

Fiscal Transparency Report



1st Quadrimester 2014

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MUNICIPAL FINANCE SECRETARY
Marco Aurelio Santos Cardoso

SUBSECRETARY OF TAXATION AND AUDIT
Ricardo de Azevedo Martins

MANAGEMENT SUBSECRETARY
Rodrigo Fernandes Barbosa

BUDGETARY SUPERINTENDENT
Carlos Evandro Viegas

MUNICIPAL TREASURY SUPERINTENDENT
Márcia Cristina de Lima Aldy

ADVISOR FOR EXTERNAL FUND RAISING
Eliane Almeida de Vilhena Totti

COMMUNICATIONS ADVISOR
Charbelly Imaculada de Almeida Estrella

ECONOMIC ADVISOR
José Marcelo Souza Boavista

FISCAL TRANSPARENCY REPORT TEAM
Alexandre da Costa Corrêa
Ana Cláudia Tavares Mendes
Andre Azevedo de Albuquerque
André Gustavo Medeiros de Souza Lima
Cláudia Rebordões Carauta Pombal
Eduardo da Cunha Vianna
Marcia Sequeira de Oliveira Pereira
Ricardo Silveira Barros
Soêmia Jurelevicius Marcello
Waldo de Andrade

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Municipal Finance Secretariat of Rio de Janeiro.
Rua Afonso Cavalcanti, nº 455, Anexo - Centro Administrativo São Sebastião, Cidade Nova
Rio de Janeiro, RJ, CEP 20.211-900
<http://www.rio.rj.gov.br/web/smf>

ANALYTICAL INDEX

I) INTRODUCTION	6
II) TAX RESULT	6
II.1) BUDGETARY RESULT	7
II.2) PRIMARY RESULT	9
II.3) NOMINAL RESULT	10
III) MUNICIPAL REVENUE	10
III.1) CURRENT REVENUES	12
III.1.1) TAX REVENUE	12
III.1.1.1) TAX ON SERVICES - ISS	13
III.1.1.2) PROPERTY TAX - IPTU	13
III.1.1.3) TAX ON REAL ESTATE AND REAL ESTATE REAL RIGHTS TRANSFER - ITBI	14
III.1.1.4) WITHHOLDING INCOME TAX	14
III.1.2) CURRENT TRANSFERS	14
III.1.3) OTHER CURRENT REVENUES	17
III.1.3.1) CONTRIBUTION REVENUES	17
III.1.3.2) PATRIMONIAL REVENUE	18
III.1.3.3) INDUSTRIAL AND SERVICE REVENUE	18
III.1.3.4) OTHERS CURRENT REVENUES	18
III.2) CAPITAL REVENUES	19
III.2.1) CREDIT OPERATIONS	20
III.2.2) SALE OF ASSETS	20
III.2.3) LOAN AMORTIZATION	20
III.2.4) CAPITAL TRANSFERS	20
IV) MUNICIPAL EXPENSES	20
IV.1) EXPENSES BY ECONOMIC CATEGORY	21
IV.2) EXPENSE BY GOVERNMENT FUNCTION	22
V) FUNDRAISING	24
V.1) PAC WITHIN THE RIO DE JANEIRO CITY	24
VI) FINANCIAL ADMINISTRATION OF CASH AND DEBT	26
VI.1) FINANCIAL INVESTMENT OF CASH	26
VI.2) FINANCIAL DEBT	27
VII) CONCLUSION	30

ABBREVIATIONS, INITIALS and ACRONYMS

BID	Interamerican Development Bank
BNDES	Brazilian Development Bank
CDURP	Urban Development Company of the Port Region of Rio de Janeiro
CGM	Municipal General Controller's Office
COMLURB	Municipal Urban Cleaning Company
COSIP	Contribution to Fund the Public Lighting Service
EDI	Children's Development Space
FASS	Server's Health Assistance Fund
FGTS	Government Severance Indemnity Fund for Employees
FINCON	Accountability and Budget Execution System
FPE	States' Participation Fund
FPM	Cities' Participation Fund
FUNDEB	Brazilian National Education Development Fund
FUNPREVI	Special Pension Fund of the City of Rio de Janeiro
ICMS	Value-Added Tax on Sales and Services of interstate, intercity transportation, and of communication
IPI-Exp	Tax on Industrial Products
IPM	City's Participation Index
IPTU	Property Tax
IPVA	Motor Vehicle Ownership Tax
IRRF	Withheld Income Tax
ISS	Tax on Services
ITBI	Tax on Real Estate Transfer
ITCMD	Tax on Causa Mortis Succession and Donation
ITR	Rural Property Tax
LC	Complementary Law
LFT	Financial Treasury Bill
LOA	Annual Budget Law
LRF	Fiscal Responsibility Law
LTN	National Treasury Bill
MCidades	Ministry of the Cities
MP	Provisional Measure
MRJ	City of Rio de Janeiro
NTN-C	National Treasury Notes - Series C
OGU	General Budget of Federal Government
PAC	Growth Acceleration Plan
PCRJ	Rio de Janeiro's City Hall
PMAT	Programa de Modernização da Administração Tributária Municipal
PNAFM	National Support Program to Administrative and Fiscal Management of Brazilian Cities
PPI Carioca	Carioca Payment Incentive Program of tax debts, registered in active debt or not
Previ-Rio	Social Security and Assistance Institute of the city of Rio de Janeiro
Pró-Moradia	Federal Government Program of housing access

Pró-Transporte	Federal Government Program for funding to the public and private sector, implementation of infrastructure systems of the urban collective transportation and to urban mobility
RCL	Current Net Revenue
RLR	Actual Net Revenue
Salário Educação	Contribution intended to the funding of programs, projects, and actions aimed at the funding of the public basic education
SELIC	Special System of Settlement and Custody
SIG	Managerial Information System
SMF	Municipal Finance Secretariat
SUS	National Health System
TCDL	Garbage Collection Fee
TransCarioca	BRT from Barra to Galeão
UPA	Health Emergency Unit
UPP	Pacifying Police Unit

PRESENTATION:

The Fiscal Transparency Report is a quadrimesterly publication of the Finance Secretariat of the Municipality of Rio de Janeiro - SMF, where the Municipality's revenue and expenses are analyzed. Regarding the figures presented throughout the report the notes below apply:

- All figures presented - unless when expressly specified - are nominal and accumulated until the quadrimester in question.
- All figures comparisons refer to the same period as last year - unless when expressly specified.

This initiative of Rio's Municipality, by SMF, aims to ensure transparency in the financial management of public resources, since the entry into Municipal Treasury coffers until application, based on budget planning, and considering current legislation and the limits defined by the Fiscal Responsibility Law - LRF (Complementary Law No.101/2000).

The data used were taken mainly from the Fincon System of the General Controller of the Municipality - CGM. There were considered all intrabudgetary revenues and expenses and all indirect administration entities (except CDURP - Urban Development Company of the Port Region of Rio de Janeiro), including the pension fund for the public workers, the FUNPREVI, in order that the data hereby presented are consistent with the LRF statements published by CGM. In this sense, the CDURP numbers are not consolidated as although it is fully controlled by the Municipality, it has budgetary independence given its nature of a not dependent state company, in accordance with current legislation.

The report is divided into the following sections:

- In the first one, a general overview of the public accounts is presented;
- In the second one, the budgetary results, primary and nominal, are presented;
- In the third section, the municipal revenues are analyzed by economic categories;
- In the fourth, the expenses figures committed by economic category, by government function and by result area are presented;
- In the fifth, a presentation is made on the financing sources and the works in progress of the Growth Acceleration Program (PAC) and Credit Operations;
- The sixth and last one brings considerations on the applications of the Municipal cash balances and public debt management.

I) INTRODUCTION

In the first quadrimester of 2014, the total revenue of the Municipality of Rio de Janeiro (R\$ 7.9 billion) grew by 5.7% - with revenue growing 6.6% Current and Capital Revenue decreasing at 9.2 %. On the side of Current Revenue, the positive performance of tax revenues was offset by reduced revenue in the item Other Current Expenses. However, we must register the Other Current Expenses in 2013 were inflated by the positive effects of the Carioca Payment Incentive Program of tax debts - PPI Carioca. Regarding the Capital Revenues, the reduction was the result of reductions in the Credit Operations and Capital Transfers - whose revenues depends on schedules of investments and tend to fluctuate throughout the year.

The R\$ 5.8 billion in expenses paid in this quadrimester represent an increase of 8.7%. Continues with emphasis moderation in growth in Other Current Expenses - holding 30% of the Total Expense fell by 7.9%.

Table I still highlights an important feature of the Municipality budget execution, which is the relevant fiscal space for strategic investments defined by the current Administration. In this context, 20.7% of space for investment and 2.4% occupied by interest and debt charges are emblematic.

