



Restoring Investment in Infrastructure in Puerto Rico

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GOVERNMENT OF PUERTO RICO
Puerto Rico Public-Private Partnerships Authority

Executive Summary

The Infrastructure Challenge

- Infrastructure is central to economic development and productivity plus it is a catalytic of economic activity.
- The Government has taken swift steps to facilitate infrastructure investment but non-traditional approaches will be needed.
- Puerto Rico has an advanced P3 framework than can be maximized to achieve remarkable results such as LMM P3 and PR-22/5 projects.

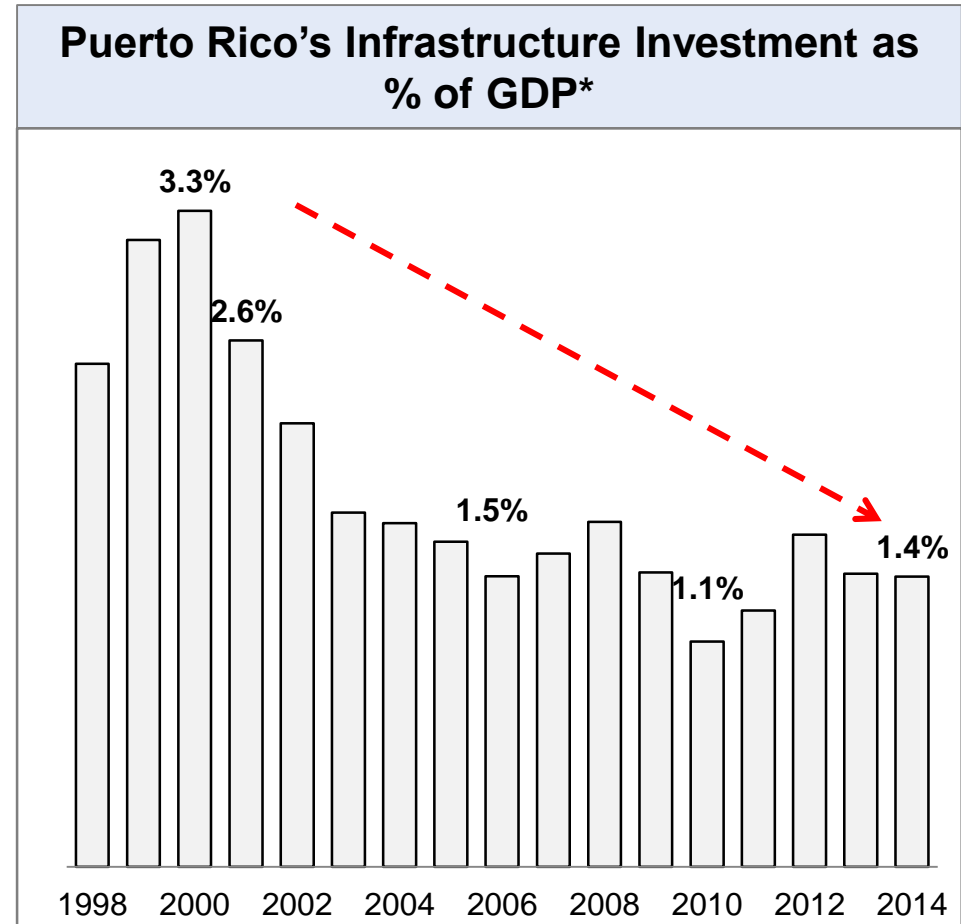
Infrastructure Execution Plan

- Government has put together a coordinated effort to restore investment in infrastructure.
- P3 projects represent over \$5.0 billion in infrastructure investment and include Critical Projects and other transformative projects.
- Collaboration with Oversight Board advisor have began and expect to be productive.
- The Government feels optimistic about the infrastructure goals as long as support and collaboration remain in place.

