 15 "Agency Efficiency Measures" of the 2021 CW Fiscal Plan is hereby incorporated by reference.

4.3 Shared Services Measures on the MOU

The 2020 PRIDCO Fiscal Plan set forth a schedule for reductions in the DDEC Management Fee. The following table illustrates the decrease in annual fees that PRIDCO pays DDEC. The measure is a capped fee and DDEC is ultimately responsible for lessening these shared services costs.

EXHIBIT 6: BACK-OFFICE MOU CAPS ($ IN THOUSANDS)

Item	FY2021	FY2022	FY2023	FY2024	FY2025
Personnel Costs	$6,587	$5,975	$5,355	$4,732	$4,106
Non-Personnel Costs	$4,071	$3,809	$3,543	$3,278	$3,012
Total Caps	**$10,659**	**$9,785**	**$8,918**	**$8,010**	**$7,118**

4.4 Inter-Government Real Estate Representation

PRIDCO management is seeking to expand its reach to solicit tenants or buyers for its properties by engaging with other government entities that have close relationships with targeted business communities. Such entities include DDEC, the 77 municipalities where PRIDCO holds properties and Invest Puerto Rico. PRIDCO must work closely with these entities to educate them on the key features and supply of available properties.

Each participating entity will have access to relevant property information and availability under specific parameters to be established by PRIDCO and in a manner consistent with DDEC's reorganization processes under Act 141-2018. Further, PRIDCO must explore and implement strategies available to incentivize participating entities to present leasing or sales opportunities to prospective economic development targets or investors to facilitate a transaction.

While additional revenue under this measure is not included in this fiscal plan projections, this initiative is expected to be beneficial in increasing occupancy and generating revenues in excess of the baseline forecast.

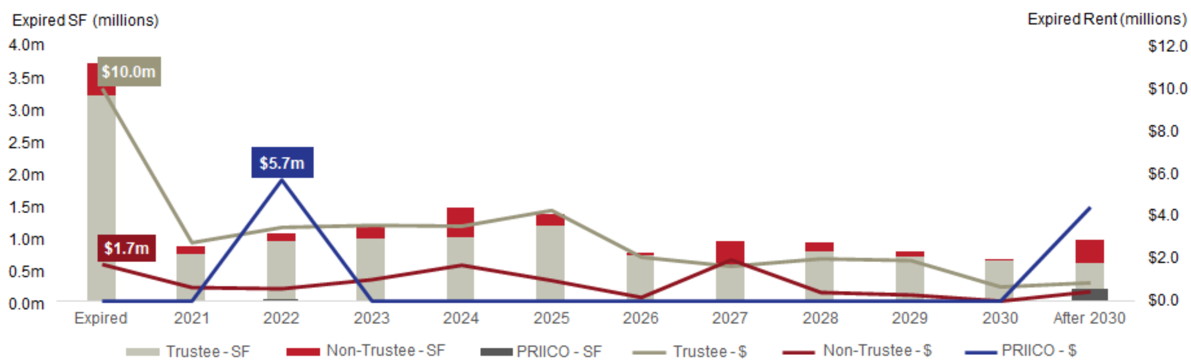
4.5 Delinquency Rate Improvement Measure

Delinquency rates at PRIDCO have historically been high, resulting in negative pressure on rental revenues. Through pro-active collection practices and improved evaluation of tenant creditworthiness, PRIDCO must focus on lowering delinquencies from 9% in FY2021 to 7% by FY2026. This reduction is estimated to generate an additional $3.6 million of net revenues through FY26.

4.6 Expired Lease Measure

PRIDCO currently has over 3.7 million square feet of leased space that has expired with approximately six million square feet of additional space expiring over the next five years. PRIDCO must immediately target such expired and soon-to-be expired leases for re-signing at the existing rental rate card. This presents an immediate opportunity to increase the portfolio's overall revenue through targeted negotiations with expired tenants. Moreover, re-signing leases provides for additional certainty on future revenues as compared to the default month-to-month structure currently in place upon lease expiry under the same terms and conditions, pursuant to Puerto Rico law. Through a review of contracts, current management determined that PRIDCO has the authority to increase rent by 150% if a new agreement cannot be reached. For those leases that cannot be re-signed, PRIDCO, at a minimum, should evaluate and implement the allowable increase in rent.

EXHIBIT 7: EXPIRED AREA (SQUARE FEET) AND TOTAL RENT EXPIRING BY YEAR



Currently, there is an estimated 64 leases that have expired and are currently paying PRIDCO on month-to-month basis below the current rate card. This presents an immediate opportunity to re-sign these leases at the current rate card and generate up to $2 million in additional annual revenue. The fiscal plan sets a target of at least 50% of the estimated benefit, or ~$1 million, to be achieved by FY2023. Over the 5-year forecast period, approximately $4.5 million in additional revenue would be realized through the execution of this measure. Contingent on achieving incremental revenue through this measure, the fiscal plan provides access to a payroll allocation equal to the targeted revenue increase. A schedule of the targeted increase is shown below.

EXHIBIT 8: RE-SIGING LEASES AT THE CURRENT RATE CARD ($ IN THOUSANDS)

Item	FY2022	FY2023	FY2024	FY2025	FY2026
Revenue target	$498	$995	$995	$995	$995

The Oversight Board will approve requests for additional payroll supported by proof that the payroll amount requested corresponds to the increase in the annual lease revenue re-signed at the current rate card which is greater than the month-to-month rate.