TABLE I - EXPENSES PROFILE - YEAR OF 2014 - R\$ Million

Category Economic of	Expenses Groups	CURRENT BUDGET RESULT 1st fourth quarter					
		LOA 2014	Current Appropriation	% of Current Appropriation	Expenses already engaged	% of Expenses Engaged	Expenses already settled
Current Expenses	Personnel and Social Charges	12.032,4	12.085,3	43.6%	5,109.2	36.8%	3,326.2
	Debt Interest and Services	669,7	669,7	2.4%	665,0	4.8%	212,0
	Other Current Expenses	8,027,3	7,938,5	28.6%	5,541.4	39.9%	1,760.0
Total of Currents Expenses		20,729.4	20,693.5	74.6%	11,315.6	81.5%	5,298.2
Expenses of Capital	Investments	5,628.7	5,732.2	20.7%	2,167.3	15.6%	351.1
	Financial Inversions	396.2	393.5	1.4%	22.9	0.2%	21.3
	Debt Amortization	378.5	378.5	1.4%	377.8	2.7%	107.8
Total of Capital Expenses		6,403.3	6,504.2	23.5%	2,568.0	18.5%	480.2
Contingency Reserve		40.7	530.0	1.9%	0.0	0.0%	0.0
OVERALL TOTAL		27,173.4	27,727.7	100.0%	13,883.6	100.0%	5,778.4

Source: BUDGETARY RESULT (RREO - Appendix I)

II) FISCAL RESULT

This section presents the fiscal result of the 1st quadrimester of 2014 and compares it to the same period of the previous year, showing thereby that the Total Income presented a growth of 5.7% while the Total Expense committed experienced an increase of 8.6%.

From the income point of view, the main reasons for this growth were the Current Revenues, especially those related to Tax Revenue, then by Current Transfers, Contributions Revenue and Equity Revenue. The positive performance of Current Revenue was offset by the decline in Other Current Revenues and Other Services Revenue. With regard to the Capital Revenues, the item

Capital Transfers was mainly responsible for the decline of this group of revenues. It is worth mentioning that in the same period last year, the Capital Revenues received significant resources from the CEF for various infrastructure projects and from BNDES for deploying TransCarioca BRT system.

Regarding the Expenses, the variation was mainly due to growth in expenditure on Payroll and Investments mitigated by declining in Other Current Expenditures between the two periods.

Next, It is presented in more detail the budget, primary and nominal results.

II.1) BUDGETARY RESULT

The Budgetary Result is determined by the difference between the Total Revenue collected and the Total Expenses committed or settled. A surplus Budget Result reflects revenues above expenses (thus generating cash accumulation), while a deficit Budget Result comprises the reverse situation, in which the cash accumulated in previous periods is consumed.

In the 1st quadrimester of 2014, the Budgetary Result was a surplus of R\$ 2.2 billion, considering the R\$ 7.9 billion of Total Revenue collected and the R\$ 5.8 billion of Total Expense settled, as seen in Table II below. It is noteworthy that, in view of the concentration of the collection of property tax (IPTU) in February (due date for the single installment payment) and the slower pace of settlement costs at the beginning of each year, the first two quadrimesters tend to be surplus to a budgetary standpoint.

It is noteworthy that in the 1st quadrimester of the previous year, inflows of revenue from PPI Carioca were already being computed, especially those cases of receipts in cash, both for Tax Revenue and to the Fines and Interest on Arrears and Debts for ISS and property taxes.

TABLE II - BUDGETARY RESULT

IN R\$ Millions					
DESCRIPTION	JANUARY TO APRIL		DESCRIPTION	JANUARY TO APRIL	
	2013	2014		2013	2014
CURRENT REVENUES [I]	7,114.1	7,580.6	CURRENT EXPENSES [IV]	4,999.5	5,298.2
Tax Revenue	3,184.4	3,460.4	Personnel and Social Charges	2,908.8	3,326.2
Contributions Revenue	792.9	893.0	Debt Interest and Services	180.6	212.0
Equity Revenue	187.3	264.6	Other Current Expenses	1,910.1	1,760.0
Industrial Revenue	1.8	1.7			
Services Revenue	102.3	83.9			
Current Transfers	2,364.6	2,564.5			
Other Current Revenues	480.8	312.6			
CURRENT BUDGET RESULT [I]-[IV]				2,114.6	2,282.4
CAPITAL REVENUE [II]	393.7	357.3	CAPITAL EXPENSES [V]	314.7	480.2
Credit Operations	246.9	237.2	Investments	220.3	351.1
Sale of Assets	0.2	0.2	Financial Inversions	0.2	21.3
Loans amortization	40.3	40.9	Debt Amortization	94.3	107.8
Capital Transfers	106.3	79.0			
Other Capital Revenue	-	-			
CAPITAL BUDGETARY RESULT [II]-[V]				79.0	(122.9)
TOTAL REVENUE [III]=[I]+[II]	7,507.8	7,937.9	TOTAL EXPENSES [VI]=[IV]+[V]	5,314.2	5,778.4
BUDGETARY RESULT [III]-[VI]				2,193.6	2,159.5

Source: RREO - 2nd Bimester of 2014

Although revenues and expenses are analyzed in more detail in the respective sections of this report, it is worth mentioning the main factors that make up the variation of the budgeting result.

On the side of revenues collected, the growth of 5.7% was originated from the increase of R\$ 430.1 million, due mostly to the increase of R\$ 466.5 million in the Current Revenue, highlighting the Tax Revenues, which increased R\$ 276.0 million (8.7%) and the Current Transfers, which increased R\$ 200.0 million (8.5%). Also, it is worth mentioning the performance of the Contributions Revenue (R\$ 100.1 million) and the growth of the Equity Revenue (R\$ 77.3 million). These positive performances were offset by negative changes in Other Current Revenues (R\$ 168.3 million) and Services Revenue (R\$ 18.4 million).

On the expenses side, the total committed grew 8.7% (R\$ 464.2 million), a result from the growth of 6.0% in Current Expenses (R\$ 298.8 million) and the increase of 52.6% in Capital Expenditure (R\$ 165.4 million).

This growth was mainly caused by the variation of 14.3% in Expenses Payroll (R\$ 417.4 million) and 59.4% in Investments (R\$ 130.9 million), attenuated by the decrease of 7.9% in Other Current Expenses (R\$ 150 million).

II.2) PRIMARY RESULT

The Primary Result is the difference between the Primary Revenue (Total Revenue minus Financial Revenue) and Primary Expense (Total Expense minus Financial Expense).

TABLE III - PRIMARY RESULT

IN R\$ Millions			IN R\$ Millions		
DESCRIPTION	JANUARY TO APRIL		DESCRIPTION	JANUARY TO APRIL	
	2013	2014		2013	2014
CURRENT REVENUES [I]	7,114.1	7,580.6	CURRENT EXPENSES [VI]	4,999.5	5,298.2
Tax Revenue	3,184.4	3,460.4	Personnel and Social Charges	2,908.8	3,326.2
Revenue Contribution	792.9	893.0	Debt Interest and Services	180.6	212.0
Equity Revenue	187.3	264.6	Other Current Expenses	1,910.1	1,760.0
Industrial Revenue	1.8	1.7			
Services Revenue	102.3	83.9			
Current Transfers	2,364.6	2,564.5			
Other Current Transfers	480.8	312.6			
CAPITAL REVENUE [II]	393.7	357.3	CAPITAL EXPENSES [VII]	314.7	480.2
Credit Operations	246.9	237.2	Investments	220.3	351.1
Sale of Assets	0.2	0.2	Financial Inversions	0.2	21.3
Loans amortization	40.3	40.9	Debt Amortization	94.3	107.8
Capital Transfers	106.3	79.0			
Other Capital Revenue	-	-			
TOTAL REVENUE [III]=[I]+[II]	7,507.8	7,937.9	TOTAL EXPENSES [VIII]=[VI]+[VII]	5,314.2	5,778.4
Securities Revenues	122.1	191.7	Debt Interest and Services	180.6	212.0
Loans Interests	-	13.9	Grant of Loans	0.2	0.1
Credit Operations	246.9	237.2	Acquisition of Capital Securities already Paid	-	-
Sale of Assets	0.2	0.2	Debt Amortization	94.3	107.8
Amortization Loans	40.3	40.9			
FINANCIAL REVENUES [IV]	409.5	483.9	FINANCIAL EXPENSES [IX]	275.1	319.9
TOTAL PRIMARY REVENUE [V]=[III]-[IV]	7,098.2	7,454.0	TOTAL PRIMARY EXPENSES [X]=[VIII]-[IX]	5,039.1	5,458.5

Source: RREO - 2nd Bimester of 2014
Settled costs.

Source: Budget Law No. 5,687 of January 10, 2014.

