



January 19, 2011

# **GOVERNMENT OF PUERTO RICO**

## **Cash Flow**

### **Fiscal Year 2010-2011**

**As of December 31, 2010**

#### *Disclaimer*

The Cash Flow Projection of the Government of Puerto Rico for Fiscal Year 2010-2011 includes all government receipts, including general fund revenues as well as other collections that do not impact the general fund and is based on currently available information and expectations of the Department of the Treasury and Government Development Bank for Puerto Rico, and is subject to risks and uncertainties. Actual cash flow of the Government of Puerto Rico for the Fiscal Year 2010-2011 may vary from those set forth in the published projection. The Government of Puerto Rico, the Department of the Treasury and Government Development Bank for Puerto Rico do not undertake to update its projection to reflect the impact of circumstances or events that may arise after the date of publication.



# Government of Puerto Rico

## Cash Flow

### Fiscal Year 2010-2011

As of December 31, 2010

#### Cash Flow Summary for the quarter ended December 31, 2010:

- Collections and receipts for the 3-month period ended December 31, 2010 increased by \$201 MM or 6.3% compared to estimates mainly due to anticipated collections during the period such as:
  - Earlier than anticipated reimbursements from the Retirement System as well as federal funds.
- Expenses decreased by 8.4% when compared with the quarter ended on December 31, 2009 mainly as a result of a reduction of payroll expenses.
  - When compared with the previously published cash flow projection of 9/30/2010, expenses were in line, decreasing 1.5%.
- There was a reduction of \$50MM or 6.1% in the drawing of Stabilization Funds when compared to estimates.
- Ending cash balance of \$401 MM was significantly higher than the \$86 MM projected in the previously published cash flow projection of 9/30/2010 mainly due to the receipt on Dec. 31st of \$126 million in federal funds and \$97 million of deposit for the payment of debt service scheduled for January 3<sup>rd</sup>.



# Government of Puerto Rico

## Cash Flow

### Fiscal Year 2010-2011

As of December 31, 2010

(in \$ millions)	ACTUAL					
	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
Beginning Balance	87	112	(11)	125	91	65
Collection and Receipts	852	660	1,221	943	1,116	1,318
Expenses Incl. Debt Service	1,032	1,142	1,379	1,127	1,396	1,114
Total Financing Activity	193	363	144	(78)	(108)	(39)
Total Stabilization Funds**	12	(4)	149	228	362	172
<b>Ending Cash Balance</b>	<b>112</b>	<b>(11)</b>	<b>125</b>	<b>91</b>	<b>65</b>	<b>401</b>

On August 31, 2010, due to the passing of Hurricane Earl, banking operations were closed down before certain transactions were completed. These transactions amounted to \$141 million, which would have resulted in final actual balance as of August 31<sup>st</sup> of \$130 million instead of \$(11) million. Although the transactions were requested as of August 31<sup>st</sup>, they were effective on September 1<sup>st</sup>.

On December 31, 2010 due to the observance of New Year's Eve, government operations were closed. The ending balance was higher than expected due to the receipt on Dec. 31<sup>st</sup> of \$126 million in federal funds and \$97 million of liquidated investments for the payment of debt scheduled for January 3<sup>rd</sup>.

\* These numbers are preliminary and subject to change upon FY2010 audit. Some numbers may differ due to rounding. As of 12/31/2010.

\*\* Total Stabilization Funds include ARRA funds.

Source: Department of the Treasury and Government Development Bank for Puerto Rico



During the month of November 2010, Gov. Fortuño presented the most comprehensive tax reform in the history of Puerto Rico. Due to the changes presented in the tax reform, the Treasury Department is currently reviewing the estimates of revenues for fiscal year 2011. Once the Treasury has finished reviewing the revenues, the cash flow projection for the 6-month period of January to June 2011 will be posted. As explained by the GDB in its investors webcast on November 2010, said tax reform is anticipated to be revenue positive.



# Cash Flow Line Item Description

Line Item	Description
<b>Collections and Receipts</b>	Includes all revenues collected by the Department Treasury, including, but not limited to, internal revenues, such as income taxes, employee withholding taxes (net of refunds), sales and use taxes, among others. Also includes collections that are received by the Department of Treasury that are not part of the General Fund, such as vehicle licenses, traffic tickets and other fines and mandatory car insurance. Federal transfer payments, federal reimbursement for excise taxes on rum shipments and transfers and reimbursements from other government agencies are also included, among others. In addition, it includes reconstruction plan initiatives to increase revenues already implemented.
<b>Expenses Including Debt Service</b>	Includes disbursements of government and federal program expenses, including payroll, payments to suppliers and other agencies, such as the government health insurance program (ASES, by its Spanish acronym), and legislative appropriations, among others. Also includes reimbursements of revenue collections that are not part of the General Fund, such as motor vehicle mandatory insurance premiums, motor vehicle accident compensation fees, vehicle licenses fees, traffic tickets and other fines. In addition, it includes reconstruction plan initiatives to reduce operating expenses already implemented.
<b>Total Financing Activity</b>	Includes financial transactions such as interim credit lines, bond issuances, tax anticipation notes and other financing transactions between the Treasury Department and the GDB.
<b>Total Stabilization Funds</b>	Includes funds received from the 2010 COFINA bond issue to cover operating expenses of Fiscal Year 2011 and \$231 MM from State Fiscal Stabilization Funds (ARRA).