



# Puerto Rico: Staying the course, changing our future...

*Fiscal Progress Update and Infrastructure P3 Roundtable*

**Luis G. Fortuño**  
Governor of Puerto Rico

March 24, 2011  
New York City

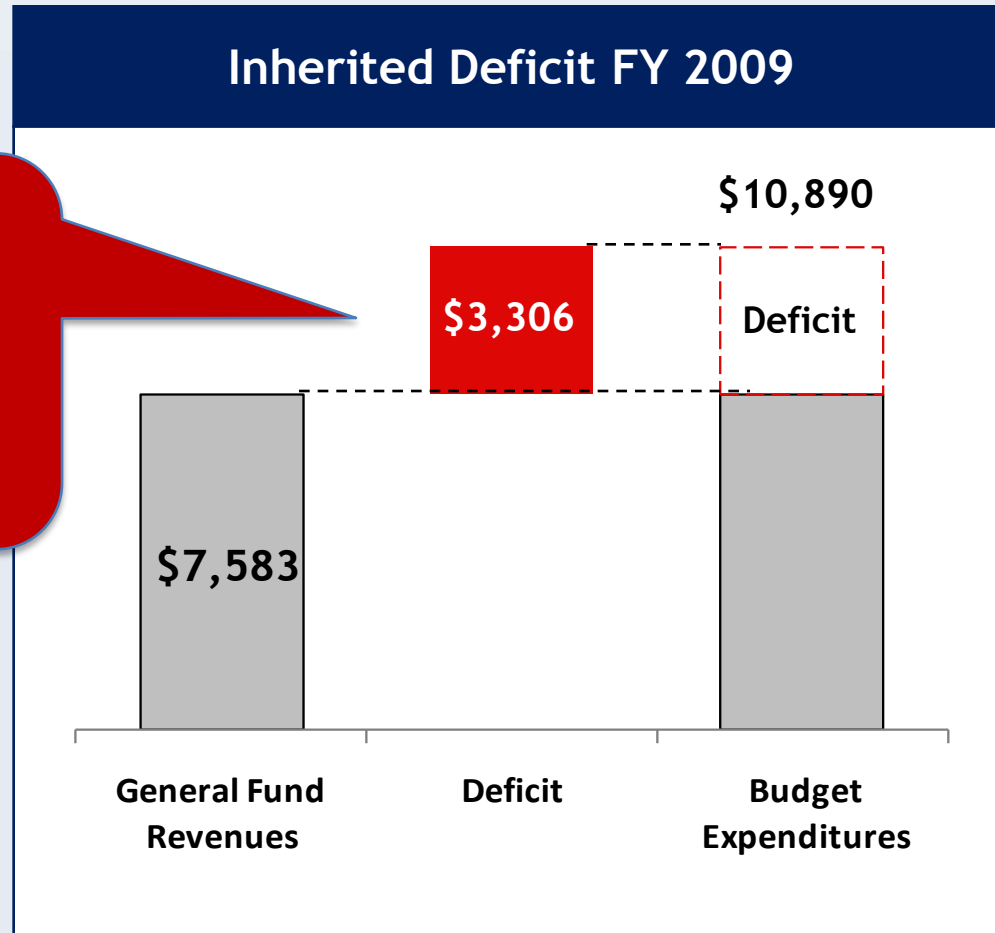


**What we faced...**



# A Government without expense controls, facing a \$3.3 billion deficit

(in \$ millions)