EXHIBIT 9: RE-SIGNING LEASES AT CURRENT RATE CARD

Action Item	Owner	2020 FP Timing/Deadline	Timing/ Deadline
Present to the Oversight Board a list of all leases that have been resigned through December 31, 2021 at the current rate card	PRIDCO	N.A.	January 31, 2022

Chapter 5. PROJECTIONS POST-MEASURES

PRIDCO's baseline forecast is adjusted for the various measures addressed in Chapter 4 culminating in a post-measures projection. Items that remain unchanged include non-operating revenues and expenses, as well as a majority of operating expenditures. The variances between PRIDCO's post-measures and baseline projections are driven by the following fiscal measures:

i. Delinquency Rate Improvement measure;
ii. Re-Signing Expired Leases to the Current Rent Card Rates
iii. The forecasted reductions in the shared service MOU related to the DDEC Management Fee in accordance with the 2020 PRIDCO Fiscal Plan;
iv. PayGo pension reform as contemplated in the 2021 CW Fiscal Plan;
v. Uniform Healthcare; and
vi. The payroll freeze.

Though the inter-government real estate representation outlined in section 4.3 has been included in this fiscal plan as a revenue measure, no specific revenue improvements have been forecasted in the fiscal plan.

Exhibit 10 provides a bridge analysis of the cumulative cash flows from FY2022 through FY2026 and the measures included herein.

EXHIBIT 10: BRIDGE ANALYSIS FY2022 THROUGH FY2026

$ in thousands

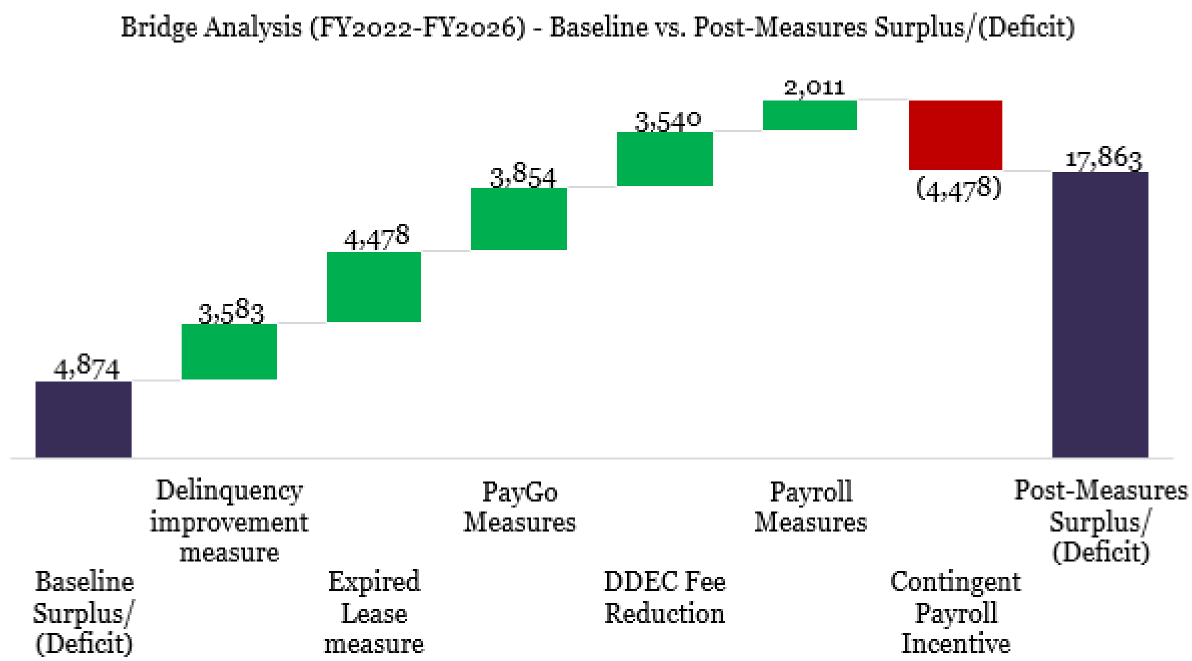


Exhibit 11 illustrates PRIDCO's financial projections post fiscal measures. The post-measures projections build to cash flow surplus of approximately $6.2 million, excluding debt service, in FY2026.

EXHIBIT 11: POST MEASURES PROJECTIONS (EXCLUDING DEBT SERVICE)

Chapter 6. STRATEGIC INITIATIVES

To encourage businesses to locate in Puerto Rico, PRIDCO offers real estate locations throughout the Island to compliment the economic development incentives offered by DDEC. PRIDCO must continually invest in its portfolio to extend its useful life and value proposition to tenants. However, the combination of financial and economic distress, environmental disasters and public health crisis have left PRIDCO with limited resources to keep pace with investment needs.

The 2020 PRIDCO Fiscal Plan outlined several strategic initiatives necessary to reinvigorate PRIDCO's relevance in providing real estate solutions, however the implementation of these initiatives was delayed largely due to the COVID-19 pandemic. Such initiatives remain central to PRIDCO's ability to operate effectively and should be a primary focus during FY2022. Certain initiatives will encourage more accurate and disciplined long-term capital plans to increase the desirability of the available real estate. Other initiatives investigate alternative operating or ownership models that could maximize the value of PRIDCO to its stakeholders.