Investment in infrastructure has declined and requires action and a new approach

Heavy reliance in public funds have inhibited Government to sustain higher levels of infrastructure investment:

- The present level of infrastructure investment is correlated with recession levels in the economy.
- Estimates indicate that Puerto Rico needs between \$1.0-\$1.6 billion in annual infrastructure investment in order to achieve 2%-3% GDP. Swift action is required.
- A new approach incorporates private participation in infrastructure and services as complementary source of funds and management.



Source: Puerto Rico Planning Board.

*Selected Statistics from Construction Industry publication Table #1 (sum of Public and Private Installation Projects).

A highly complementary approach for infrastructure that is contained in Fiscal Plan

A consolidated and concerted approach that seeks to advance traditional delivery projects, emphasize in procurement/contracting efficiencies and maximize P3s.

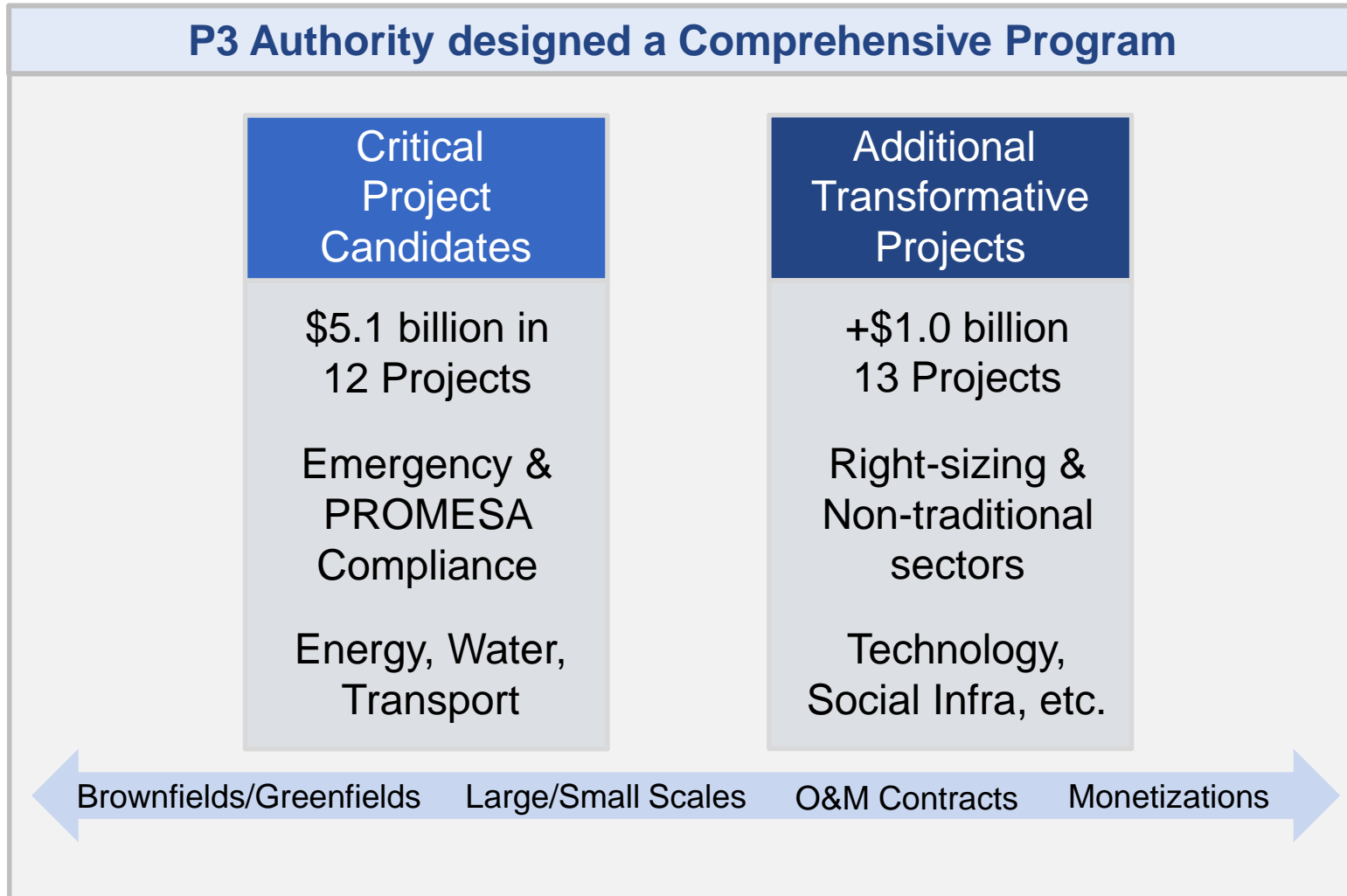


- Small projects
- Regular maintenance
- Non-P3 Projects

- Procurement efficiencies
- Concerted efforts in project identification.
- Removal of non-essential projects

- Robust P3 program
- Diverse application of P3 delivery
- Critical infrastructure and certain services

A comprehensive P3 program aligned and supportive of the Fiscal Plan objectives



\$5bn in Critical Project candidates and 100k jobs in the initial years of Fiscal Plan

Illustrative priority project to be advanced	Alignment with Puerto Rico strategic infrastructure priorities & declared emergencies	Capital improvement investment, \$MM ¹	Total jobs created ²
Mid-Size Waste Compost Plant	Addresses critical waste management crisis in Puerto Rico, where 20 out of 26 landfills are non-compliant with EPA regulations and will close; to serve as pilot/model for other new projects	7.0	158
Resource Recovery Plant	Privately developed, state-of-the-art RRF/ waste to energy project with advanced permit approvals that addresses both solid waste management compliance and base load power supply in the North	1,010	~21,000 ³
Non-Revenue Water & Metering	Project to replace most of the aged metering across the island with advanced meters, to increase compliance and improve collections/increase revenues at PRASA	400	~9,000
New Renewable Energy Projects ⁴	Addresses need for new power generation; supports mandate for 600 MW of new renewable energy capacity, with included projects representing >350 MW	750	2,588