The Primary Result of the 1st quadrimester of 2014 totaled R\$ 2.0 billion, 3.1% lower than the R\$ 2.1 billion in the same period of 2013. The Primary Result is lower than the Budget Result once they are purged, as shown in Table III, the revenues of a financial nature - which grew by 18.2%. In this context, the growth of 5.0% in Primary Revenue was lower than the 5.7% growth in Total Revenue, and the growth of 8.3% in Primary Expenditure was lower than the growth of 8.7% of Total Expenses.

II.3) NOMINAL RESULT

The Nominal Result reached a negative amount (surplus) of R\$ 2.4 billion, representing a decrease of 28.3% in the balance of the Net Fiscal Debt in relation to the remaining balance on December 31st, 2013.

TABLE IV - NOMINAL RESULT
31 DECEMBER 2013 X 30 APRIL 2014

	IN R\$ Millions			
	IN 12/31/2013 [A]	IN 4/30/2014 [B]	Var. Absol. [B]-[A]	Var. % [B]/[A]
CONSOLIDATED DEBT	11,781.0	11,843.3	62.2	0.5%
(-) AVAILABLE ASSET	4,221.6	5,416.3	1,194.7	28.3%
(-) FINANCIAL RECEIVABLES	132.2	441.9	309.7	234.3%
(+) BALANCE PAYABLE PROCESSED (Except mandatory order)	1,095.0	153.0	(942.0)	-86.0%
NET CONSOLIDATED DEBT	8,522.2	6,138.0	(2,384.2)	-28.0%
LIABILITIES RECOGNIZED	105.5	105.5	(0.0)	0.0%
NET FISCAL DEBT	8,416.7	6,032.5	(2,384.2)	-28.3%
NOMINAL RESULT IN 04/31/2014			(2,384.2)	
TARGET OF NOMINAL RESULT FOR THE YEAR OF 2014 (LOA 2014)			2,353.4	

Source: RREO - 2º BIMESTER OF 2014.

It is worth reminding that the positive nominal result is considered a deficit, that is, an increase of the net cash debt and financial receivables; while a negative result is considered a surplus, that is, a reduction of the net debt.

III) MUNICIPAL REVENUE

This section presents the values actually collected (Table V), using as data source the Budgeted Balance published in the Summary Report of Budget Execution (RREO).

TABLE V - BUDGETARY REVENUES BY ECONOMIC CATEGORY AND ORIGIN
(ALL FUNDING SOURCES)

In R\$ Million

DESCRIPTION	JANUARY TO APRIL			
	2013	2014	Var. Nominal	Var. %
CURRENT REVENUES	7,114.1	7,580.6	466.5	6.6%
Tax Revenue	3,184.4	3,460.4	276.0	8.7%
Contributions Revenue	792.9	893.0	100.1	12.6%
Equity Revenue	187.3	264.6	77.3	41.3%
Industrial Revenue	1.8	1.7	-0.1	-5.5%
Services Revenue	102.3	83.9	-18.4	-18.0%
Current Transfers	2,364.6	2,564.5	199.9	8.5%
Other Current Revenues	480.9	312.6	-168.3	-35.0%
CAPITAL REVENUES	393.7	357.3	-36.4	-9.2%
Credit Operations	246.9	237.2	-9.7	-3.9%
Sale of Assets	0.2	0.2	0.0	-19.8%
Loans Amortization	40.3	40.9	0.6	1.6%
Capital Transfers	106.3	79.0	-27.3	-25.7%
Other Capital Revenue	-	-	-	-
TOTAL REVENUE	7,507.8	7,937.9	430.1	5.7%

Source: RREO 2ND BIMESTER OF 2013 AND 2014.

¹ Values updated by IPCA-E (IBGE) as of 04/31/2014.

Composition of Total Revenue

Total Revenue is comprised of Current Revenues and Capital Revenues. In Chart I below, it is possible to see the composition of Total Revenue, considering the revenue estimates of the Budget Law 2014.

CHART I - COMPOSITION OF TOTAL REVENUE BY ECONOMIC CATEGORIES IN THE FISCAL YEAR OF 2014
ESTIMATES OF BUDGET LAW (ALL FUNDING SOURCES)

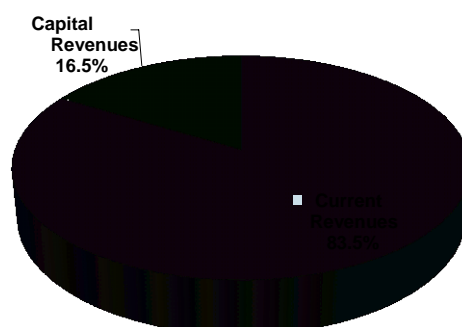
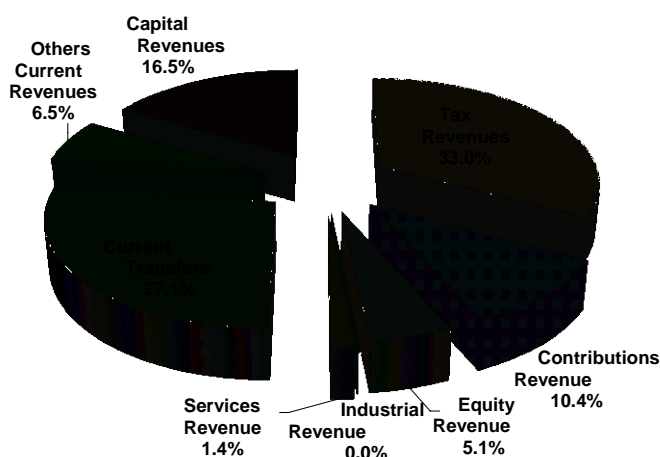


Chart II shows a further breakdown of Total Revenue Budget Law provided in 2014. The main contributions lie with the Tax Revenues and Current Transfers, which together account for 60.1%.

CHART II - COMPOSITION OF TOTAL REVENUE IN THE FISCAL YEAR OF 2014 (ALL FUNDING SOURCES)
ESTIMATES OF BUDGET LAW (ALL FUNDING SOURCES)



III.1) CURRENT REVENUES

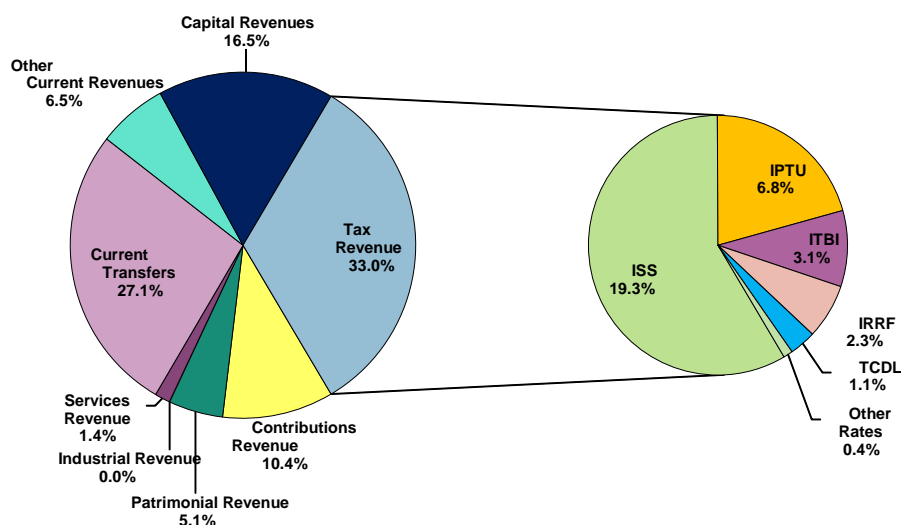
The Current Revenues estimated in LOA in 2014 in R\$ 22.7 billion comprise the Income Tax, Contribution, Heritage, Industrial, Services, Current Transfers and Other Current Revenues, representing 83.5% of Total Revenue.

The Current Revenues held on the 1st quadrimester of 2014 amounted to R\$ 7.6 billion versus R\$ 7.1 billion collected in the same period of 2013, an increase of 6.6%.

III.1.1) TAX REVENUE

The chart III below disaggregates the percentage composition of the Tax Revenues.

CHART III - COMPOSITION OF TAX REVENUE
ESTIMATE 2014 BUDGET LAW (ALL SOURCES OF FUNDS)



The table below shows the values of the components of the Tax Revenue.

TABLE VI - TAX REVENUE BY ECONOMIC CATEGORY AND ORIGIN
(ALL FUNDING SOURCES)

Description	IN R\$ Millions			
	CURRENT VALUES			
	JANUARY TO APRIL			
	2013	2014	Var. Nominal	Var. %
Tax Revenue	3,184.4	3,460.4	276.0	8.7%
IPTU	1,071.9	1,166.4	94.5	8.8%
IRRF	140.4	169.0	28.6	20.3%
ITBI	219.9	220.1	0.3	0.1%
ISS	1,543.3	1,680.9	137.6	8.9%
TCDL	175.8	189.2	13.4	7.6%
Other Rates	33.1	34.8	1.6	5.0%

Source: RREO and Systems ORCAMENTO and FINCON.