6.1 Needs Assessment of Real Estate Information Systems

PRIDCO does not presently have a robust real estate asset management information system, limiting its ability to keep accurate records of the current and prospective financial needs of its properties. The lack of information has resulted in PRIDCO being reactive to the needs of current tenants and limit its ability to forecast adequate capital expenditure needs. Furthermore, through an adequate real estate information system, PRIDCO would be able to forecast its budget needs with greater accuracy and uphold the terms and conditions of existing lease agreements.

PRIDCO is currently conducting a needs assessment of its information systems to determine whether additional value can be obtained from utilizing its current system or whether more robust functionality will improve decision making and ultimately long-term performance. The new asset management system should be a fully integrated database, including a dynamic pricing tool, CRM, collections information and building condition. A robust customer database would allow for additional analysis on PRIDCO's overall tenant mix and potential concentration risks. PRIDCO must look to manage and track the condition, asset type, and capex needs of its buildings. For each building they should track the following: asset class and use, property condition and estimated remaining useful life, physical characteristics, and capex needs and schedules. Additionally, on a portfolio level, PRIDCO must maintain an overall capex plan, prioritizing buildings based on current condition and revenue potential.

This needs assessment will be critical in determining the extent and cost of potential system upgrades. Further, this assessment is integral to the other initiatives and studies discussed herein and will be a critical component of those analyses. PRIDCO remains committed that the task will be completed on or before July 31, 2021.

EXHIBIT 12: REAL ESTATE INFORMATION SYSTEM

Action Item	Owner	2020 FP Timing/Deadline	Timing/ Deadline
Present to the Oversight Board a workplan to implement an upgraded real estate information system	PRIDCO	N.A.	July 31, 2021
Implementation of the new system	PRIDCO	N.A.	TBD

6.2 Occupancy Process Optimization

Management anticipates that the leasing process would be made incrementally more efficient by developing a standard lease template that would be required for most tenants in PRIDCO's real estate configurations.

Management continually seeks to identify and resolve process impediments to placing tenants in PRIDCO properties, reducing the time between identifying a prospective tenant and converting the client to a complete occupancy. PRIDCO's management is working with DDEC's management team and AAFAF and its advisors to develop a standard lease template and evaluate tenants credit worthiness, all aimed to shorten negotiations, decrease costs, reduce delinquencies and accelerate revenues.

EXHIBIT 13: OCCUPANCY PROCESS OPTIMIZATION

Action Item	Owner	2020 FP Timing/Deadline	Updated Timing/Deadline
Present to the Oversight Board a workplan to analyze or retain an adviser to review the leasing process	PRIDCO	July 31, 2020	Completed
Engage Advisor for analysis of the current leasing process optimization from prospect to closing to measure cycle times, identify inefficiencies, and compare to benchmarks	PRIDCO	July 31, 2020	July 31, 2021
Present a proposed lease template for review by the Oversight Board	PRIDCO	September 30, 2020	July 31, 2021
Present to the Oversight Board initiatives relating to improving the occupancy process and addressing inefficiencies	PRIDCO	September 30, 2020	July 31, 2021

6.3 Capex Reserve Fund

As previously discussed herein, PRIDCO's budgeting process has historically provided limited investment spending for its capital needs, leading to deferred capital expenditures and the deterioration of its facilities. Capital spending is generally defined as spending that will extend the useful life of the property including:

- **Maintenance Capex** – Investments in currently occupied or temporarily vacant buildings or units to maintain portfolio occupancy and extend useful life
- **Growth Capex** – Investments to develop new sites (greenfield) or restore existing sites (brownfield) prior to the identification of anchor tenants.
- **Demolition and Remediation Spending** – Investments to set properties up for redevelopment or sale

Maintenance Capex. PRIDCO accounts for maintenance and repair costs that do not improve or extend the life of the respective assets as annual operating expenses. These costs may include electrical, plumbing and minor roof repairs. Additions, renewals and betterments, unless of a minor amount, are capitalized.

Growth Capex. While a portion of the surplus from the rental portfolio is used to capitalize the reserve fund for maintenance capex, a portion of the surplus from asset sales could be used to fund a reserve for growth capex or targeted new development for prospective tenant needs. Such funds should be segregated from any accumulated maintenance capex reserves and must not be comingled.

Demolition and Remediation Spending. Based on available information, PRIDCO has approximately 55 units that are potentially subject to demolition. These properties, if not able to be occupied, could expose PRIDCO to additional risk in various forms of liability (e.g. crime or loitering). The 2020 PRIDCO Fiscal Plan set aside approximately $8.4 million in one-time funds, from the Capex Reserve Fund, to demolish uninhabitable properties. PRIDCO intends to utilize these funds in FY2022, subject to the completion of the Capex Reserve Study currently underway.

Given the criticality of restoring PRIDCO's assets and improving the condition of its inventory, the Capex Reserve Study must be comprehensive. In addition to outlining the 20-year capital expenditure needs for all properties, the study must also evaluate the relative priority of such spend and include an assessment of the cost-benefit for each asset, particularly for vacant properties. As such, it is recommended that PRIDCO expand the existing study to include additional site visits, analysis of the cost versus benefit for each investment, determine the prioritization of expenditures, and aggregate all compiled information into a robust asset management database.