Alternate Fuel Source Facility Northern Region	Contemplated as part of PREPA interim integrated resource plan and fiscal plan to support new compliant/efficient power generation facilities near demand centers	369	8,303
Update and Operate Property Collection System	IT platform and operation to enable efficient/effective collection of municipal property taxes	21	473
Monetize Certain Toll Roads	Potential concessions for private operation and maintenance of currently tolled highways	400	~9,000
UPR Student Life / Capital Projects	Construction & refurbishment of student housing and upgrade of UPR facilities to meet the needs for student life & housing at key UPR and improved UPR facilities (Rio Piedras / Mayaguez campuses)	175	3,938
New Medical Center & Psychiatric Hospital	Modernize, upgrade and increase capacity of existing Centro Medico healthcare facility and surrounding healthcare ecosystem	175	3,938
Natural Gas Plant Costa Sur	Addresses critical power generation need – on a compliant, efficient and stable basis	265	5,967
Extension of PR-22	Upgrade / extension of highway system from Hatillo to Aguadilla	750	16,875
Natural Gas Plant Aguirre	Addresses critical power generation need – on a compliant, efficient and stable basis	796	17,901

¹ All-in capital cost including development, construction, finance over 10-year period (unless otherwise noted); Government's preliminary estimates for average private capital investments based on existing feasibility reports, preliminary project documents, historical investment levels, previous procurement attempts and considerations from P3 Authority, government transition documentations, and Government budgets as presented to the Office of Management and Budget and public records. ² Direct, indirect & induced over 10-year period, based on Puerto Rico's Planning Board methodology; construction period only (unless otherwise noted) ³ Includes operations jobs using equivalent construction jobs methodology, assuming 3-year construction period ⁴ Includes distributed power and utility scale projects

~\$5.1B
investment

~100K
jobs

Project sequencing has been developed in order to account for potential challenges

Key Considerations in the Overall Project Approach

- A project sequencing has been designed to have an effective progression of projects and avoid major “hiccups” in the advancement of projects. Therefore, the progression goes from “easy” to difficult projects.
- The project progression/advancement is designed to occur in three years (2017, 2018 and 2019) leaving 2020 mainly focused on managing and finalizing any pending projects.