**What we did...**



# What we did...

60 days prior

## Pre-government Inauguration

Governor elected;  
Names Private Sector  
Advisory Council

Advisory Council  
Report; public and  
media out-reach about  
the crisis

Rating Agencies Visit

Inauguration

Nov

Dec

Jan

2008

First 90 days

## Planning and Legislation

Executive Order #1&4: Declares  
State of Fiscal Emergency

Approval of 4 laws to reestablish  
cash for central government

Fiscal and Economic  
Reconstruction Plan  
designed

Act 7 approved:  
Fiscal Emergency  
Act

Jan

Feb

Mar

2009

First 2 years

## Implementation

Establishment of Fiscal  
Restructuring and  
Stabilization Board

Government workforce  
reduction by 17,000  
employees

Moody's upgrades - A3

S&P assigns  
positive outlook

Mar

Sept

Apr

Nov

2010



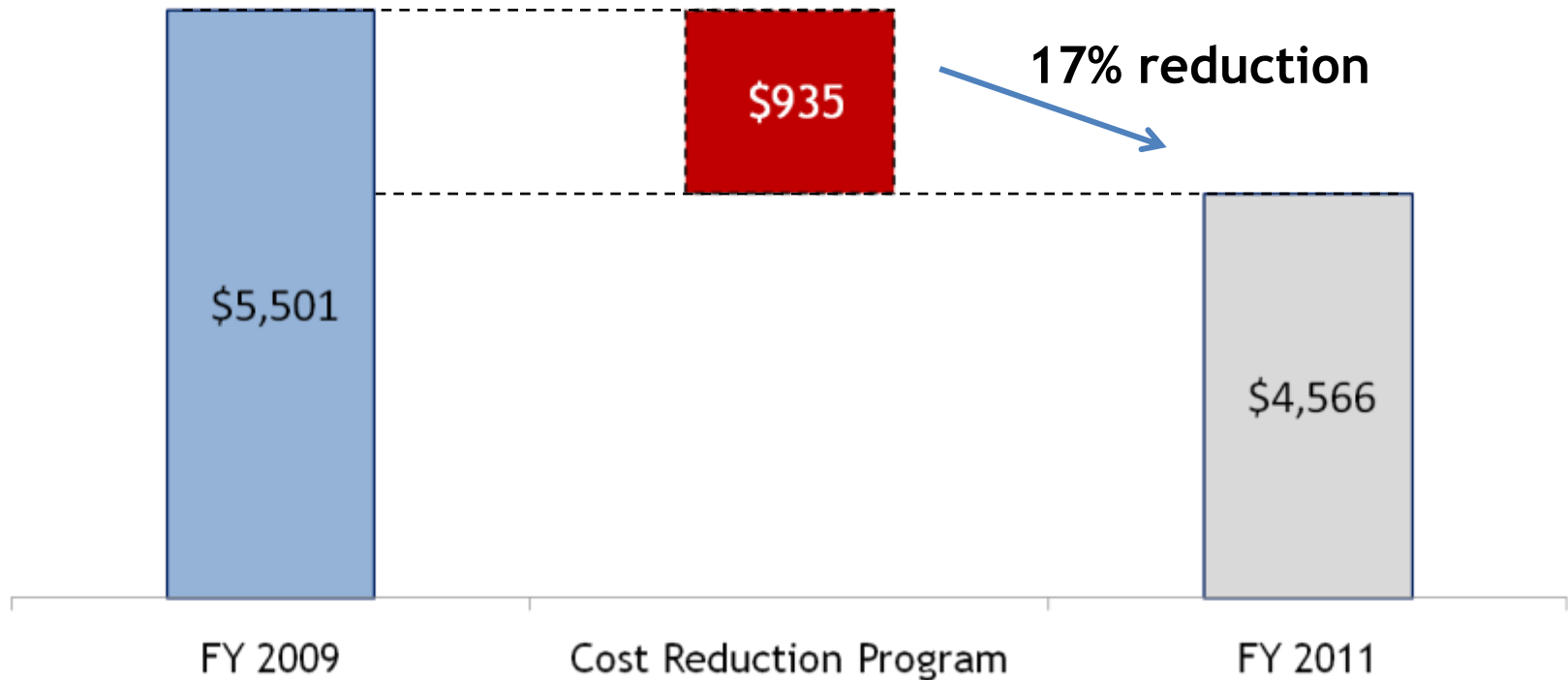
**Results...**



We have achieved significant savings, reducing payroll expenses by \$935 million or 17% of total government payroll