1Values updated by IPCA-E/IBGE (base date 04/30/2014).

III.1.1.1) TAX ON SERVICES - ISS

In the 1st quadrimester of 2014, revenues from ISS have reached R\$ 1.7 billion against R\$ 1.5 billion collected in the same period of 2013, an increase of 8.9%, equivalent to R\$ 137.6 million.

III.1.1.2) PROPERTY TAX - IPTU

In the first four months of 2014, property tax has raised R\$1.2 billion, against R\$ 1.1 billion in the same period of the last year, a growth of 8.8%, equivalent to an increase of R\$ 94.5 million. It is worth noting that property taxes mostly reflect past inflation, that is, in 2014 the property tax base value was corrected by the inflation of 2013 (5.85% IPCA-E). A secondary factor for the

increase in property tax is derived from the growth in the number of taxpayers that collected property taxes only in the 1st quadrimester of 2014 in single quota.

III.1.1.3) TAX ON REAL ESTATE AND REAL ESTATE REAL RIGHTS TRANSFER - ITBI

The collection of ITBI reached R\$ 220.1 million in the 1st quadrimester against R\$ 219.9 million in the same period of 2013 (0.1% growth). ITBI is a 2% tax levied on the value of the real estate transaction and its behavior reflects, therefore, the market dynamics. The slowdown signals in the growth of such item reflect a stability movement of this market after years of strong price increase.

III.1.1.4) WITHHELDING INCOME TAX

IRRF collected R\$ 169.0 million in the 1st quadrimester of 2014 compared to R\$ 140.4 million in the same period of 2013, with growth of 20.3%, equivalent to R\$ 28.6 million. This revenue comprises mainly the collection of income taxes on the monthly payroll of the Executive Branch and on the bonus from the Results Agreement (Meritocracy)¹. The performance of IRRF in 2014 is directly related to the increase granted to municipal employees, above inflation over the period.

III.1.2) CURRENT TRANSFERS

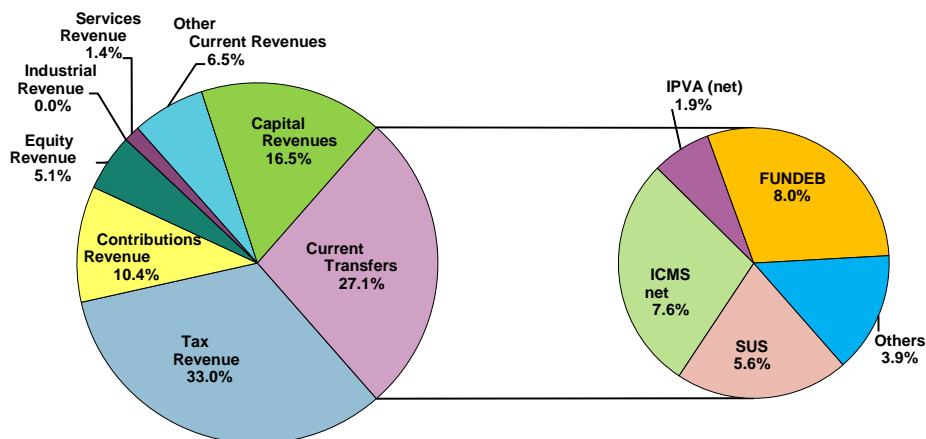
Having the greatest participation in Total Revenue, second only to the Tax Revenue, the Current Transfers contemplate the inflow of resources coming from the Union, from the State, and from agreements for current expenses, among others. Most of these transfers are mandatory (constitutional allocation of tax revenues among federal agencies), being the voluntary transfers (e.g. agreements) less significant in terms of amount collected.

In the case of federal and state tax transfers, the behavior of tranches transferred to the Municipality relates to the economic activity reflected in the collection of such entities (Rio de Janeiro State and Union), in addition to the specific criteria for transferring.

It is worth noting that the Municipality of Rio de Janeiro maintains its independence thanks to its own collection level, as seen in Chart IV below.

¹ Whose payment is due in the second quadrimester.

CHART IV - COMPOSITION OF CURRENT TRANSFERS
ESTIMATE 2014 BUDGET LAW (ALL FUNDING SOURCES)



The Current transfers amounted to R\$ 2.6 billion in the 1st quadrimester of 2014 - an increase of 8.5% over the same period last year.

TABLE VII - CURRENT TRANSFERS BY ECONOMIC CATEGORY AND ORIGIN (ALL FUNDING SOURCES)

Description	CURRENT VALUES			
	JANUARY TO APRIL			
	2013	2014	Var. Nominal	Var. %
Current Transfers	2,364.6	2,564.5	199.9	8.5%
Intergovernmental	2,358.0	2,545.4	187.4	7.9%
Net FPM	64.6	74.4	9.8	15.2%
SUS	454.3	478.9	24.5	5.4%
Net ICMS	569.6	616.4	46.7	8.2%
Net IPVA	326.6	340.7	14.1	4.3%
Net IPI-EXP	14.4	17.6	3.2	21.9%
Royalties	75.4	76.7	1.3	1.7%
FUNDEB	714.1	775.9	61.8	8.6%
Education Salary	114.1	129.1	15.0	13.2%
Other	24.7	35.7	10.9	44.3%
External	-	-	-	-
Agreements	6.5	19.0	12.5	191.5%

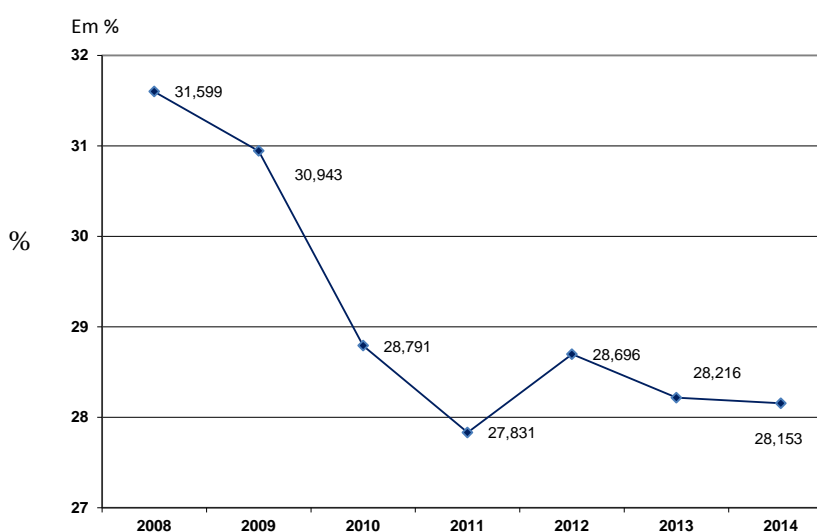
Source: RREO and Systems ORCAMENTO and FINCON.

Some comments below.

- **FPM** – The collection of FPM - Union transfer made of resources from IPI and the Income Tax - net of the Municipality portion for the composition of FUNDEB, reached the amount of R\$ 74.4 million, against R\$ 64.6 million in 2013 (variation of 15.2%). The growth in this item has been hampered due to IPI tax relief performed by the Federal Government in order to stimulate the economy.
- **SUS** – The transfer of resources from SUS is related to the number of beds offered by the municipal hospital network, family's clinics, and UPAs. SUS collection had an increase of 5.4%, being R\$ 478.9 million in the 1st quadrimester of 2014 against R\$ 454 in 2013.
- **ICMS** – The collection of state transfer of ICMS, net of the Municipality's portion for the composition of FUNDEB, reached R\$ 616.4 million, against R\$ 569.6 million in the same period of 2013 (growth of 8.2%).

It is worth noting that the Government of the State of Rio de Janeiro calculates annually the IPM (City's Participation Index) to establish the amount of transfer of the 25% of the ICMS collection that will fit the municipalities in Rio de Janeiro². In the case of the Municipality of Rio de Janeiro, as seen in Chart V, IPM had been presenting successive declines until 2011, when there was a small increase in the index. From 2012, there was a continuation of the downward trend, but less pronounced. This steady decline has been generating a negative impact on the share transferred to the Municipality.

Chart V - IPM EVOLUTION OF THE MUNICIPALITY OF RIO DE JANEIRO
2008 to 2014



² Decree No. 44,541 of 27/12/2013.