Graphic Depiction of Overall Project Sequencing and Progression

	2017				2018				2019			
	Q1-17	Q1-17	Q1-17	Q1-17	Q1-18	Q1-18	Q1-18	Q1-18	Q1-19	Q1-19	Q1-19	Q1-19
Group 1 Projects	<ul style="list-style-type: none"> • Launch Group 1 Projects • Estimated value ~\$1.0 Billion* 											
Group 2 Projects	<ul style="list-style-type: none"> • Invest heavily in preparing Group 2 • Data gathering, due diligence, etc. 				<ul style="list-style-type: none"> • Launch Group 2 Projects • Estimated value ~ \$2.0 Billion* 							
Group 3 Projects					<ul style="list-style-type: none"> • Invest heavily in preparing Group 3 • Data gathering, due diligence, etc. 				<ul style="list-style-type: none"> • Launch Group 3 Projects • Estimated value ~\$2.0 Billion* 			

* Investment values are highly indicative and subject to revision and further assessment. These values are considered not reliable at this point.

A short term execution plan is in place and already in progress

Governance

- P3 Authority Staff in place
- Board of Directors nominated
- Adequate funding identified for the remaining of FY17
- Budgeting process underway for FY18
- Process to select an Omnibus P3 Advisor

Market Feedback

- P3 Summit April 20-21
- Continuous meetings and contact with market players
- Proposed participation in conferences in NY and roadshows.
- Roundtables and one-on-one meetings

Project Launch

- Incorporate market feedback
- Launch initial project(s)
- Make adjustments to project sequencing
- Ensure full synchronization with Critical Projects process and Revitalization Coordinator.



1st Puerto Rico P3 Summit

- **Date:** April 20-21, 2017
- **Venue:** Puerto Rico Convention Center, San Juan, PR
- **Objective:**
 - Discuss renewed P3 policy in PR
 - Showcase P3 project opportunities in PR
 - Obtain market feedback
- **Projects:** Break-out sessions with specific projects
- **Participants:** Leading panelists, luncheon and keynote speakers, local officials.

Address programmatic challenges early on the process

Financial condition of Puerto Rico has changed dramatically, which requires creative solutions:

<u>Sample Challenges</u>	<u>Description</u>
Financiability / Bankability	<ul style="list-style-type: none">• Government support for projects in the form of milestone payments or guarantees are no longer available, which severely affects financiability/bankability of projects. P3 Authority and FAFAA are considering a number ideas.
Restructuring Timing & Implications	<ul style="list-style-type: none">• Debt restructuring process could have an impact on the timing of projects that need to be properly considered by the P3 Authority and potential proponents. P3 already assessing timing & other implications.
Process & Contract Certainty	<ul style="list-style-type: none">• Proponents are interested in pursuing opportunities that have a clear path and full contractual certainty. Long tendering processes tend to affect competitive tension.
Cost of Project & Funding	<ul style="list-style-type: none">• P3 projects require significant investments in the early phases of project planning and structuring. P3 Authority and Government will adequate allocation of funds in order to executive the proposed pipeline. The benefits of this will more than surpass the costs (i.e. LMM P3).

Conclusion

- 1** Puerto Rico's infrastructure has deteriorated. The level of investment in infrastructure needs to increase to a pro-growth level.
- 2** The Rosselló-Nevarés Administration understands the challenges in infrastructure and has put forth a consolidated infrastructure program.
- 3** P3 constitutes a central element in increasing the level of investment and permanently changing the way infrastructure has been funded and conceived in Puerto Rico.
- 4** The Government team is moving forward into the execution phase and would like to continue to work closely with the Oversight Board to ensure success on the infrastructure revitalization front.