## Central Government Payroll

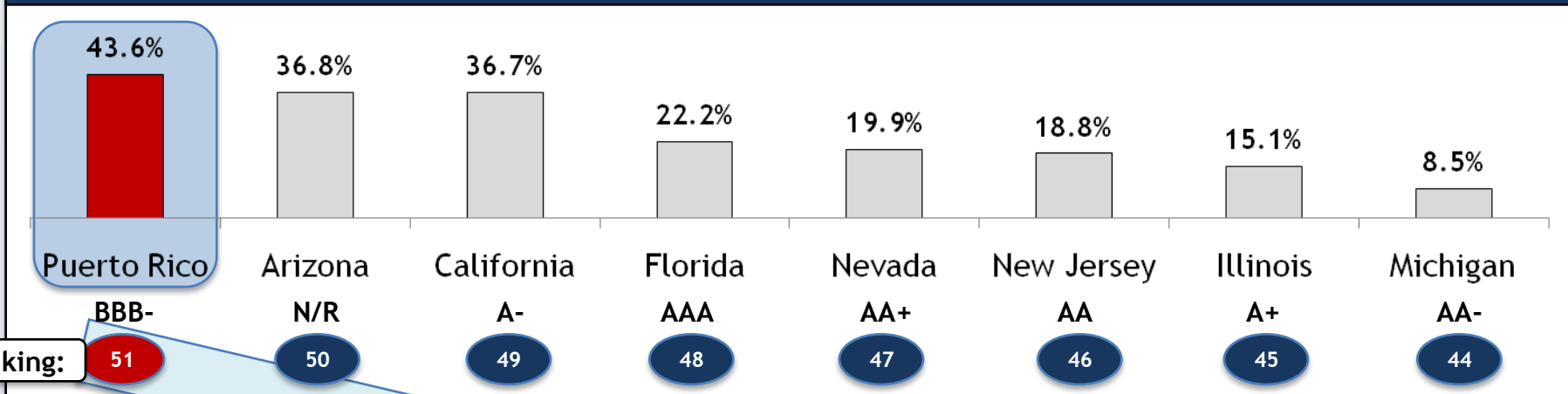
(in \$ millions)



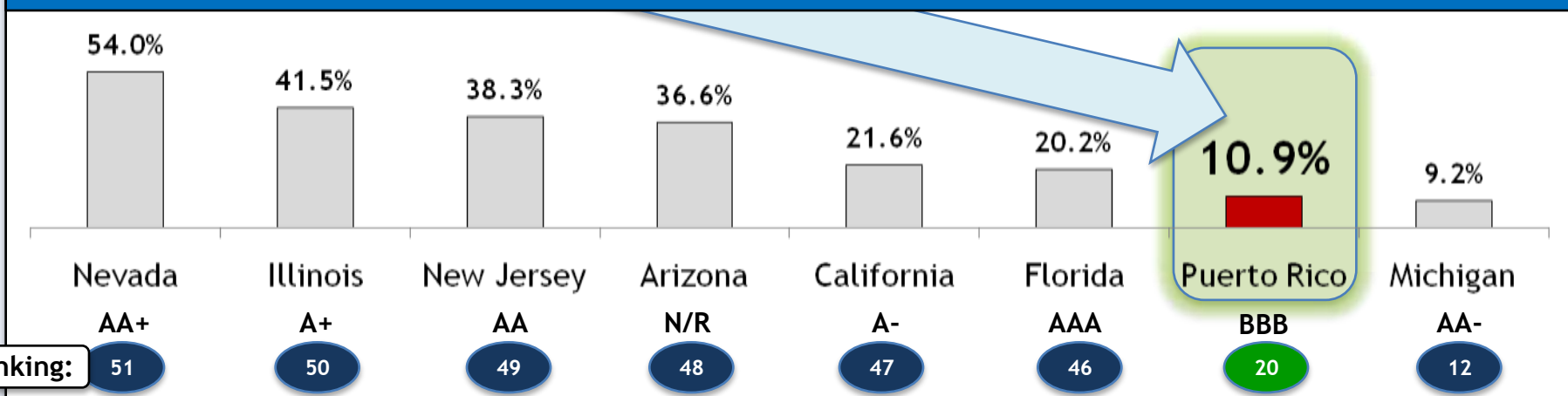


...in 24 months, we have achieved unparalleled fiscal improvement, reducing our deficit from 43.6% to 10.9% as a percent of revenues