Existing Study:
PRIDCO will conduct an initial assessment to arrive at a preliminary estimate of capital expenditures for all properties. The assessment will be based on site visits to a limited number of locations, extrapolated across the entire portfolio. The conclusion and findings thereof will be completed by August 31, 2021.

Expanded Study:
The expanded study shall, at a minimum, include site visits of at least 50% of PRIDCO's properties, an analysis of the cost versus benefit of each investment, a prioritization of the proposed expenditures, and the aggregation of all information into a database to inform future operations. The expanded study should be completed no later than December 31, 2021.

The schedule to implement a Capex Reserve Fund is presented in Exhibit 14.

EXHIBIT 14: CAPEX RESERVE FUND

Action Item	Owner	2020 FP Timing/Deadline	Updated Timing/Deadline
Existing Study			
Present to the Oversight Board a workplan to analyze or retain an adviser to review capital spending needs	PRIDCO	August 31, 2020	Complete
Notify the Oversight Board that a Capex Reserve Fund has been established, funded, and unused	PRIDCO	January 1, 2021	June 30, 2021
Present analysis to the Oversight Board including long term maintenance and growth capex needs and development of a long-term funding plan	PRIDCO	November 30, 2020	August 31, 2021
Present list of projects for investment during FY2022 and supporting documentation for use of Capex Reserve Fund	PRIDCO	N.A.	August 31, 2021
Expanded Study			
Present analysis to the Oversight Board the results and conclusions of the expanded study	PRIDCO	N.A.	December 31, 2021

6.4 Feasibility Study for Outsourcing of Asset Management

As previously discussed in the 2020 PRIDCO Fiscal Plan, a third-party asset manager, to be selected through a competitive Request for Proposal ("RFP") process, could bring industry best practices that may result in improved overall performance of the PRIDCO portfolio. The externalization of asset management functions could also result in a transfer of certain responsibilities and risks to the asset manager who would be responsible for establishing and executing required capex investments and maintenance, determining best uses for properties (including potential sales), achieving operational efficiencies, improving collections (while reducing delinquency), and improving the overall tenant experience.

In order for PRIDCO to responsibly consider outsourcing asset management, a feasibility study is currently being conducted to determine if tenant inflows would be enhanced, what specific costs would be eliminated or managed down, and how a long-term capital expenditure plan would be developed. In essence, the feasibility study is seeking to understand whether outsourcing is worthwhile, profitable, and economically reasonable.

The final determination on whether to outsource asset management functions or use existing resources within PRIDCO to improve asset management responsibilities will be made once the feasibility study is complete.

The current implementation schedule for completing a feasibility study to outsource asset management functions is presented in Exhibit 15.

EXHIBIT 15: FEASIBILITY STUDY FOR OUTSOURCING ASSET MANAGEMENT

Action Item	Owner	2020 FP Timing/Deadline	Updated Timing/Deadline
Present to the Oversight Board with scope of options to evaluate outsourcing asset management	PRIDCO	July 31, 2020	Complete
Present the Oversight Board results of outsourcing feasibility study	PRIDCO	September 30, 2020	August 31, 2021

6.5 Feasibility Study to Evaluate Privatization

In addition to understanding the potential benefits of external management, PRIDCO is also exploring whether certain properties or groups of properties may be more valuable to Puerto Rico in the hands of another owner/operator. To evaluate potential alternatives, PRIDCO is currently conducting a feasibility study to determine if the privatization of some or all PRIDCO's property portfolio is the preferred alternative from a financial and strategic standpoint. Related options include the outright sale of the PRIDCO portfolio, the sale of a partnership stake, a capital markets transaction, or other monetization alternatives.

The schedule for completing a feasibility study to evaluate privatization strategies for PRIDCO is presented in Exhibit 16.

EXHIBIT 16: FEASIBILITY STUDY TO EVALUATE PRIVATIZATION

Action Item	Owner	2020 FP Timing/Deadline	Updated Timing/Deadline
Present to the Oversight Board with scope of options to evaluate privatization	PRIDCO	August 31, 2020	June 30, 2021
Present the Oversight Board results of privatization feasibility study	PRIDCO	October 31, 2020	October 31, 2021

6.6 Divestment of non-rentable properties

PRIDCO has approximately 1.6 million square feet of real estate in various states of disrepair, neglect or damage. These properties are likely to require either significant investment to restore them to rentable condition or ongoing expense to protect the property or the public from additional adversity. PRIDCO is, therefore, developing a plan to divest itself of these assets. Currently, PRIDCO is conducting the study focused on:

- Evaluation of PRIDCO's assets characteristics to determine the group of properties that could be sold or what other alternatives shall be considered for such properties.
- Identification of select properties for potential actions such as dispositions, continued operations, or valuation enhancement strategies.
- Portfolio performance and diversification analysis based on municipality, building size, property use, building size, and zone to support property and portfolio

rationalization recommendations.

- Revision of PRIDCO's asset disposition policies and guidelines, including the role and responsibility of its Real Estate Sales Committee and make recommendations, as deemed appropriate.

Given the lack of visibility into the realizable value and timing of divestiture, these cash flows are presently excluded from this fiscal plan projections. Exhibit 17 provides actions and timelines for the divestment program.

