



ESTADO LIBRE ASOCIADO DE PUERTORICO
Fideicomiso Institucional de la
Guardia Nacional de Puerto Rico
Apartado 12000, San Juan, Puerto Rico, 00922

PART I: Presentation

The Financial Oversight Management Board for Puerto Rico (FOMB) has a recommended budget of \$6,818 for Fideicomiso Institucional de la Guardia Nacional de Puerto Rico (FIGNA). Such budget is split between Operating Expenses (\$6,474) and Payroll (\$344). FIGNA has submitted a budget equal to the recommended budget by the FOMB. However, we have made changes to the split between Operating Expenses and Payroll. Our budget split is Operating Expenses (\$6,239) and Payroll (\$579). On Part II, this split will be discussed further.

PART II: FOMB Appendix B

FIGNA's revenue are very predictable. They consist of the following:

- Concession revenue from military stores
- Rent from properties
- Interest from investments
- Military Contributions

Concession revenue is based on the contract with the Concessionaire. It is a fixed amount per month (\$450). Accordingly, concession revenue has been budgeted at \$5,400.

Rent from properties is based on the various rental contracts with various tenants. It is also a fixed amount per month (\$60). Accordingly, rental income has been budgeted at \$720.

Interest from investments – currently this is the one that will be subject to fluctuation since a portion of the portfolio is invested in Puerto Rico debt instruments. Management has budgeted this line item based on the prevailing conditions at the time of the development. Besides this portion of the investment income, the rest of the investment income is very predictable. Interest from investments has been budgeted at \$420.

Military contributions may vary from month to month but historically have been between \$22 to \$26 a month. Accordingly, military contributions have been budgeted at \$278.

Total budgeted revenues amount to \$6,818 in line with expenses and with the FOMB FY21 Budget Target.

FIGNA'S expenses are very predictable. The only item that can have great variability is the General Benefits to the Puerto Rico National Guard and its members. Expenses consist of the following:

- Annuity payments to retired military personnel
- Educational benefits to military personnel and/or its dependents
- General Benefits to the Puerto Rico National Guard and its members
- Administrative expenses

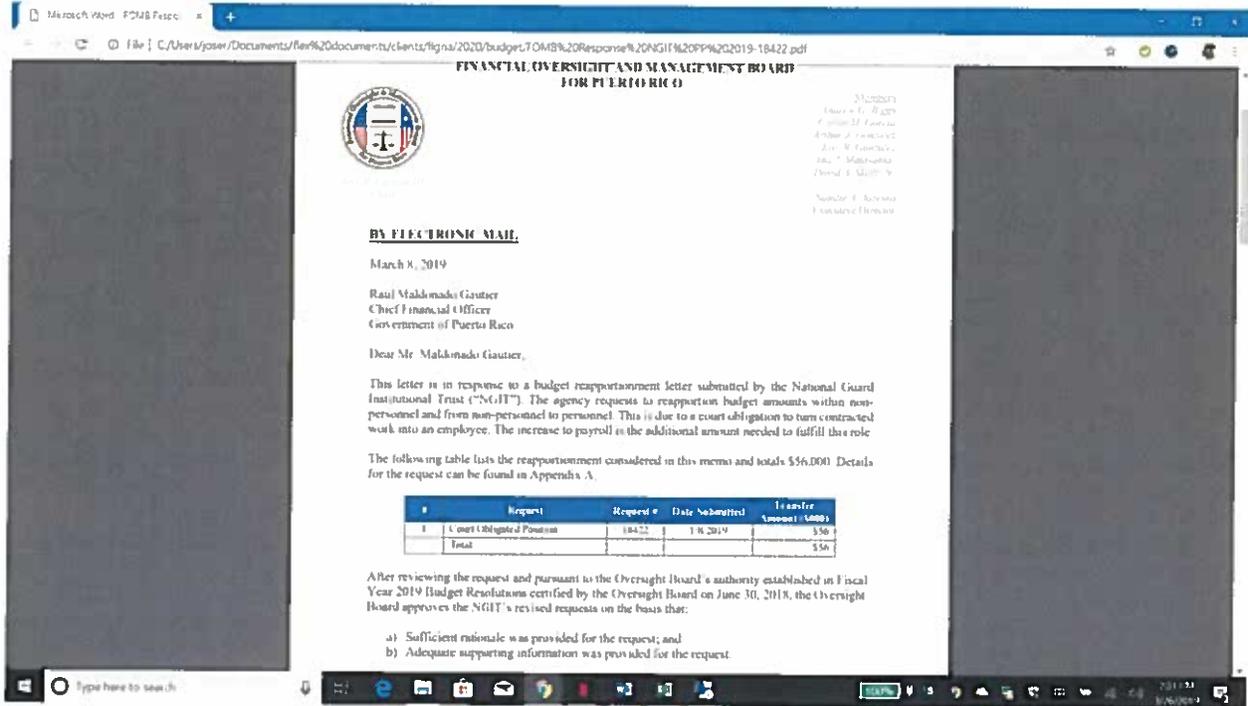
Annuity payments to retired military personnel fluctuate between \$1.7 million and \$1.9 million per year. To budget this expense, FIGNA requests from the Personnel Director of the National Guard (DOP) a listing of the military personnel that is eligible for retirement during the upcoming fiscal year. Using this list and the list of members currently receiving the benefits FIGNA develops the budget for this line item.

