

# City of Barcelona

## Full Rating Report

### Ratings

Long-Term Foreign-Currency IDR	BBB+
Short-Term Foreign-Currency IDR	F2
Long-Term Local-Currency IDR	BBB+

### Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

### Financial Data

#### City of Barcelona

	2017B	31 Dec 16
Operating revenue (EURm)	2,464.1	2,497.8
Debt (EURm)	n.a.	835.5
Operating balance/operating revenue (%)	13.59	16.93
Debt service/current revenue (%)	5.98	6.92
Debt/current balance (yrs)	n.a.	1.9
Operating balance/interest paid (x)	15.1	22.9
Capital expenditure/total expenditure (%)	16.71	16.72
Surplus (deficit) before debt variation/total rev. (exc. new debt) (%)	-3.09	1.29
Current balance/capital expenditure (%)	77.62	98.36

B: budget

### Key Rating Drivers

**Improved Institutional Framework:** The City of Barcelona's ratings consider its regulatory regime, debt restrictions, lack of revenue flexibility and improving financial transparency.

Fitch Ratings believes the institutional framework has improved following the introduction of the Budgetary Stability Law (BSL) in 2012, as it allows the central government to intervene in the management of a municipality if the Ministry of Finance and Civil Service believes it will not meet its fiscal targets. It was also enhanced by the law to control commercial debt (LCCD) and Royal Decree Law 17/2014, which reinforces financial support to local entities.

**Moderate Direct Debt:** Under Fitch's base-case scenario, Barcelona's direct debt will remain moderate at end-2017, close to 32%-33% of expected current revenues, well below the stricter 60% debt target. At end-2016, direct debt remained moderate at EUR835.5 million, 32.9% of current revenues (EUR835.7 million or 32.2%, at end-2015).

**Debt Burden:** Barcelona faces moderate debt redemptions over 2017-2019, totalling EUR226.6 million (27% of outstanding direct debt) at end-2016. However, Fitch believes any refinancing risk will be mitigated by the city's strong cash position (EUR753.6 million at end-2016) and strong access to commercial loans, which indicates a low 8.7% net overall risk to current revenue. Its strong cash reserves also mean that no renewal of short-term credit lines was necessary in 2016, which we expect will remain in 2017.

**Strong Budgetary Performance:** Fitch expects Barcelona's operating margin to remain strong, at 16%-17% in 2017 (16.9% at end-2016). We forecast operating spending to grow in the 2%-3% range, largely on social spending, as the local government will continue to take advantage of the city's financial leeway. Operating revenue should grow at the same pace from larger resources from the funding system and higher tax collection.

**Strong Economy:** Barcelona has a diversified and wealthy economy and benefits from strong tourist activity. The city is the administrative, political and economic center of the Autonomous Community of Catalonia (BB/Negative/B), hosting 21.4% of the region's population in 2016. Its strong economy is reflected by a regional GDP per capita 19% above that of Spain in 2016, and a higher employment rate compared to the Spanish average.

### Rating Sensitivities

**Sovereign Rating Constraint:** Barcelona's IDRs are constrained by the sovereign's, and therefore are sensitive to changes in the sovereign ratings.

**Fiscal Deterioration Unlikely:** A sharp decline in the current margin below 5% (2016: 17.5%) and a sharp increase in direct debt would trigger a negative rating action on Barcelona's IDRs. However, Fitch considers this scenario highly unlikely. Barcelona's IDRs could be placed on Rating Watch Negative in the event of a unilateral declaration of Catalonia's independence.

### Related Research

[What Investors Want to Know: IBI, Core Tax for Spanish Municipalities \(January 2017\)](#)

[Fitch Affirms Catalonia at 'BB'; Outlook Negative \(January 2017\)](#)

[Spanish Budgetary Stability Law Less Stringent than Anticipated: Rating Floor Maintained \(September 2013\)](#)

[Institutional Framework for Spanish Subnationals \(January 2012\)](#)

### Analysts

Julia Carner  
+34 93 323 8401  
[julia.carner@fitchratings.com](mailto:julia.carner@fitchratings.com)

Guilhem Costes  
+34 93 323 8410  
[guilhem.costes@fitchratings.com](mailto:guilhem.costes@fitchratings.com)

Rating History

Date	Long-Term Foreign-Currency IDR	Long-Term Local-Currency IDR
2 May 14	BBB+	BBB+
8 Jun 12	BBB	BBB
2 Feb 12	A	A
10 Oct 11	AA-	AA-
1 Feb 06	AA+	AA+
21 Nov 01	AA	AA
18 Dec 97	AA-	AA-

Source: Fitch

City of Barcelona



Source: Fitch

Reasons why Barcelona's IDRs are not affected by the Autonomous Community of Catalonia's Negative Outlook:

- Supportive relationship with the central government.
- Supervision of financials and debt is competence of the central government.
- Most of the current revenue come from the central government and self-collected revenues.
- Municipal competencies are set out by the central government.