EXHIBIT 17: DIVESTMENT OF NON-RENTABLE PROPERTIES

Action Item	Owner	2020 FP Timing/Deadline	Updated Timing/Deadline
Present to the Oversight Board with scope of options to evaluate the divestment of non-rentable properties	PRIDCO	N.A.	Complete
Present the Oversight Board results of the divestment of non-rentable properties study	PRIDCO	N.A.	August 31, 2021
Present to the Oversight Board a determination of the time and cost estimated to be incurred prior to next occupancy	PRIDCO	August 31, 2020	August 31, 2021
Present to Oversight Board monthly status update on sales process (pipeline and non-rentable condition report)	PRIDCO	September 30, 2020	September 30, 2021 (ongoing)

6.7 Additional Initiatives

Additional strategic initiatives should be considered related to portfolio optimization and improved asset management. While some of these initiatives may not result in significant or immediate revenue generation, they can empower medium- and long-term revenue growth as well as improve the operating performance of PRIDCO.

Update Rent Targets

PRIDCO must evaluate its current rental rate card and benchmark it to prevailing industrial rents in Puerto Rico. Currently, the agency has not updated its rental rate card since 2003. PRIDCO must also assess how it could offer discounted rates based on its economic development mission and goals. PRIDCO must evaluate such rental rate cards annually relative to market rents and update accordingly.

Improve Asset Management

PRIDCO must implement best practice policies for ongoing asset management including, but not limited to, tenant credit checks, business financial requests, and proactive leasing strategies. PRIDCO must utilize specialized leasing brokers to identify tenants and suggest rental rates based on their knowledge, to supplement a full-time internal leasing department. PRIDCO must evaluate the credit worthiness of potential tenants, including a review of financial statements and operating results, or request proof of rent payment for tenants lacking sufficient credit history information. In addition, PRIDCO must keep a database of vetted potential tenants for quicker client review and more efficient due diligence. Information for each client should include current leases with PRIDCO, upcoming lease expiry, payment history, results of past credit checks, parent company, and industry of operation. Understanding local market rents is critical when approaching lease negotiations; as such, PRIDCO must maintain a database of market rents or asking rents within regions that have high asset concentrations. Once these market rent rates have been reviewed, PRIDCO must execute leases that align with market conditions utilizing a template lease with flexibility to meet the needs of a variety of potential suitors. This template should include landlord-friendly standard terms such as annual rent escalations and clearly defined expense reimbursement treatment and deferred maintenance liability.

Chapter 7. IMPLEMENTATION AND FISCAL CONTROLS AT PRIDCO

The fiscal measures described in this fiscal plan represent a significant and transformative effort across PRIDCO. As such, there are strict reporting requirements needed to ensure savings and growth targets are being achieved on time, and to identify any major risks to reform to course correct at an early stage. PRIDCO must improve fiscal governance, accountability, and internal controls over its finances and budget. To ensure that there is transparency into PRIDCO's progress toward meeting its savings targets, PRIDCO must comply with the following requirements:

- Pursuant to Sections 104 and 203 of PROMESA, not later than 15 days after the last day of each quarter of a fiscal year (beginning with the fiscal year determined by the Oversight Board), PRIDCO shall submit to the Oversight Board a report, in such form as the Oversight Board may require, describing (1) the actual cash revenues, cash expenditures, and cash flows for the preceding quarter, as compared to the projected revenues, expenditures, and cash flows contained in the certified Budget for such preceding quarter; and (2) any other information requested by the Oversight Board.
- In conjunction with the reports that PRIDCO must submit to the Oversight Board, no later than 15 days after the last day of each quarter of FY2022, pursuant to Sections 104 and 203 of PROMESA, PRIDCO shall produce monthly performance reports, which shall be submitted to the Oversight Board on the 15th of each month, demonstrating the progress made on all key initiatives. Implementation reports should explicitly explain how budget-to-actuals reports tie to agency actions and reforms, and what is driving major discrepancies. These monthly reports shall include but not limited to: (1) headcount by regular and transitory with more details in specific agency cases, (2) budget to actuals by cost category and concept, (3) milestones progress, (4) KPIs/leading indicators, (5) achieved savings to date
- The Oversight Board must approve in writing, in advance, any reprogramming requests for any appropriations approved in PRIDCO's budget. 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.
- In addition, PRIDCO shall submit to the Oversight Board a monthly reporting package detailing capital expenditure spending by project including details for expenditures which have RFPs issued, which contracts have been awarded, and which are in process of execution.
- The reports required pursuant to this section are in addition to the reports that PRIDCO must submit to the Oversight Board in accordance with Section 203 of PROMESA.
- On or before July 31, 2021, PRIDCO shall provide to the Oversight Board budget projections of revenues and expenditures for each quarter of FY2022, which must be consistent with the corresponding budget certified by the Oversight Board (the "Quarterly Budget"). The Quarterly Budget shall be provided to the Oversight Board in Excel format and include detailed allocations by concept of spend. Together with the report that PRIDCO must provide under Sections 104 and 203 of PROMESA not later than 15 days after the last day of each quarter, PRIDCO shall provide a quarterly

variance analysis.