Educational benefits to military personnel and/or its dependents fluctuate between \$500 thousand and \$650 thousand per year. FIGNA budgets this line item using the trend observed of request for the benefits during the last six months. Benefits are requested before the beginning of an academic semester or trimester and accordingly FIGNA can predict the expense somewhat accurately.

General Benefits to the Puerto Rico National Guard and its members – The Executive Director and The Adjutant General of Puerto Rico discuss the planned activities for the fiscal year being budgeted as well as other objectives to be accomplished and based on that determine the budget for this line item. Taken into consideration also for budgeting this expense is the expected revenues so that a balanced budget can be achieved.

Administrative expenses – These expenses include Salaries, Professional Services, Utilities and Maintenance and Betterments of FIGNA's properties among others. The last one is the most prone to fluctuation. However, as mentioned above, expected revenues are considered so that a balance budget can be achieved.

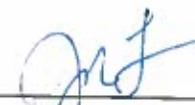
As discussed in Part I, the FOMB has a recommended budget of \$6,818 for FIGNA. Such budget is split between Operating Expenses (\$6,474) and Payroll (\$334). FIGNA has submitted a budget equal to the recommended budget by the FOMB. However, we have made changes to the split between Operating Expenses and Payroll. Our budget split is Operating Expenses (\$6,239) and Payroll (\$579). Such increase in payroll is related to the budget reapportionment submitted in fiscal year 2019 (Request 18422) and approved by the FOMB on a letter dated March 8, 2019. The approved increase in payroll was to convert contractors to employees due to an unfavorable court decision against FIGNA. The following is FOMB's approval of budget reapportionment:

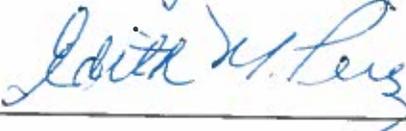


The approved reappropriation of \$56K was intended to cover the last two or three months of fiscal year 2019. Total payroll with the Court obligated positions amounts to approximately \$589K, which supports our requested budget for salaries and related expenses. FIGNA must maintain at least one employee on each one of our six customer's service centers to provide the appropriate attention and benefits that our clients deserve. In addition, we are a self-sustaining agency, therefore, we don't receive any money from the General Fund. Our revenues for the past three fiscal years (2017, 2018 and 2019) were: \$6,280, \$7,287 and \$7,206 respectively.

Please feel free to contact us, if necessary, to discuss this matter any further.


 Epifanio Jiménez-Executive Director


 Jennifer Rabel Torres-Finance Director


 Edith M. Pérez-Administrative Senior Officer