- **IPVA** – The transfer of state property taxes, net of participation by the Municipality to form FUNDEB, reached R\$ 340.7 million against R\$ 326.6 million in the first quadrimester of 2013, a growth of 4.3%.
- **OIL ROYALTIES**– Transfer of Oil Royalties totaled R\$ 76.7 million, compared to R\$ 75.4 million in the 1st quadrimester of 2013 (1.7% growth). It is worth mentioning that the transfer of oil royalties to the Municipality is due to external factors such as the trajectory of oil prices, the exchange rate and the physical production in the fields of extraction in which the Municipality receives such participation, among others.
- **FUNDEB** – The revenue transfer of FUNDEB reached R\$ 775.9 million against R\$ 714.1 million in 2013 (8.6% growth). The quota-share from FPM transfers, ICMS, IPVA, IPI-Ex, Exemption of ICMS on exports - LC 87/96 (Law Kandir), ITR, ITCM and FPE form the Fund base, more than 80% of FUNDEB composition being due to the quota-share of ICMS. The increase in revenue is directly related to FUNDEB trajectory of increased coverage of the municipal education, especially in regard to Children's Development Space - EDI.
- **EDUCATION SALARY** – The collection from the transfer of the Education Salary reached R\$ 129.1 million compared to R\$ 114.1 million in the first quadrimester of 2013 (growth of 13.2%). It is worth mentioning that the share of December 2013 was only transferred to the municipality in January 2014, contributing to the increase in revenues compared with the incomes in the same period of the last year.

III.1.3) OTHER CURRENT REVENUES

III.1.3.1) CONTRIBUTION REVENUES

In the first quadrimester of 2014, the Contribution Revenue reached R\$ 893.0 million, higher by 12.6% of the R\$ 792.9 million collected in the same period of the previous year. This revenue consists of:

- **Social Contributions** – Include the Workers contribution to fund their own pension system (11% aliquot), the Employer Contribution (22% aliquot), the Additional Contribution (Law 5.300/2011) and the resources provided by the Municipal Treasury and by workers for the formation of the Worker Healthcare Fund - FASS. This revenue reached R\$ 807.4 million, higher by 12.5% of the R\$717.8 million in the same period of 2013.
- **Economic Contributions** – Include the Contribution for the Funding of Public Lighting Service (COSIP) established by Law No. 5132 of December 21st, 2009, charged by the electricity distribution concessionary based on the consumption and monthly transferred to the

Municipality. R\$ 85.7 million, a growth of 14.0% over the R \$ 75.1 million collected in the same period of 2013.

III.1.3.2) EQUITY REVENUE

The Equity Revenue reached R\$ 264.6 million in the first quadrimester of 2014, compared to R\$ 187.3 million in the same period of the previous year, an increase of 41.3%. This revenue consists of:

- **Securities Revenue** - Corresponds to the revenue of application of availabilities. There was inflow of R\$ 191.7 million against R\$ 122.1 million in the same period of the previous year (an increase of 57.0%).

This is the result of the increase in the Selic rate and balances applied between the periods compared. The average Selic rate in the 1st quadrimester of 2014 (10.52% py) was considerably higher than the same period of 2013 (7.16% py), in view of the Monetary Policy adopted by the Central Bank increased interest to contain inflation. It is also worth recording that there was an increase in the average cash invested of the Treasury Resources (19.9%), related to the execution of expenditure incurred by the Municipality.

- **Other Equity Revenues** - Composed of revenues from rents, forums, lademiums, concessions, and permits, etc., these revenues increased from R\$ 65.2 million in 2013 to R\$ 72.9 million in 2014 (addition of 11.9%).

III.1.3.3) INDUSTRIAL AND SERVICE REVENUE

Industrial and Services Revenues comprise mostly resources directly collected by the indirect administration (autarchies, foundations, public companies, and semi-public companies). Together totaled R\$ 85.5 million in the 1st quadrimester of 2014, while revenue in the previous year was R\$ 104.1 million (a decrease of 17.8%). Most of these revenues are intrabudgetary in nature, i.e., amounts paid by the Municipal Treasury for providing services of indirect administration in municipal units, (e.g. such as cleaning in schools and health facilities, official media and others).

III.1.3.4) OTHER CURRENT REVENUES

In the 1st quadrimester of 2014, R\$ 312.6 million has been raised. This value was 35% lower than the R\$ 480.9 million collected in the same period of 2013.

In Table VIII, we can observe a decline in inflows in the items that make up this item.

TABLE VIII - OTHER CURRENT REVENUES BY ECONOMIC CATEGORY AND ORIGIN
(ALL FUNDING SOURCES)

Description	IN R\$ Millions			
	CURRENT VALUES			
	JANUARY TO APRIL			
	2013	2014	Var. Nominal	Var. %
Other Current Transfers	480.9	312.6	(168.3)	-35.0%
Fines and Interest in Arrears	178.3	127.6	(50.7)	-28.4%
Compensations and Refunds	34.2	17.1	(17.2)	-50.1%
Outstanding Debt	128.2	85.0	(43.3)	-33.7%
Miscellaneous Revenue	140.2	83.0	(57.1)	-40.8%

It is noteworthy that the main reason for the decrease in revenues compared to the same period of the previous year stems from the income in the 1st quadrimester of 2013, from values in sight regarding PPI Carioca - Incentive Payment Program of tax debts, established by Law 5,546 of December 27th, 2012 and regulated by Decree 36,776 and 36,777, of February 15th, 2013.

- **Fines and Interests in Arrears** - This group includes fines and arrears on debts in administrative phase (SMF) and also in collection phase of the active debt by the Attorney General of the Municipality. It is worth highlighting in this group the decrease in the collection of Fines and Interests in Arrears of the Outstanding Debt of IPTU that passed from R\$ 75.6 million in the 1st quadrimester of 2013 to R\$ 34.9 million in 2014 (53.9% of decrease);
- **Outstanding Debt** - R\$ 85.0 million were raised compared to R\$ 128.2 million in the 1st quadrimester of the previous year, a decrease of 33.7%. The main reason for the reduction in storage since the group was, as previously mentioned, the high adherence to PPI Carioca in 2013, which allowed the discharge of numerous subdivisions underway and the cash payment of installment debts. It should be emphasized that this item does not include penalties and interest charged with the principal of debts already enrolled in outstanding debt.
- **Miscellaneous Income** - R\$ 83.0 million were raised over R\$ 140.2 million in the 1st quadrimester of 2013 (decrease of 40.8%). It may be noted, as primarily responsible for the reduction in income in this group of revenues, the performance features of the Urban Structure Plan (PEU) of Vargens (reduction of R\$ 37 million) and Counterpart on Regularization of Works (decrease of R\$ 15.7 million).

III.2) CAPITAL REVENUES

The Capital Revenues (see Table V) held in the first quadrimester of 2014 totaled R\$ 357.3 million against R\$ 393.7 million in the same period of 2013 (down 9.2%). They comprise revenue from lending operations, disposal of assets, amortization of loans, Capital Transfers and Other Capital Revenues.

III.2.1) CREDIT OPERATIONS

The Credit Operations reached R\$ 237.2 million, a decrease of 3.9% compared to R\$ 246.9 million in the same period of 2013. Noteworthy are the incomes from the contract with BNDES for BRT-TransCarioca (R\$ 128.3 million), PAC I for recovery Bacia de Jacarepaguá (R\$ 38.9 million), the Pro House in Complexo do Alemão (R\$ 15.3 million), revenue for drainage of Rio Joana (R\$ 15.2 million) and the incomes from National Program for Supporting Administrative and Fiscal Management of Brazilian Municipalities - PNAFM (R\$ 7.0 million).

III.2.2) SALE OF ASSETS

Revenue from Sale of Assets was R\$ 187.5 thousand, 19.8% lower than the R\$ 233.7 thousand collected in 1st quadrimester of 2013.

III.2.3) LOAN AMORTIZATION

The revenue of Loan Amortization reached R\$ 40.9 million, being 1.6% higher than the R\$ 40.3 million collected in the same period of 2013. These revenues are mainly resources from Previ-Rio regarding loan returns of equity financing programs granted to workers.

III.2.4) CAPITAL TRANSFERS

The amount raised was R\$ 79.0 million in the 1st quadrimester of 2014, being 25.7% below the R\$ 106.3 million collected in the same period of the previous year. These are basically resources from federal transfers, under item Covenants, where it's noteworthy highlight the incomes of Covenants of the PAC to Barra Olympic Park (Tennis Center and Velodrome), which totaled R\$ 39.0 million up to April 2014.