- If during the fiscal year PRIDCO fails to comply with the liquidity and budgetary savings measures required by this fiscal plan, the Oversight Board may take all necessary corrective action, including, but not limited to, the measures provided in Sections 203 of PROMESA.
- Pursuant to Section 204(b)(2) of PROMESA, the Oversight Board has maintained since November 6, 2017 a Contract Review Policy to require prior Oversight Board approval of certain contracts to assure that they "promote market competition" and "are not inconsistent with the approved fiscal plan." The Policy applies to any contract or series of related contracts, inclusive of any amendments, modifications or extensions, with an aggregate expected value of $10 million or more, that is proposed to be entered into by the Commonwealth (which includes the Executive, Legislative, and Judicial branches of government) or any covered instrumentality. In addition, the Oversight Board may select to review contracts below the $10 million threshold for these purposes, on a random basis or at its own discretion. Finally, in order to further ensure certain contracts promote market competition, the Oversight Board may require, at its own discretion, the Commonwealth or any covered instrumentality, to give it access to ongoing procurement processes for the execution of new contracts.
- Moreover, pursuant to Section 204(b)(4) of PROMESA, the Oversight Board has maintained since August 6, 2018 a Policy for the Review of Rules, Regulations, and Orders to be issued by the Executive Branch of the Commonwealth of Puerto Rico. This Policy is aimed at ensuring that certain rules, regulations, administrative orders, and executive orders proposed to be issued by the Governor (or the head of any department or agency) "are not inconsistent with the approved fiscal plan." The Policy requires prior Oversight Board approval of any rule, regulation, administrative order, or executive order that is proposed to be issued in connection with or that concerns financial aspects, or which has the potential to impact fiscal governance, accountability, or internal controls of the Commonwealth or any covered instrumentality under the most recently certified fiscal plan. The above implementation and fiscal controls requirements are important tools to ensure the Government can make meaningful progress towards achieving the goals of this fiscal plan.

Skills and knowhow transfer from consultants to public sector personnel

The lack of adequate human capital planning in the Government has led to the excessive delegation of critical responsibilities to government contractors and consultants. Contractors and consultants are often performing day-to-day planning and management functions within agencies, instead of being limited to temporary, short-term projects which do not require full time employment or other similar items. Additionally, agencies' pervasive reliance upon contractors for increasingly critical tasks can result in a lack of transparency of true government expenses. Professional services costs can exceed the cost of comparable full-time employees as contractors and consultants often have additional contractual remuneration and benefits (i.e., travel expenses) creating needless tension and budgetary shortfalls at the Commonwealth agencies. Consequently, the Commonwealth should work on reducing its professional services spending to enable the professionalization of the civil service and reduce the reliance on outside consultants. Starting in FY2022, professional consulting contracts should include provisions requiring adequate transfer of skills and technical knowledge, from consultants to pertinent public sector personnel to the extent that the contract reflects recurring work that could be done by appropriately trained government staff. Specifically, contracts must detail the functions carried out by consultants, as per their applicable Scopes of Work and establish clear plans to ensure that agencies create internal teams of appropriately trained and experienced employees to carry out such functions upon the expiration of consulting contracts. Additionally, agencies will need to establish clear expectations with consultants that internal knowledge transfer and technical training is a key priority. Therefore, shared responsibility and progress should be measured and monitored for the purposes of contract compliance and performance. Accordingly, agencies should strive to ensure that both the creation of internal teams and the transfer of knowledge to such teams are completed within the applicable timeframes of proposed contracts.

EXHIBIT 18: IMPLEMENTATION MILESTONES

Fiscal Plan Section	Action Category	Action Items	Deadline
4.6	Expired Lease Measure	Present to the Oversight Board a list of all leases that have been resigned through December 31, 2021 at the current rate card	January 31, 2022
6.1	Real Estate Information System	Present to the Oversight Board a workplan to implement an upgraded real estate information system	July 31, 2021
6.1	Real Estate Information System	Implementation of new system	TBD
6.2	Occupancy Process Optimization	Present to the Oversight Board a workplan to analyze or retain an adviser to review the leasing process	Complete
6.2	Occupancy Process Optimization	Engage Advisor for analysis of the current leasing process optimization from prospect to closing to measure cycle times, identify inefficiencies, and compare to benchmarks	July 31, 2021
6.2	Occupancy Process Optimization	Present a proposed lease template for review by the Oversight Board	July 31, 2021
6.2	Occupancy Process Optimization	Present to the Oversight Board initiatives relating to improving the occupancy process and addressing inefficiencies	July 31, 2021
6.3	Capex Reserve Study	Present to the Oversight Board a workplan to analyze or retain an adviser to review capital spending needs	Complete
6.3	Capex Reserve Study	Notify the Oversight Board that a Capex Reserve Fund has been established, funded, and unused	June 30, 2021
6.3	Capex Reserve Study	Present analysis to the Oversight Board including long term maintenance and growth capex needs and development of a long-term	August 31, 2021

		funding plan	
6.3	Capex Reserve Study	Present list of projects for investment during FY2022 and supporting documentation for use of Capex Reserve Fund	August 31, 2021
6.3	Capex Reserve Study	Present analysis to the Oversight Board the results and conclusions of the expanded study	December 31, 2021
6.4	Outsourcing of Asset Management	Present to the Oversight Board with scope of options to evaluate outsourcing asset management	Complete
6.4	Outsourcing of Asset Management	Present the Oversight Board results of outsourcing feasibility study	August 31, 2021
6.5	Privatization Evaluation	Present to the Oversight Board with scope of options to evaluate privatization	June 30, 2021
6.5	Privatization Evaluation	Present the Oversight Board results of privatization feasibility study	October 31, 2021
6.6	Divestment Non-Rentable Properties	Present to the Oversight Board with scope of options to evaluate the divestment of non-rentable properties	Complete
6.6	Divestment Non-Rentable Properties	Present the Oversight Board results of the divestment of non-rentable properties study	August 31, 2021
6.6	Divestment Non-Rentable Properties	Present to the Oversight Board a determination of the time and cost estimated to be incurred prior to next occupancy	August 31, 2021
6.6	Divestment Non-Rentable Properties	Present to Oversight Board monthly status update on sales process (pipeline and non-rentable condition report)	September 30, 2021