### Deficit as a % of Revenues for FY 2008-2009



### Budgeted deficit as a % of Revenues for FY 2010-2011

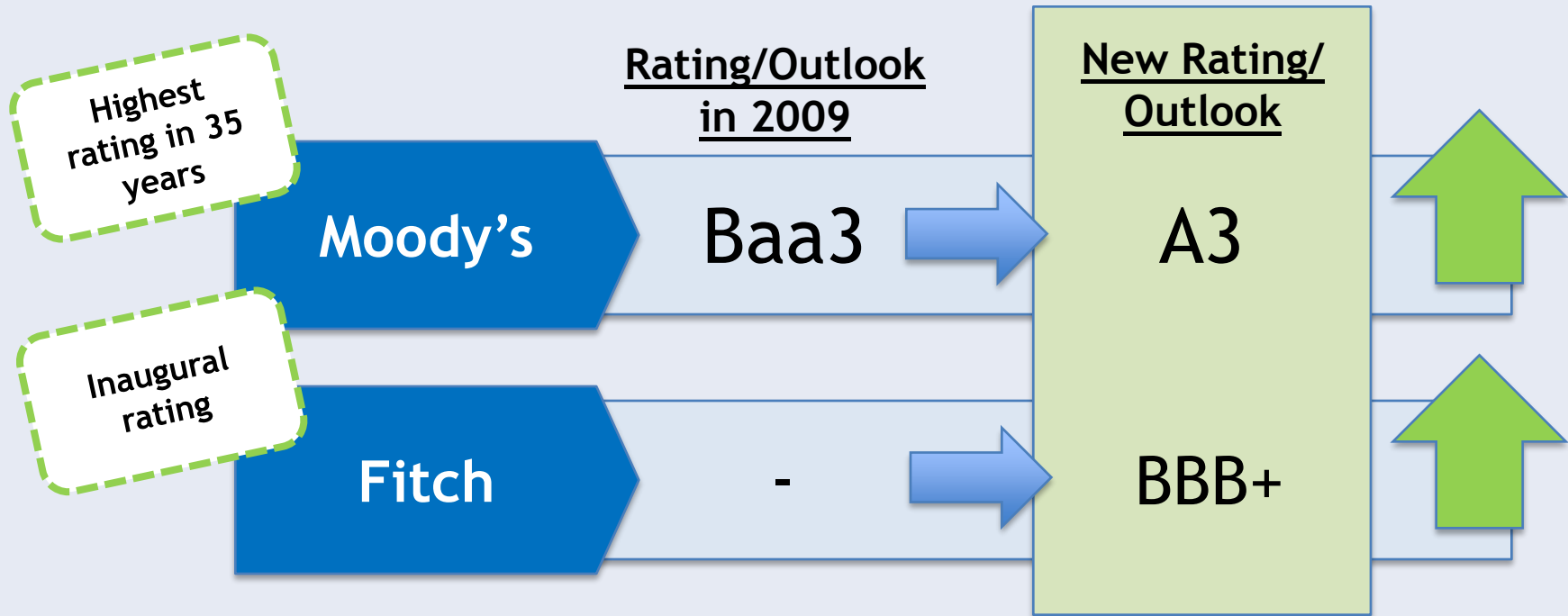






# Major credit rating agencies have recognized our fiscal progress with positive ratings

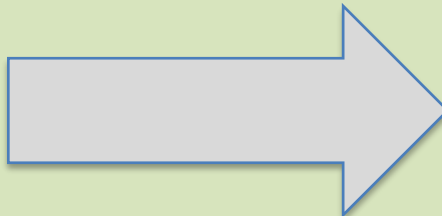
## Improvement in Credit Rating:





More recently, as a result of the continued progress of Puerto Rico's Fiscal and Economic Reconstruction Plan, Standard & Poor's has recognized again the concrete results with the first credit rating UPGRADE in the history of Puerto Rico...