IV) MUNICIPAL EXPENSES

IV.1) EXPENSES BY ECONOMIC CATEGORY

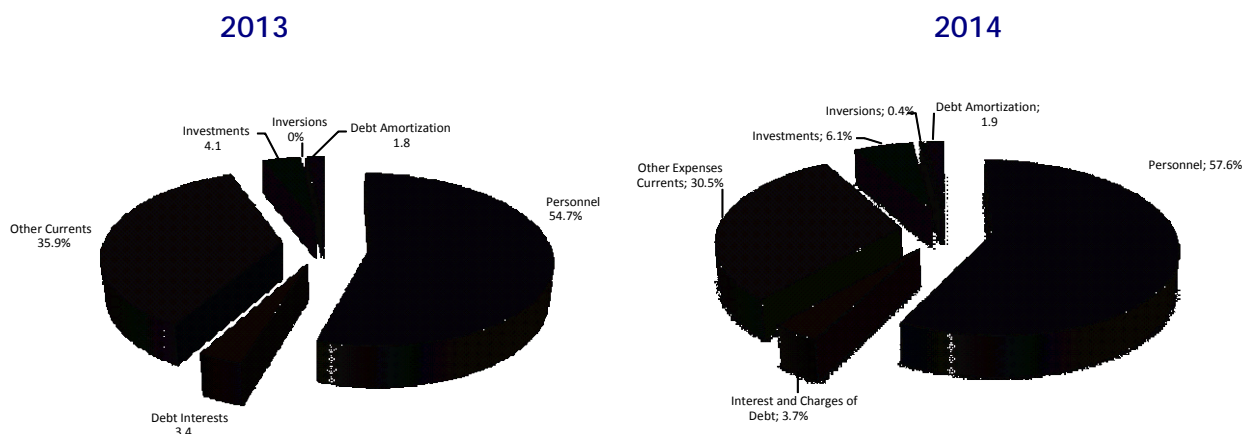
The Table below shows the budget execution of the 1st quadrimester of 2014, and the following chart shows the participation of each expense group in the total expenditure paid in this period, compared to the same period of 2013.

TABLE IX - BUDGETARY EXPENSES BY ECONOMIC CATEGORY (ALL FUNDING SOURCES)

Economic Category	Expense Groups	CURRENT BUDGET RESULT 1st QUADRIMESTER			
		2013 (A)	2014 (B)	Var. Nominal B-A	Var. % (B)/(A)
Current Expenses	Personnel and Social Charges	2,908.8	3,326.2	417.4	14.3%
	Debt Interest and Services	180.6	212.0	31.4	17.4%
	Other Current Expenses	1,910.1	1,760.0	(150.0)	-7.9%
Currents Expenses		4,999.5	5,298.2	298.8	6.0%
Capital Expenses	Investments	220.3	351.1	130.9	59.4%
	Inversions	0.2	21.3	21.1	9749.7%
	Debt Amortization	94.3	107.8	13.5	14.3%
Capital Expenses		314.7	480.2	165.4	52.6%
OVERALL TOTAL		5,314.2	5,778.4	464.2	8.7%

Source: BUDGETARY RESULT (RREO - Appendix I)

CHART VI - PARTICIPATION OF EACH EXPENSE GROUP IN THE TOTAL EXPENSES PAID (ALL FUNDING SOURCES)



It is found that the total amount paid was R\$ 5.8 billion, 8.7% higher than 2013 - highlighting the Investment Expenses, where the increase of 59.4% is primarily linked to BRT programs - Transcarioca and Transolímpica.

The increase of R\$ 417.4 million (14.3%) in personnel expenses has as its highlights the initial deployment of Job, Career and Compensation Plans of the workers of the Municipal Education and the Job Plan of Comlurb.

IV.2) EXPENSE BY GOVERNMENT FUNCTION

The Table shows that the areas of Education, Health, Welfare and Urbanism (includes the works of TransCarioca) represent, at the end of the 1st quadrimester 2014, 68.6% of the budget expenditures. The other functions that showed significant participation in the composition of expenses were: Administration with 9.7%, Special Charges with 6.4%, and Welfare with 3.8%. These seven functions totaled 88.4% of the Municipality expenditures.

Function		
CURRENT BUDGET RESULT 1st QUADRIMESTER OF THE YEAR		
	Settled	Composition
ADMINISTRATION	560.1	9.7%
SOCIAL ASSISTANCE	219.3	3.8%
SCIENCE AND TECNOLOGY	5.5	0.1%
TRADE AND SERVICES	21.2	0.4%
CULTURE	31.6	0.5%
SPORTS AND LEISURE	20.8	0.4%
CITIZENSHIP RIGHTS	1.3	0.0%
EDUCATION	1,274.6	22.1%
SPECIAL CHARGES	369.4	6.4%
ENVIRONMENTAL MANAGEMENT	29.4	0.5%
HOUSING	66.4	1.1%
INDUSTRY	1.9	0.0%
JUDICIARY	24.5	0.4%
LEGISLATIVE	170.5	2.9%
SOCIAL SECURITY	931.1	16.1%
SANITATION	118.3	2.0%
HEALTH	1,068.5	18.5%
PUBLIC SAFETY	110.4	1.9%
WORK	1.8	0.0%
TRANSPORTATION	66.1	1.1%
URBANISM	685.9	11.9%
General total	5,778.4	100.0%

We emphasize that the opening of the expenses above are not directly linked to the application of constitutional provisions of mandatory resources in Education (25%) and Health (15%), whose computations are based on the spending comparison in these areas with specific items of revenue not reflected in this Table.

V) FUNDRAISING

V.1) PAC WITHIN THE RIO DE JANEIRO MUNICIPALITY

The operations of the Growth Acceleration Program - PAC, signed between the Municipality of Rio de Janeiro and the Union, represent a set of interventions contracted over the last few years, funded both with funds from the Union General Budget - OGU, but also through financing.

Major hires were executed in the first quadrimester of 2014. The negotiation process related to the Second Phase of the Pro-Transport program, which crept around the year 2013, was completed, resulting in the hiring of 4 new credit operations, which will contribute with over R\$ 500 million for works of paving of roads in the regions of Santa Cruz, Sepetiba, Guaratiba and Bairro Maravilha.

Another process successfully completed refers to the hiring of the Terms of Engagement for the Implementation of the Olympic facilities in the area of Deodoro. There are 3 contracts of PAC, which ensure the transfer of inexpensive resources to the Municipality of Rio until 2016, approximately R\$ 878 million.

TABLE XI - TABLE OF THE OPERATIONS IN PROGRESS in 2014

		In R\$ thousand	
OLYMPIC PACs CEF / OGU	PCRJ	USES AND SOURCES	
		EXTERNAL	TOTAL
Olympic PAC - Deodoro (North Area)	0	659,657	659,657
Olympic PAC - Deodoro (South Area)	0	166,814	166,814
Olympic PAC - Deodoro (Urban Area)	0	51,900	51,900
SUBTOTAL OLYMPIC PACs	0	878,371	878,371
PRO-TRANSPORTATION CEF / FGTS	PCRJ	USES AND SOURCES	
		EXTERNAL	TOTAL
Surface works in Santa Cruz and Vala do Sangue	9,575	181,934	191,509
Surface works in Sepetiba region	2,940	55,857	58,797
Surface works in Guaratiba	7,548	143,418	150,966
Surface works in Bairro Maravilha	6,252	118,791	125,043
SUBTOTAL PRÓ-TRANSPORTE	26,315	500,000	526,315
TOTAL HIRES 2014	26,315	1,378,371	1,404,686

Source: F/STM/ACR.

Regarding ongoing operations, it is worth highlighting the BRT Corridor TransCarioca that reached the equivalent of 89% of physical / financial advancement in the period, and scheduled for completion in the next quadrimester.

The table below shows a demonstration of total ongoing projects under the CAP in the city of Rio de Janeiro.

TABLE XII - PAC - TOTAL OPERATIONS IN PROGRESS

Modality	Situation	USES AND SOURCES			TOTAL CUMULATIVE PERFORMED		
		PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL
Transfer	PAC I - OGU 2007/2008/2009	91,667	493,689	585,356	76,365	442,857	519,222
	PAC II - OGU 2011/2012/2013	129,626	2,827,700	2,957,327	63,192	107,174	170,365
Loan	PAC FGTS - CEF	371,243	995,848	1,367,091	164,502	492,091	656,593
	PAC MOBILIDADE	727,606	2,276,000	3,003,606	448,784	1,071,499	1,520,282
TOTAL		1,320,142	6,593,237	7,913,380	752,842	2,113,620	2,866,462

Source: F/STM/ACR.

Tables containing the details of the allocation of resources are attached to the end of this document.

VI) FINANCIAL ADMINISTRATION OF CASH AND DEBT

VI.1) FINANCIAL INVESTMENT OF CASH

The Municipal Treasury keeps the Municipal Direct Administration cash financial investment in assets with low credit risk, primarily through exclusive investment funds, public government securities - in such case only through committed operations added in them and Certificates of Deposit (CBD) of Caixa Econômica Federal (CEF). Finally, they are still kept in savings deposits in public government banks for some cases of resources transferred from other entities (State and Union) where there is mandatory application in this modality. The investment policy of the Municipality is formalized through the SMF Resolution no. 2.672/2011.

The portfolio of Treasury assets, except the savings, presented weighted average yield by daily balances of 99.80% of Selic from January to April 2014 and average applied balance of R\$ 4.0 billion, while in the same period of 2013 the performance was of 99.69% of SELIC rate with an average balance of R\$ 3.4 billion.