Chapter 8. DEBT SUSTAINABILITY ANALYSIS

The consolidated financial debt at PRIDCO, as of March 2021, totals approximately $247 million, including

- $150 million (excluding accrued, unpaid interest) of the Revenue Bonds
- $53.0 million (excluding accrued, unpaid interest) in loans owed to the GDB-DRA; and,
- $43.6 million in mortgages for PRIICO, a not-for-profit corporation whose only member is PRIDCO.

PRIDCO is forecasting a cumulative post-measures surplus of $17.9 million from FY2022 through FY2026, excluding payment of debt service.

An evaluation of sustainable debt capacity, prior to the completion of the Capex Reserve Study, is premature considering the potential magnitude of those expenditures and the associated impact on the fiscal plan forecast.

Exhibit 19 estimates the implied sustainable debt capacity based on a range of unlevered cash flows and interest rates assuming a 30-year term and level debt service. For purposes of this illustration, the implied debt capacity is calculated to 1.0x coverage to the assumed annual cash flows. For example, $7.5 million in annual free cash flow would imply $93.1 million in total debt capacity assuming a 7% interest rate.

EXHIBIT 19: IMPLIED DEBT CAPACITY ($ IN MILLIONS)

Period		**Perpetual**		
Annual Cash Flow		$5.0	$7.5	$10.0
Interest Rate Range	5.0%	$76.9	$115.3	$153.7
	7.0%	62.1	93.1	124.1
	9.0%	51.4	77.1	102.7

Given that the fiscal plan only covers a five-year period, the Implied Debt Capacity Analysis shall not be viewed as the sustainable debt for PRIDCO. Rather, the Implied Debt Capacity Analysis presents the following general conclusions:

- The more cash flows available, the more debt that is sustainable.
- The shorter or longer the period in which cash flows are available to repay debt, the less or more debt capacity there will be.

Appendix 1. Detailed five-year baseline model

Fiscal Year Ended June 30:	2021	2022	2023	2024	2025	2026	FY22-FY26
Operating Revenue							
Trusteed Properties Rent	$37,184	$37,474	$37,544	$37,664	$37,740	$37,849	$188,271
Non-Trusteed Properties Rent	12,916	12,323	13,524	13,539	13,589	13,611	66,586
PRIICO Rent	12,325	10,148	4,423	4,423	4,423	4,423	27,840
Non-Collection / Delinquency	(4,509)	(4,482)	(4,596)	(4,608)	(4,620)	(4,631)	(22,937)
Rate Card improvement	-	-	-	-	-	-	-
COVID-19 Impact	-	-	-	-	-	-	-
Net Rental Income	**57,916**	**55,464**	**50,895**	**51,018**	**51,133**	**51,251**	**259,761**
Non - Operating Revenues							
Proceeds on Sale of Properties	10,000	5,000	2,350	2,350	2,350	2,350	14,400
Other (Interest Income/Other Funds)	2,487	2,514	2,547	2,584	2,623	2,663	12,931
Other Income	**12,487**	**7,514**	**4,897**	**4,934**	**4,973**	**5,013**	**27,331**
Total Revenues (Net)	**70,403**	**62,979**	**55,792**	**55,952**	**56,105**	**56,263**	**287,092**
Operating Expenses							
Payroll	(8,995)	(5,367)	(5,438)	(5,516)	(5,598)	(5,683)	(27,603)
PayGo	(14,937)	(15,017)	(14,770)	(14,617)	(14,435)	(14,203)	(73,042)
Facilities and Payment for Public Services	(1,890)	(1,517)	(1,537)	(1,559)	(1,582)	(1,606)	(7,802)
Purchased Services - Maintenance	(2,544)	(4,919)	(4,799)	(4,842)	(4,886)	(4,932)	(24,378)
Purchased Services - Insurance	(5,000)	(5,100)	(5,167)	(5,242)	(5,320)	(5,401)	(26,229)
Purchased Services - Other	(1,798)	(1,092)	(1,106)	(1,122)	(1,139)	(1,156)	(5,616)
Donations, Subsidies and Other Distributions	(7)	(6)	(6)	(6)	(6)	(6)	(30)
Transportation Expenses	(294)	(189)	(191)	(194)	(197)	(200)	(972)
Professional Services	(3,829)	(2,325)	(2,355)	(2,389)	(2,425)	(2,462)	(11,956)
Materials and Supplies	(250)	(24)	(24)	(25)	(25)	(25)	(123)
Advertising and media expenses	(245)	(226)	(226)	(226)	(226)	(226)	(1,130)
Equipment Purchase	(879)	(30)	(30)	(31)	(31)	(32)	(154)
Other Expenses	(985)	(722)	(732)	(742)	(753)	(765)	(3,714)
DDEC Fee	(2,900)	(10,659)	(9,785)	(8,898)	(8,010)	(7,226)	(44,578)
Total Operating Expenses	**(44,552)**	**(47,192)**	**(46,168)**	**(45,409)**	**(44,635)**	**(43,924)**	**(227,328)**
Non-Operating Expenses							
Capex	(14,955)	(4,000)	(3,738)	(3,747)	(3,755)	(3,764)	(19,005)
PRIICO Mortgage Payments	(12,325)	(10,148)	(4,423)	(4,423)	(4,423)	(4,423)	(27,840)
PayGo Liability Payment Plan	(1,931)	(1,931)	(1,931)	(1,931)	(1,931)	(322)	(8,045)
Total Non-Operating Expenses	**(29,210)**	**(16,079)**	**(10,092)**	**(10,101)**	**(10,109)**	**(8,509)**	**(54,889)**
Total Expenses	**(73,763)**	**(63,271)**	**(56,259)**	**(55,510)**	**(54,744)**	**(52,433)**	**(282,218)**
Surplus / (Deficit)	**($3,360)**	**($293)**	**($467)**	**$442**	**$1,361**	**$3,831**	**$4,874**