Related Criteria

[International Local and Regional Governments Rating Criteria – Outside the United States \(April 2016\)](#)

Principal Rating Factors

Summary: Strengths and Weaknesses

	Institutional framework	Debt and other liabilities	Economy	Finances	Management and admin.
Status	Neutral	Strength	Strength	Strength	Strength
Trend	Stable	Stable	Stable	Stable	Stable

Source: Fitch

Overall Strengths

- Prudent financial, debt and liquidity management. Strong compliance with fiscal targets.
- Strong budgetary performance, as it receives large transfers from the central government, combined with strong property tax collection.
- Barcelona has a better-than-average socio-economic profile.
- Moderate direct debt-to-current revenue ratio and strong liquidity.

Institutional Framework

Fitch assesses the institutional framework for Spanish local governments under the common regime as neutral. The BSL, approved in April 2012, and the introduction of the LCCD in December 2013, resulting in the obligation to pay suppliers within 60 days from the invoice registration, are positive for Barcelona. The fiscal targets contained in the BSL for local entities are stricter than those for autonomous communities, as no fiscal deficit is allowed under any circumstance. The clause on the absolute priority of public debt repayment set out in the BSL also applies to municipalities.

RDL 17/2014, approved in December 2014, created a new support mechanism for local entities divided into two funds: the Planning Fund (PF), for entities with financial risk and which do not comply with the payment period to suppliers, to meet their debt servicing commitments; and the Economic Boost Fund (EBF), for local entities compliant with the stability goals, which funds sustainable investments.

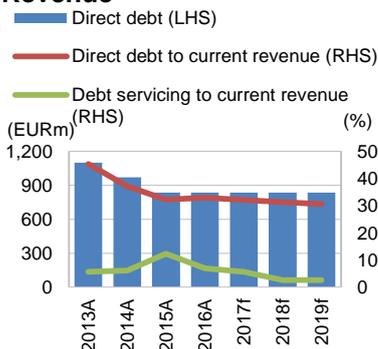
Barcelona's IDRs are not affected by the Autonomous Community of Catalonia's Negative Outlook. Its relationship with the central government is supportive and the supervision and endorsement of Barcelona's institutional framework, including financial and debt monitoring, is an exclusive competence of the central government. Moreover, Barcelona's funding is fully ring-fenced from the regional government scope, like other municipal entities of common regime in Spain.

Funding of Municipalities

The municipalities' funding is described in its latest modification (Royal Decree 2/2004); the initial law regulating local funding was approved in December 1988. This amendment simplified the funding system, dividing revenue into: taxes, fees, public prices and special contributions, and current transfers. Most of the current transfers come from the central government through participation in nationally collected taxes.

The city's responsibilities are set out in the national law governing cities of more than 50,000 inhabitants. These responsibilities include: street lighting; cemeteries, waste collection and treatment; street cleaning; water supply and treatment; sewage; traffic control; street paving; libraries; parks and gardens; markets; civil protection; social services; fire prevention and fire brigades; sports centers; and urban planning and urban transport. Some cities also take on responsibilities from other tiers of government.

### Debt to Current Revenue and Debt Servicing to Current Revenue



A: Actuals f:Fitch projections  
Source: City of Barcelona and Fitch

### Debt and Other Long-Term Liabilities

Fitch considers debt as a strength for Barcelona considering its moderate direct debt-to-current revenue ratio (32.9% of current revenue at end-2016). The financial debt of the general administration decreased in 2015 to EUR835.7 million (EUR971.6 million in 2014), as it refinanced EUR138 million of loans contracted in 2012, using the surplus from the previous year.

Barcelona's direct debt portfolio was conservative in 2016, as EUR835.5 million was entirely euro-dominated and a high 67% of debt was at fixed-interest rates (59.5% in 2015). The average life of long-term debt in 2016 increased to 6.4 years (5.5 years in 2015). At end-2016, a high 38.1% of the outstanding direct debt came from a bank with ratings at 'AAA'/Stable/'F1+', 34.4% from a bank with ratings at 'A-'/Stable/'F2' and 12.6% from a bank with ratings at 'BBB+'/Stable/'F2'.