The exclusive investment funds, managed by official institutions and leaders in assets management market, had average balances of R\$ 3.8 million in this quadrimester, and presented an average profitability weighted by daily balances of 99.78% of the SELIC rate in the first quadrimester of 2014 while in the same period of 2013 it was 99.69% of the SELIC - being concentrated in short-term assets. The main factors that justified this change were:

1. The detachment of CDI over the SELIC rate over 2013 which negatively impacted the performance of the Financial Bills of federal banks, which are part of the exclusive fund. Such detachment was reduced in 2014, benefiting these assets;
2. The instability in the external scenario, from March/2013, which contributed to the strong volatility in the fixed income market in Brazil in 2013;
3. The exclusive funds have scaled administration fee according to the fund's equity, the higher the balance invested, lower is the administration fee. The balances applied in this quadrimester were higher than in the same period of 2013, still contributing to a better performance of the fund.

It is worth recalling that the management rates of such funds were reduced up to November 2013, having reached levels of 0.05% to 0.14% a year, according to the invested equity, corresponding to approximately one quarter of the rates in the beginning of this municipal management in 2009. It shall also be highlighted the active management in the composition of the portfolio, taking advantage of eventual opportunities and minimizing the impact of the adverse market conditions.

The financial revenues under the responsibility of the Municipal Treasury (Direct Administration) made a total of R\$ 151 million in the first quadrimester of 2014, while in 2013 they were R\$ 92 million.

It is noteworthy that the increase in average interest rates applied in this period (10.52% py), which was significantly higher than the previous year (7.16% py), also contributed to the increase in interest income in 2014, in view of the monetary policy adopted by the Federal Government. It is also worth recording that there was an increase in the average cash invested by Treasury Resources (18.6%).

The financial resources of companies, autarchies and foundations with their own treasury are managed by the Financial Boards of each entity, and determined the application in investment funds used by the Municipal Treasury or even products of the same credit risk. For its part, the entities managed by Previ-Rio (including Funprevi and FASS) have their own investment policy, approved by the Board of Directors, given the specificity of the pension sector, which has specific regulations and prediction of independence in relation to the sponsor management. The set of all these municipal entities under own treasuries administration generated financial income of R\$ 40 million (including R\$ 36 million of pension entities), which, together with the R\$ 151 million recorded in the Direct Administration, have amounted to R\$ 191 million of financial revenues for the Municipality from January to April 2014.

VI.2) FINANCIAL DEBT

The gross financial debt achieved R\$ 10.9 billion, distributed by the creditors below:

TABLE XII - GROSS FINANCIAL DEBT STOCK

Creditor	Balance in R\$ thousand (04/31/2013)	Yearly Average Charges (1)	Last due date
Union in R\$ (1 contract)	6,315,172	IGP-DI + 6.01%	2029
World Bank (1 contract)	2,330,498	US\$ + 3.62%	2040
BNDES (2 contracts)	1,094,932	TJLP + 1.90%	2031
CEF (58 contracts)	590,230	UPR + 8.28%	2037
Union in US\$ (2 contracts)	55,197	US\$ + 4.22%	2024
CEF/Union in US\$ (1 contract)	38,732	US\$ + 5.50%	2029
BID (4 contracts)	440,175	US\$ + 4.32%	2037
Eletrobrás (1 contract-Reluz)	6,497	IPCA-E + 9.50%	2015
Total (70 contracts)	10,871,433	Average Interest Rate = 5.13%	Average Duration = 7.0 years

(1) The Average Charges include nominal indexers, interest rate, fees and charges for credit risk

In relation to the internal operations, it was received up to the 1st quadrimester of 2014 portions of resources already contracted before two national public banks, BNDES (TransCarioca, PMAT) and CEF (Sanitation for All, ProHousing, PNAFM), in the amount of R\$ 237 million.

Throughout this and the coming years, there will be additional releases of the funds already signed in the date of this report, in an approximate total amount of R\$ 5.3 billion to be added to the amount of the gross financial debt. This amount includes pending balances receivable for the transport corridor TransCarioca (BNDES - R\$ 127.4 million); the works of popular urbanization, of macro-drainage, and sanitation of Jacarepaguá and Santa Cruz, and river dredging (Joana River) in the Maracanã region (CEF - total of R\$ 526 million); US\$ 150 million of the Urbanization Program supported by the BID contract; the R\$ 1.1 billion for the TransBrasil transport corridor financed with CEF; and also, two loans signed in this year: Pro-Transport Program (CEF - R\$ 500 million), signed in April, Structuring Program of Urban Transport (BNDES - R\$ 2.7 billion), signed in May. One loan was already authorized by the National Treasury, and in the date of this report, there was in process for signature: Rio of Excellency Project of US\$ 16.2 million, for complementing the technical assistance of the World Bank in the areas of health, education, environment and municipal management. The financial profile of all these new operations predicts long-term expiry, with periodic payments and favorable interest rates in relation to the national market, avoiding concentration of expenditures.

The economy of expenditures with the loan with the World Bank, completed in 2011, that allowed the reduction in the interests paid to the Union, already makes a total of R\$ 1,2 billion since the disbursement of the first installment by the Bank, occurred in August 2010.

All debt indicators of the Fiscal Responsibility Law (LRF) and MP 2185-35 (which governs the renegotiation of debts of the municipalities with the Union) showed significant improvement since the beginning of the current Administration in 2009. As demonstrated by the table below, the Municipality fulfills with ease the debt thresholds of LRF and of MP 2185-35.

TABLE XIII - DEBT INDICATORS

Act	Indicator	Limit	MRJ 2008	MRJ 2013	MRJ 2014 - 1 st quadrimester
Resolution Senate 40/2001	Net Consolidated Debt / Current Net Revenue (RCL) annual	120%	58% / 79%(*)	47.42%	33.77%
Resolution Senate 43/2001	Average annual debt service up to 2027 / RCL annual	11.5%	10.49%	6.56%	6.46%
MP 2185-35	Total Gross Contractual Debt / Actual Net Revenue (RLR) annual	100%	118%	79%	78%

NOTE: The figures presented on the debt contract with the Union regarded annual interests of 9.0% higher than the IGP-DI until 2009, an effectively charged level to the City by the National Treasury until 2010. From August 2010, such interest rate was decreased to

7.5% due to the partial pre-payment made by the City with World Bank resources, and legal actions active at the time (started on previous fiscal years), with a petition for reduction or such interests to 6.0% a year were closed. In November 2011, the receipt of the second part of the World Bank led to a new amortization by the Union and the interest rate is now definitely at 6.0%

(*) In 2008, the limit was calculated as 58%, but using the total of Cash Availabilities and Financial Receivables of the Social Security Regime as part of the Total Cash of PCRJ which reduces the Debt. Such practice is not performed anymore in MRJ. This, the number of Dec/07 for purposes of comparison with the most recent periods shall be interpreted as 79%.

The table below shows the ratings currently granted by the three main international rating agencies for the Federal and Subnational governments of the country, showing that the City of Rio de Janeiro not only has the Investment Grade in all of them, but it is also the only government that has risk classification higher than the Union's, as well as the Standard & Poor's.

TABLE XIV - RATINGS OF GOVERNMENTS IN BRAZIL (INTERNATIONAL SCALE) - APRIL 2014

FITCH	MOODY'S	STANDARD AND POOR'S
BBB: Union, City of Rio, state of SP	Baa2: União, City of Rio, State of SP	BBB: City of Rio
BBB-: States of Rio, PR, SC	Baa3: Belo Horizonte, State of MG, MT, PR	BBB-: Union, states of RJ, SP, MG, MT, PR, SC
BB+: MA	Ba1: MA	

Source: Respective Agencies and websites. The minimum levels for Investment Grade rating is BBB-(Fitch and Standard and Poor's) and Baa3 (Moody's).

Regarding the perspectives of the ratings of the Municipality as published by the agencies, we have a stable outlook in all.

VII) CONCLUSION

The budget profile of the first quadrimester of 2013 was characterized by increased investment and reduced spending on costing. The budget allocation for the year 2014 remains marked by high space for investments (20.7%) and the low participation of debt charges 2.4%.

Regarding the investments, over this and the coming years, there will be additional releases of funds already signed in the date of this report, at an approximate total amount of R\$ 5.3 billion. This amount includes resources for the TransCarioca transport corridor; for popular urbanization works, of macrodrainage and sanitation of Jacarepaguá and Santa Cruz; for the Urbanization Program supported by the BID contract; for the TransBrasil transport corridor (R\$ 1,1 billion). It is also worth noting the contract of R\$ 2.7 billion for the Structuring Program of Urban Transport, already signed in May with BNDES, and that will provide resources for eight works of urban mobility, included the legacy of the 2016 Olympic Games.

The prospect of rising indebtedness meets the Municipality easily fulfilling all limits established by LRF and MP 2185-35 - which attests to the care with which the municipal finances are handled.

