

Capital District of Bogota

Key Rating Drivers

Rating Action: Fitch Ratings affirmed the ratings of the Capital District of Bogota, reflecting unchanged expectations that the issuer will maintain a strong operating performance and manageable debt levels. In Fitch's view, the district is well positioned to overcome the current global and national adverse economic scenario.

Rating Derivation Summary: Bogota's SCP is assessed at 'a', reflecting a combination of a 'Midrange' risk profile and debt sustainability metrics assessed in the 'aa' category under Fitch's rating case scenario. The SCP, positioned in the middle of the 'a' band, also reflects peer comparison. No other factors affect the ratings. Bogota's IDRs are capped by Colombia's IDRs.

Risk Profile - 'Midrange': Fitch has assessed Bogota's risk profile at 'Midrange', reflecting 'Midrange' attributes on all six Key Risk Factors (KRFs) of the three main risk pillars: revenue, expenditure and debt and liquidity.

Debt Sustainability - 'aa' category: Despite expectations of a significant increase in debt to cover its Development Plan, payback ratio is expected to remain below 5x in the next five years ('aaa' score), while the actual debt service coverage (ADSCR) ratio is projected to range between 2x and 4x ('aa' score), in line with our previous review. The fiscal debt burden would increase slightly above 50% ('aa' score). Applying an override due to the DSCR and the fiscal debt burden, results in an overall debt sustainability assessment of 'aa'.

Other Rating Factors: Bogota's IDRs are capped by the sovereign rating at 'BBB-/Negative', reflecting Fitch's view that a subnational in Colombia cannot be rated above the sovereign. No other rating factors affect the ratings.

ESG Considerations: ESG issues have a minimal impact on Bogota's ratings, as reflected in a score of '3'.

Rating Sensitivities

Factors that could, individually or collectively, lead to positive rating action/upgrade: A stabilization of the outlook would be possible only if the sovereign outlook is stabilized.

Factors that could, individually or collectively, lead to negative rating action/downgrade: Bogota's IDRs would be downgraded if the sovereign ratings are downgraded as well. A downgrade may also be possible if the SCP is downgraded by five notches or more, which would result from a debt payback ratio exceeding 9x ('a' score) along with a debt service coverage ratio below 1.5x ('bbb' score), under Fitch's rating case scenario and assuming no changes to the risk profile.

From SCP to IDR: Factors Beyond the SCP

SCP	Sovereign Rating	Support			Asymmetric Risks	Cap	Notches above the Sovereign	IDR
		Intergovern. Financing	Ad-hoc Support	Floor				
a	BBB-	-	-	-	-	BBB-	-	BBB-

Source: Fitch Ratings

Ratings

Foreign Currency	
Long-Term IDR	BBB-
Local Currency	
Long-Term IDR	BBB-
Senior Unsecured Debt – LT rating	BBB-
National rating	AAA(col)
Outlooks	
Long-Term Foreign-Currency IDR	Negative
Long-Term Local-Currency IDR	Negative

Issuer Profile

Bogota is the capital city of Colombia. It's population is estimated at around 8 million inhabitants and its GDP represents about 25% of the country's output. Its special legal regime grants the district with characteristics of both a municipality and a department.

Financial Data

Capital District of Bogota		
(COPb)	2019	2024rc
Payback (x)	0,7	3,2
Actual coverage (x)	20,3	2,0
Fiscal debt burden (%)	17,5	57,2
Net adjusted debt	2.539	9.943
Operating balance	3.868	3.092
Operating revenue	14.485	17.371
Debt service	191	1.579

rc: Fitch's rating-case scenario
Source: Fitch Ratings, Bogota

Applicable Criteria

[Rating Criteria for International Local and Regional Governments \(September 2019\)](#)

Related Research

- [Colombia \(April 2020\)](#)
- [What Investors Want to Know: Colombia's Negative Outlook \(July 2020\)](#)
- [Capital District of Bogota \(August 2019\)](#)

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Appendix A: Financial Data

Capital District of Bogota

(COPm , as of Dec. 31)	2016	2017	2018	2019	2020rc	2024rc
Taxes	7.383.290	7.795.870	8.473.747	9.072.599	7.910.308	11.064.617
Transfers received	3.205.512	3.433.577	3.577.838	3.861.021	4.149.355	5.024.310
Fees, fines and other operating revenues	912.293	949.218	1.041.996	1.551.011	916.366	1.281.775
Operating revenue	11.501.095	12.178.665	13.093.581	14.484.631	12.976.029	17.370.702
Operating expenditure	(9.046.198)	(9.728.066)	(10.241.953)	(10.616.742)	(11.657.112)	(14.278.356)
Operating balance	2.454.897	2.450.599	2.851.628	3.867.889	1.318.917	3.092.346
Interest revenue	680.208	701.746	622.015	710.689	722.938	822.998
Interest expenditure	(82.558)	(82.596)	(81.929)	(83.263)	(328.449)	(829.375)
Current balance	3.052.547	3.069.749	3.391.715	4.495.314	1.713.406	3.085.969
Capital revenue	581.681	1.537.459	2.961.847	1.427.983	1.580.610	1.567.635
Capital expenditure	(3.404.130)	(5.266.315)	(7.260.756)	(8.026.334)	(4.828.914)	(7.306.046)
Capital balance	(2.822.449)	(3.728.856)	(4.298.909)	(6.598.351)	(3.248.304)	(5.738.411)
Total revenue	12.762.984	14.417.870	16.677.443	16.623.302	15.279.577	19.761.335
Total expenditure	(12.532.886)	(15.076.977)	(17.584.637)	(18.726.339)	(16.814.475)	(22.413.777)
Surplus (deficit) before net financing	230.098	(659.107)	(907.194)	(2.103.037)	(1.534.898)	(2.652.442)
New direct debt borrowing	18.376	60.000	30.000	1.449.999	1.929.387	865.611
Direct debt repayment	(96.989)	(96.199)	(90.338)	(107.469)	(96.815)	(749.772)
Net direct debt movement	(78.613)	(36.199)	(60.338)	1.342.530	1.832.572	115.839
Overall results	151.485	(695.307)	(967.532)	(760.507)	297.674	(2.536.603)
Debt						
Short-Term debt	0	0	0	0	0	0
Long-Term debt	1.253.888	1.215.044	1.192.081	2.538.515	4.760.353	9.317.162
Direct debt	1.253.888	1.215.044	1.192.081	2.538.515	4.760.353	9.317.162
Other Fitch-classified debt	0	0	0	0	0	625.779
Adjusted debt	1.253.888	1.215.044	1.192.081	2.538.515	4.760.353	9.942.941
Total cash, liquid deposits, and sinking funds	3.718.089	5.190.847	7.184.637	5.020.211	5.317.884	2.248.610
Restricted cash	3.327.651	5.190.847	7.184.637	5.020.211	5.317.884	2.248.610
Unrestricted cash	390.439	0	0	0	0	0
Net adjusted debt	863.450	1.215.044	1.192.081	2.538.515	4.760.353	9.942.941