**BBB-**  
(positive)



**BBB**  
(stable)

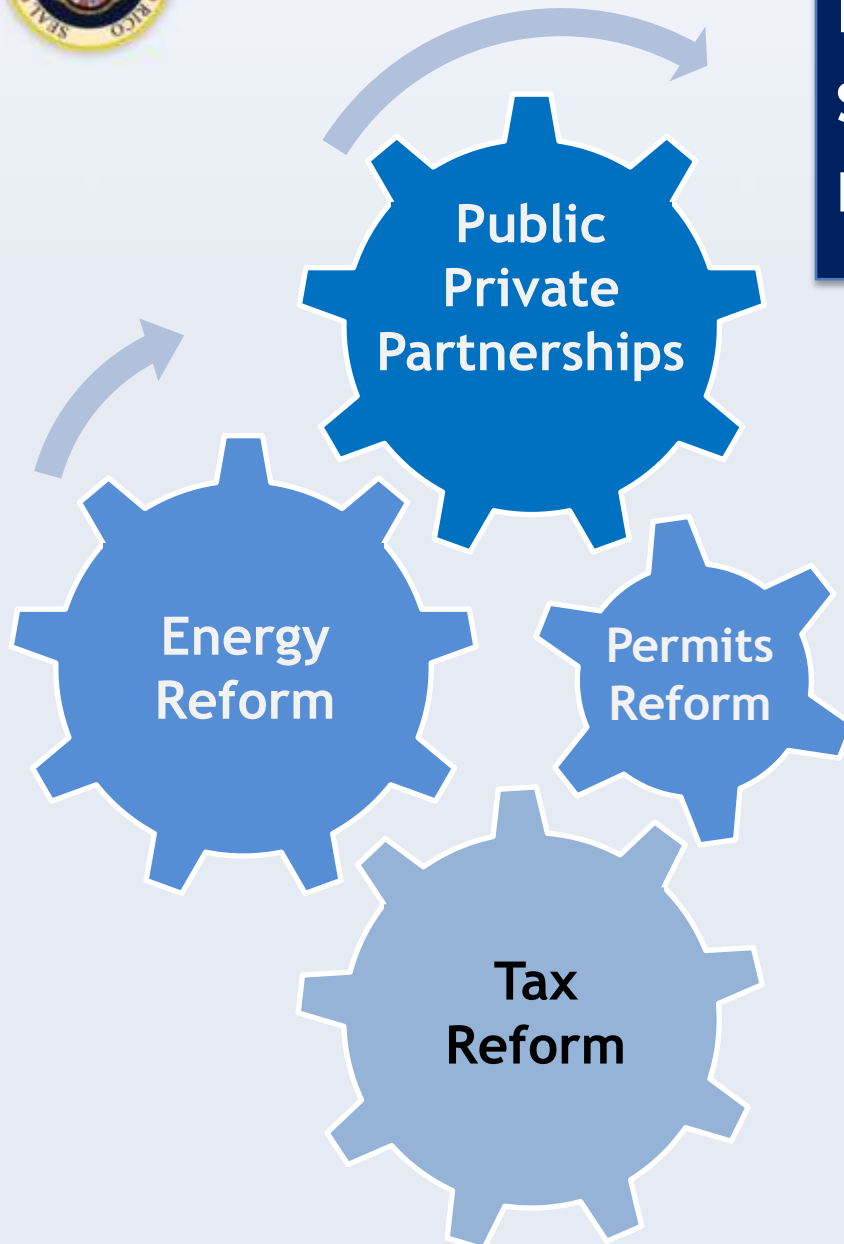
First S&P UPGRADE in  
U.S. since 2009  
(Louisiana)



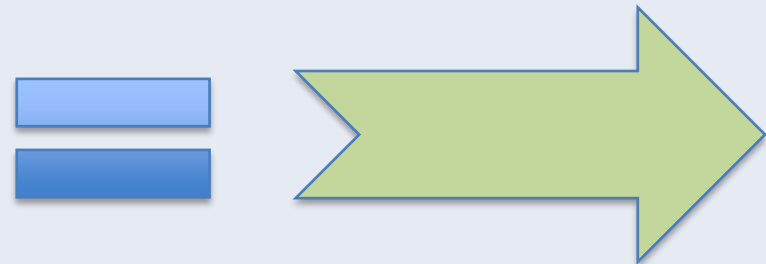
# Pro-Growth Reforms and P3s...



**Puerto Rico is heading full steam ahead to economic recovery...**



**We have embraced Public Private Partnerships and have developed a full P3 Program**





# First Social Infrastructure PPP project in Puerto Rico

- \$750 million in investment.
- Design-Build-Maintenance delivery procurement.
- Faster delivery and savings for the Government.
- Transform 100 public schools.
- Wide support for PPP schools program.

## Schools for 21<sup>st</sup> Century





# System Wide Toll Roads P3 Program

- Improve the mobility for citizens and goods.
- Reach financial close of inaugural brownfield transaction: PR-22 and PR-5.
- Continue with other toll road projects after first successful transaction.