At this time of deep transformation, Rio Municipality yearly invests 10 times more than in 2009, with reduced indebtedness, showing that their finances are in order, and presenting the best ratings among all levels of government in the country. The three elevations of our rating, obtained since 2009, grant us the Investment Grade in all risk rating agencies, and they also count on the expressive fact that, in the first time in the history of the country, a local government exceeds the federal rating, something quite rare in the whole world.

Appendix

Table I - PAC I and II

In R\$ millions

PAC I - OGU CEF 2007/2008/2009	USES AND SOURCES			Performed in 2014			TOTAL ACCRUED PERFORMED		
	PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL
<i>Urbanization Areas</i>									
Tijuca Complex	13,397	56,695	70,092	83	58	140	12,833	54,503	67,336
Juliano Moreira Colony	25,983	82,000	107,983	8,576	8,518	17,094	18,010	68,388	86,398
SOEICON/Centro I/II	5,308	10,511	15,819	26	40	66	3,084	9,426	12,509
Manguinhos Complex	15,125	83,120	98,245	0	0	0	14,744	78,080	92,824
Alemão Complex	17,855	90,317	108,172	0	0	0	17,855	88,189	106,044
Vila Catiri - FNHIS	768	3,327	4,095	16	13	29	623	2,888	3,511
Fazenda Coqueiros-FNHIS	300	3,452	3,752	4	49	53	139	1,597	1,736
Tijuca -FNHIS	3,908	25,868	29,776	0	214	214	1,886	13,418	15,304
SUBTOTAL Urbanization of Areas	82,644	355,290	437,934	8,706	8,891	17,596	69,173	316,489	385,662
<i>Sanitation</i>									
Sepetiba	2,508	14,614	17,121	413	930	1,343	2,508	13,992	16,500
Lote 1A Jacarepaguá	6,515	123,785	130,300	0	0	0	4,684	112,375	117,060
SUBTOTAL Sanitation	9,023	138,399	147,421	413	930	1,343	7,192	126,368	133,560
TOTAL PAC I - OGU	91,667	493,689	585,356	9,118	9,820	18,939	76,365	442,857	519,222

PAC II - OGU CEF 2011/2012/2013/2014	USES AND SOURCES			Performed in 2014			TOTAL ACCRUED PERFORMED		
	PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL
Canal Mangue/Trapicheiro	22,675	141,720	164,395	0	352	352	11,106	15,826	26,932
Slopes Stabilization 2011	1,870	71,541	73,411	0	17,013	17,013	0	44,659	44,659
Morro da Providência	53,931	87,920	141,851	0	245	245	29,160	32,443	61,603
Chapadão/Chico Mendes	51,150	43,671	94,821	0	0	0	22,925	3,303	26,229
Slopes Stabilization Centro / Tijuca 2012	0	96,474	96,474	0	0	0	0	0	0
Slopes Stabilization Zona Norte (North Zone) 2012	0	123,756	123,756	0	0	0	0	0	0
Slopes Stabilization Alemão / Penha 2012	0	83,490	83,490	0	0	0	0	0	0
Slopes Stabilization Zona Oeste (West Zone) 2012	0	45,432	45,432	0	0	0	0	0	0
Works Deployment of VLT Centro *	0	532,000	532,000	0	0	0	0	0	0
Olympic PAC - Handball Gymnasium	0	178,458	178,458	0	0	0	0	0	0
Olympic PAC - Tennis Center	0	182,071	182,071	0	10,943	10,943	0	10,943	10,943
Olympic PAC - Aquatic Stadium	0	219,557	219,557	0	0	0	0	0	0
Olympic PAC - Velodrome	0	143,239	143,239	0	0	0	0	0	0
Olympic PAC - Deodoro (North Area)	0	659,657	659,657	0	0	0	0	0	0
Olympic PAC - Deodoro (South Area)	0	166,814	166,814	0	0	0	0	0	0
Olympic PAC - Deodoro (Urban Area)	0	51,900	51,900	0	0	0	0	0	0
TOTAL PAC II - OGU	129,626	2,827,700	2,957,327	0	28,553	28,553	63,192	107,174	170,365

* The value refers only to the portion of the Union. The portion corresponding to the private sector in PPP VLT was excluded from the aggregation.

Source: F/STM/ACR.

Table II - PAC / LOANS CEF

In R\$ millions

PAC - FGTS CEF	USES AND SOURCES			PERFORMED IN 2014			TOTAL ACCRUED PERFORMED		
	PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL	PCRJ	EXTERNAL	TOTAL
<i>Urbanization Areas 2007 / 2008</i>									
Reg. Fundiária Fernão Cardim	23	445	468	0	0	0	23	445	468
A. Lima / S.Rodrigues	2,691	21,635	24,326	0	0	0	2,644	19,734	22,379
São Carlos	2,001	21,145	23,146	0	73	73	1,951	18,683	20,634
Nova Divineia and others	1,583	16,678	18,262	0	0	0	1,409	12,534	13,943
Guarabu	4,688	27,885	32,573	105	711	816	3,908	23,134	27,042
Areal	1,306	5,464	6,770	0	0	0	1,171	5,361	6,532
Vila Esperança	1,447	15,083	16,530	0	0	0	960	9,351	10,311
Vila Rica de Irajá	2,275	22,292	24,567	0	0	0	2,032	18,113	20,145
João Lopes	933	5,325	6,258	88	604	691	878	4,966	5,844
Parque Alegria	410	7,796	8,206	0	0	0	391	5,026	5,416
Vila Catiri	1,102	8,639	9,741	0	0	0	1,091	7,696	8,787
<i>Urbanization Areas 2010 / 2011</i>									
Colônia Juliano Moreira	22,561	39,968	62,529	81	143	224	6,999	12,369	19,368
Babilônia e C Mangueira	61,040	39,824	100,864	14,106	0	14,106	28,842	19,076	47,918
Jardim do Amanhã - C Deus	7,813	35,872	43,685	74	341	415	850	3,650	4,500
Complexo do Alemão	17,408	59,989	77,396	12	41	53	7,629	25,467	33,097
Complexo de Manguinhos	8,473	29,862	38,336	33	99	133	1,868	5,995	7,863
Morro da Coroa	16,135	22,621	38,756	0	238	238	14,349	17,143	31,492
Comunidade Guarabu	8,068	19,439	27,507	0	0	0	6,209	14,332	20,541
SUBTOTAL Urbanization of Areas	159,958	399,962	559,920	14,499	2,250	16,749	83,206	223,074	306,280
<i>Sanitation 2008</i>									
Parque Linear- Rio Acari	54,716	46,948	101,663	0	388	388	31,248	26,785	58,034
<i>Sanitation 2011/2012</i>									
Lotes 1B/ e 1C Jacarepaguá	40,388	198,493	238,881	0	0	0	21,283	104,425	125,709
Sanitation Santa Cruz	73,456	207,246	280,701	488	7,429	7,918	24,856	65,885	90,742
Canal Mangué/Rio Joana	42,725	143,200	185,925	0	19,865	19,865	3,908	71,921	75,829
SUBTOTAL Sanitation	211,285	595,886	807,171	488	27,682	28,170	81,296	269,017	350,313
TOTAL PAC - FGTS	371,243	995,848	1,367,091	14,987	29,932	44,919	164,502	492,091	656,593

Source: F/STM/ACR.

Tabela III - PAC MOBILIDADE URBANA / OPERAÇÕES DE CRÉDITO BNDES e CEF

Em R\$ mil

MOBILIDADE URBANA	USOS E FONTES			REALIZADO EM 2014			TOTAL REALIZADO ACUMULADO		
	PCRJ	EXTERNO	TOTAL	PCRJ	EXTERNO	TOTAL	PCRJ	EXTERNO	TOTAL
<i>PAC - COPA / BNDES 2010</i>									
BRT Corredor Trancarioca - BNDES	524.606	1.179.000	1.703.606	30.155	109.492	139.647	448.784	1.071.499	1.520.282
<i>PRÓ-TRANSPORTE / CEF 2013</i>									
BRT Corredor Transbrasil	203.000	1.097.000	1.300.000	0	0	0	0	0	0
<i>PRÓ-TRANSPORTE / 2 ETAPA</i>									
Pavimentação de Vias em Santa Cruz e									
Vala do Sangue	9.575	181.934	191.509	0	0	0	0	0	0
Pavimentação de Vias na região de									
Sepetiba	2.940	55.857	58.797	0	0	0	0	0	0
Pavimentação de Vias em Guaratiba	7.548	143.418	150.966	0	0	0	0	0	0
Pavimentação de Vias no Bairro Maravilha	6.252	118.791	125.043	0	0	0	0	0	0
TOTAL	727.606	2.276.000	3.003.606	30.155	109.492	139.647	448.784	1.071.499	1.520.282

Fonte: F/STM/ACR.