rc – Fitch's rating case. GRE – Government-related entity.

Source: Fitch Ratings, Bogota, Consolidador de Hacienda e Informacion Publica (CHIP).

Appendix B: Financial Ratios

Capital District of Bogota

(As of Dec. 31)	2016	2017	2018	2019	2020rc	2024rc
Fiscal performance ratios						
Operating balance/operating revenue (%)	21,3	20,1	21,8	26,7	10,2	17,8
Current balance/current revenue (%)	25,1	23,8	24,7	29,6	12,5	17,0
Operating revenue growth (annual % change)	7,0	5,9	7,5	10,6	(10,4)	5,5
Operating expenditure growth (annual % change)	1,4	7,5	5,3	3,7	9,8	6,0
Surplus (deficit) before net financing/total revenue (%)	1,8	(4,6)	(5,4)	(12,7)	(10,0)	(13,4)
Total revenue growth (annual % change)	4,5	13,0	15,7	(,3)	(8,1)	4,9
Total expenditure growth (annual % change)	(3,8)	20,3	16,6	6,5	(10,2)	8,8
Debt ratios — type B						
Primary metrics						
Payback ratio (x)	0,4	0,5	0,4	0,7	3,6	3,2
Secondary metrics						
Fiscal debt burden (%)	7,5	10,0	9,1	17,5	36,7	57,2
Actual debt service coverage ratio (x)	13,7	13,7	16,6	20,3	3,1	2,0
Other debt ratios						
Liquidity coverage ratio (x)	13,7	15,9	16,6	20,3	3,1	2,0
Direct debt (annual % change)	(8,1)	(3,1)	(1,9)	112,9	87,5	2,2
Apparent cost of direct debt (interest paid/direct debt) (%)	6,3	6,7	6,8	4,5	9,0	9,0
Revenue ratios						
Tax revenue/total revenue (%)	57,8	54,1	50,8	54,6	51,8	56,0
Current transfers received/total revenue (%)	25,1	23,8	21,5	23,2	27,2	25,4
Interest revenue/total revenue (%)	5,3	4,9	3,7	4,3	4,7	4,2
Capital revenue/total revenue (%)	4,6	10,7	17,8	8,6	10,3	7,9
Expenditure ratios						
Staff expenditure/total expenditure (%)	13,0	11,5	10,4	9,8	-	-
Current transfers made/total expenditure (%)	56,0	50,0	45,0	43,7	-	-
Interest expenditure/total expenditure (%)	0,7	0,5	0,5	0,4	2,0	3,7
Capital expenditure/total expenditure (%)	27,2	34,9	41,3	42,9	28,7	32,6

rc – Fitch's rating case.

Source: Fitch Ratings, Bogota, Consolidador de Hacienda e Informacion Publica (CHIP).

Appendix C: Data Adjustments

Net Adjusted Debt Calculation

Fitch's adjusted debt includes Bogota's long-term debt, as well as a Fitch's estimate of Bogota's share of the debt taken by Empresa Metro de Bogota to finance the first metro line project, weighted based on the District's future contributions to the project (about 22% of total future contributions). The Capital District has no short-term debt at year end, as the regulatory framework determines short-term obligations must be paid before then. Our net adjusted debt corresponds to the difference between adjusted debt and the LRG's year end available cash, viewed as "unrestricted" by Fitch. However, all cash is deemed to be "restricted", as year-end accounts payable and contractual commitments exceed available cash.

Specific Adjustments for Bogota

Cash surplus of previous years are subtracted from capital revenues. Also, some withdrawals from the pension funds are reclassified to pass through transfers from capital revenue. Previous years deficits are subtracted from expenditure. General adjustments when inconsistencies are identified between in financial statements provided by the issuer and those published.

Fitch's historical financial statements for Bogota result from a cross-check between published budgetary statements and the issuer's reports to Consolidador de Hacienda e Informacion Publica (CHIP) and, where appropriate, reclassify certain line items. These reclassifications have a minimal impact on ratios.

Fitch takes into account consolidated figures, which include Bogota's public establishments. Fitch does not take into account the revenues and expenditures of Universidad Distrital for its analysis but considers Bogota's transfers to the university as part of operating expenditure.

Bogota's operating expenditure is based on a Fitch estimate and includes items reported under 'investment expenditure' that are recurring in nature. These include staff and other operating costs of the education sector and subsidies for utilities, health insurance and transportation, among others.

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