Appendix 2. Detailed five-year post-measures model

Fiscal Year Ended June 30:	2021	2022	2023	2024	2025	2026	FY22-FY26
Operating Revenue							
Trusteed Properties Rent	$37,184	$37,474	$37,544	$37,664	$37,740	$37,849	$188,271
Non-Trusteed Properties Rent	12,916	12,323	13,524	13,539	13,589	13,611	66,586
PRIICO Rent	12,325	10,148	4,423	4,423	4,423	4,423	27,840
Non-Collection / Delinquency	(4,509)	(4,233)	(4,085)	(3,840)	(3,593)	(3,602)	(19,354)
Rate card Improvement	-	498	995	995	995	995	4,478
COVID-19 Impact	-	-	-	-	-	-	-
Net Rental Income	**57,916**	**56,211**	**52,400**	**52,781**	**53,154**	**53,275**	**267,822**
Non - Operating Revenues							
Proceeds on Sale of Properties	10,000	5,000	2,350	2,350	2,350	2,350	14,400
Other (Interest Income/Other Funds)	2,487	2,514	2,547	2,584	2,623	2,663	12,931
Other Income	**12,487**	**7,514**	**4,897**	**4,934**	**4,973**	**5,013**	**27,331**
Total Revenues (Net)	**70,403**	**63,725**	**57,298**	**57,715**	**58,127**	**58,288**	**295,153**
Operating Expenses							
Payroll	(8,623)	(5,433)	(6,020)	(6,127)	(6,205)	(6,284)	(30,069)
PayGo	(14,937)	(15,017)	(13,787)	(13,645)	(13,477)	(13,263)	(69,188)
Facilities and Payment for Public Services	(1,890)	(1,517)	(1,537)	(1,559)	(1,582)	(1,606)	(7,802)
Purchased Services - Maintenance	(2,544)	(4,919)	(4,799)	(4,842)	(4,886)	(4,932)	(24,378)
Purchased Services - Insurance	(5,000)	(5,100)	(5,167)	(5,242)	(5,320)	(5,401)	(26,229)
Purchased Services - Other	(1,798)	(1,092)	(1,106)	(1,122)	(1,139)	(1,156)	(5,616)
Donations, Subsidies and Other Distributions	(7)	(6)	(6)	(6)	(6)	(6)	(30)
Transportation Expenses	(294)	(189)	(191)	(194)	(197)	(200)	(972)
Professional Services	(3,829)	(2,325)	(2,355)	(2,389)	(2,425)	(2,462)	(11,956)
Materials and Supplies	(250)	(24)	(24)	(25)	(25)	(25)	(123)
Advertising and media expenses	(245)	(226)	(226)	(226)	(226)	(226)	(1,130)
Equipment Purchase	(879)	(30)	(30)	(31)	(31)	(32)	(154)
Other Expenses	(985)	(722)	(732)	(742)	(753)	(765)	(3,714)
DDEC Fee	(2,900)	(9,785)	(8,898)	(8,010)	(7,118)	(7,226)	(41,037)
Total Operating Expenses	**(44,181)**	**(46,384)**	**(44,879)**	**(44,161)**	**(43,392)**	**(43,585)**	**(222,400)**
Non-Operating Expenses							
Capex	(14,955)	(4,000)	(3,738)	(3,747)	(3,755)	(3,764)	(19,005)
PRIICO Mortgage Payments	(12,325)	(10,148)	(4,423)	(4,423)	(4,423)	(4,423)	(27,840)
PayGo Liability Payment Plan	(1,931)	(1,931)	(1,931)	(1,931)	(1,931)	(322)	(8,045)
Total Non-Operating Expenses	**(29,210)**	**(16,079)**	**(10,092)**	**(10,101)**	**(10,109)**	**(8,509)**	**(54,889)**
Total Expenses	**(73,391)**	**(62,464)**	**(54,971)**	**(54,261)**	**(53,501)**	**(52,093)**	**(277,289)**
Surplus / (Deficit)	**($2,988)**	**$1,261**	**$2,327**	**$3,454**	**$4,627**	**$6,194**	**$17,863**