



Tagging Info

**Fitch Affirms Bogota's International Ratings; Revises Outlook to Positive** RatingsEndorsement Policy  
08 Mar 2013 3:02 PM (EST)

Fitch Ratings-Monterrey-08 March 2013: Fitch Ratings has affirmed Bogota, Capital District of Colombia's (Bogota) ratings as follows:

- Long-term foreign currency (FC) at 'BBB-';
- Long-term local currency (LC) at 'BBB';
- US\$300 million equivalent, 9.75% Colombian Peso-denominated notes due 2028, long-term FC at 'BBB-'.

The Ratings Outlook is revised to Positive from Stable.

**KEY RATING DRIVERS**

In Fitch's opinion, the ratings of the district are capped by Colombia's sovereign risk. The outlook revision in Bogota's ratings is the result of the same action taken by Fitch on the Sovereign on March 6, 2013. Bogota's credit strengths remain, including: the sound financial performance that Bogota has shown over the past years, as well as manageable debt metrics; the strong socio-economic profile of the district and weight in the national economy in terms of GDP contribution. It also incorporates the political risk associated to the public sector and quality management of the current administration.

The Fitch-adjusted operating surplus before interest expenses has remained high as percentage of current revenues, maintaining margins in excess of 30% over the last years. Such operating margins are remarkably high compared to international standards, denoting the district's strong fiscal flexibility and payment capacity of financial commitments. Fitch expects that the favorable financial position of the district remains in the medium term.

Regarding debt, Bogota's direct debt balance continue with a declining trend as a result of a restrictive policy and its favorable liquidity position, registering COP\$1.5 billion (US\$812.4 million), as of Dec. 31, 2012. Of such balance, 20% is internal debt and 80% is external debt, where most of it is hedged to currency risk. The main risk associated to the debt portfolio such as exchange rate exposure, variable interest rates, debt payout concentration, and liquidity levels, are subject to constant surveillance by the district under prudent practices to mitigate such risks. In 2012, interest payment over operating surplus as well as total debt-to-current revenues ratios stayed much lower than the 40% an 80% limit established in the terms of Colombian Law 358.

The current administration through its Development Plan Bogota Humana aims to develop important infrastructure projects such as the Integrated System of Massive Public Transportation, basing its financing strategy in higher tax revenue and transfers. They've also considered accessing to additional credit resources through the adoption of new debt limits. Fitch will monitor the development of those projects and the financing plans, which is not expected to press the entity's financial flexibility due to the prudent financial policy that it has followed.

The main risk or limitations for Bogota are the increasing social and infrastructure needs of a growing population, particularly those related to transportation; and the contingent liabilities regarding pension and retirement payments of employees that have been funded partially.

**RATING SENSITIVITIES**

Positive: An upgrade of the Sovereign rating, accompanied by Bogota's solid operating performance, could trigger a positive rating action.

Negative: The current Rating Outlook is Positive. Consequently, Fitch's sensitivity analysis does not currently anticipate developments with a material likelihood, of leading to a rating downgrade. However, future developments that may, individually or collectively, lead to a stabilization of the Outlook include:

- Stabilization of Colombia's sovereign rating;
- Significant debt increase (short-term and/or long-term);
- An important deterioration in its operating margins and cash levels;
- Persistent budget deficits.

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Additional information is available at [www.fitchratings.com](http://www.fitchratings.com). The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable criteria and related research:

- 'Tax-Supported Rating Criteria' dated Aug. 14, 2012;
- 'International Local and Regional Governments Rating Criteria, Outside the United States', dated Aug. 17, 2012.

#### **Applicable Criteria and Related Research**

Tax-Supported Rating Criteria

International Local and Regional Governments Rating Criteria - Outside the United States

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