## PR-22 Toll Road







# The concession of the Airport is a Transformative Project for PR

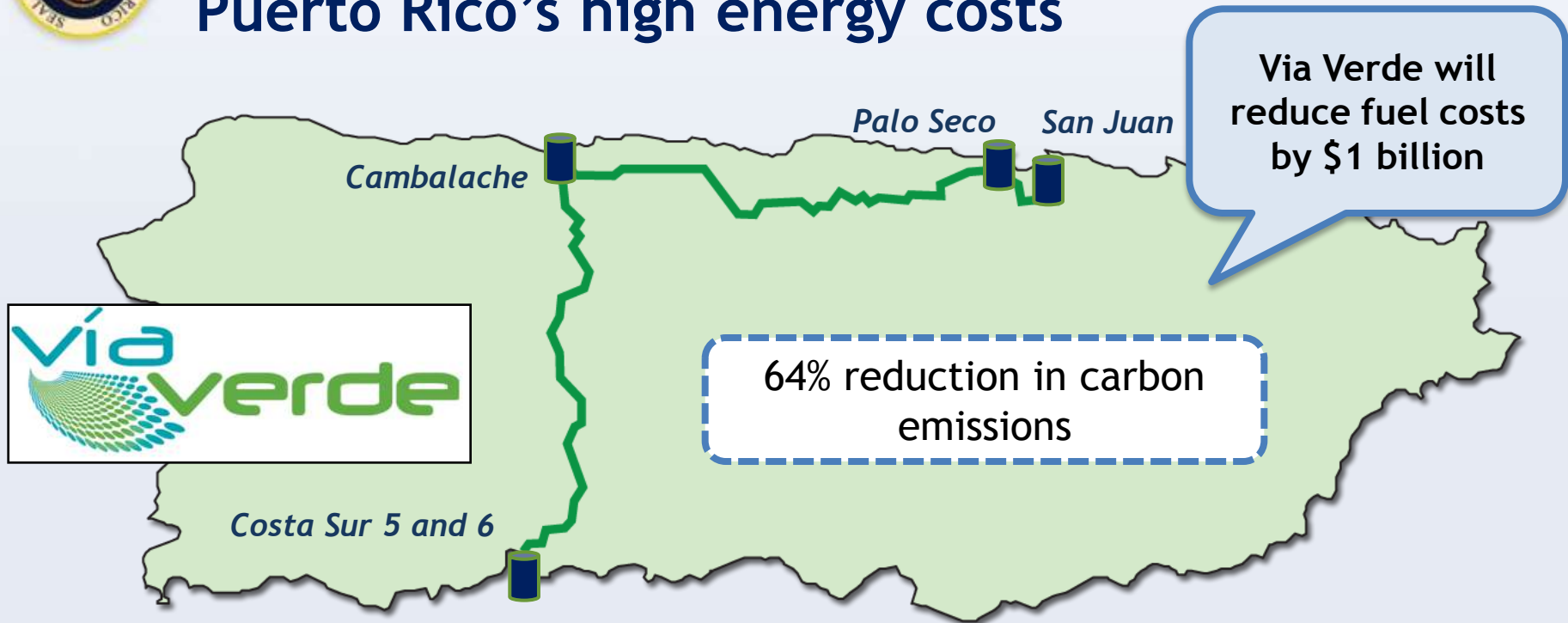
- Improve PR's connection to the rest of the world.
- The full concession of the LMM airport is a major economic development measure for Puerto Rico.
- A PPP will take the airport to a next level.

## Luis Muñoz Marín International Airport





# Comprehensive energy strategy to address Puerto Rico's high energy costs



In addition, over \$1 billion in potential private sector investment in renewable energy projects:

SOLAR



WASTE-TO-ENERGY



WIND







# Reduction of maximum corporate tax rate to 25% to promote investment and job creation

**ACTUAL**

Maximum Rate:

**41%**

**New Tax Reform**

30% as of year 2011

**Maximum Rate  
starting in 2014:**

**25%**



# We will achieve tax relief in a fiscally responsible manner

- The tax relief approved for tax years 2014, 2015 and 2016 will be implemented if these three tests are met:

Tests	
1	Revenues Certification: Treasury Department
2	Expense Control Certification: Office of Management and Budget
3	Economy (Real Gross Product Growth) Certification: Planning Board

- 1% of the budget in 2014 and 1.5% in 2015 and 2016 will be deposited into a fiscal reserve fund



# Progress is clear and compelling

## FISCAL

Deficit as a % of revenues

**FY 2009 / 2010**

43.6%

**FY 2011**

10.9%

Credit Rating

Moody's: Baa3 (stable)  
Fitch: N/R  
S&P: BBB- (stable)

Moody's: A3 (negative)  
Fitch: BBB+ (stable)  
S&P: BBB (stable)

Financing Cost  
(G.O. bond spread)

2.36%

0.70%

## ECONOMIC

Unemployment Rate

16.9%

15.7%

Year-over-year change in  
Economic Activity Index

-6.1%

-2.6%

YOY change in private  
employment

-5.9%

-0.5%

YOY change in service  
sector employment

-0.6%

2.4%



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