A moderate 27% of direct debt at end-2016 matures between 2017 and 2019, as shown in the table below left. However, Fitch believes any refinancing risk will be mitigated by the city's strong cash position (EUR753.6 million at end-2016) and strong access to commercial loans, which indicates a low 8.7% net overall risk to current revenue.

#### Indirect Debt

Fitch considers Barcelona's indirect debt to be low, as the financial debt of the municipal public sector (PSEs) with majority participation is well controlled by the municipal plenary. In 2016, the financial debt of this sector decreased to EUR139 million (EUR159.2 million in 2015), mainly comprising the financial debt of the public housing entity.

#### Liquidity

Fitch assesses Barcelona's liquidity and its liquidity management practices as strength. It complies with the target of payment to suppliers, has a stable and strong cash position, and has strong access to commercial loans with moderate financial conditions. The loans are contracted under financial prudence limits imposed by the Spanish treasury. We do not expect Barcelona to renew credit lines through 2017 due to its strong cash reserves. Barcelona complies with the payment target of 30 days from the invoice register, which is stricter than the target of 60 days set in the state LCCD.

#### Finances

Fitch assesses Barcelona's budgetary performance to be strong. Barcelona has reported recurring positive current balances and surpluses before debt variation, and Fitch expects this to continue for the next three years. This is driven by large and stable transfers from the central government (42% of operating revenues), and combined with strong collection of taxes. Appendices A and B include figures for the general administration.

#### Operating Revenues

In 2015, Barcelona's overall current balance deteriorated from 2014 due to the recognition of a one-off revenue of EUR170 million in 2014 in financial revenues, from the concession of 26 public car parks.

Operating revenues increased for 2015 by a significant 6% yoy, as a result of a 4.6% yoy increase of resources from the funding system and 6% yoy growth of collected local taxes. In 2015, the administration maintained the update of housing stock by the coefficient of 10%; combined with new urban units in the city, this resulted in a substantial 6% and 16% yoy growth of property tax and tax on increases in land value, respectively. Current transfers also increased by a significant 8% yoy, as the Autonomous Community of Catalonia recognised approximately EUR43 million in debt from the past with the city administration.

### Profile of Long-Term Debt of General Administration at December 2016 (EURm)

2017	126.1
2018	49.5
2019	51.0
> 2020	609

Source: City of Barcelona

### Fund Balance Statement

(EURm)	2015	2016
<b>1 Receivables</b>	793.2	784.7
Current budget	206.1	173.6
Previous budget	589	608.7
Non budget items	6.6	8.4
Doubtful receivable	-556	-580.2
<b>2 Payables</b>	658.3	783
Current budget	462.9	593.4
Previous budget	112.8	106.4
Non budget items	82.7	83.3
Cash	631.2	753.6
Total fund balance	766	755.3

Source: City of Barcelona

In 2016, operating revenue was reduced as a result of lower resources from the funding system (1.5% lower since 2015) and around EUR72 million of current transfers in 2015 that were not received in 2016. These transfers included EUR55 million related to the waste fee that Barcelona received until 2015 in the form of current transfers from local entities, which were then transferred to the Metropolitan Area of Barcelona (AMB). From 2016, this transfer would be directly managed by the AMB. Nevertheless, local taxes increased by 2.5% yoy, especially the tax on construction, the tax on increases in land value and the property tax.

The property tax is not strongly correlated to the economic cycle. Rather, three main drivers determine its performance collection: the number of assets; their fiscal value; and their tax rates. The penultimate valuation of real estate stock made by the administration was in 2001. In 2015, the government initiated a full valuation of real estate stock of the municipality, which was neutralised by the non-application of the update of housing stock by coefficients in 2016 and 2017.

RD 20/2011 established a 10% increase of the general property tax rate, assuming an increase of the general rate to 0.825% from 0.75% for the municipality, for 2012 and 2013. At the same time, the local administration introduced a limit for contributors on the annual increase of the collected tax for 2012 and 2013. Law 16/2013 maintained the general tax rate increase for 2014 and 2015; however, in 2014 the city administration decreased the general tax rate to the initial 0.75%, which is still below the legal maximum tax rate of 1.3% for urban units. Thus, there is still scope to increase its tax autonomy. In 2016, Barcelona modified the limit on the annual increase of the collected tax.

### State Transfers

Total state transfers in the form of shared taxes and funds communicated by the central government amounted to EUR1.1 billion in 2016, representing a high 42% of operating revenue. For that year, total allocations declined by 1.5% yoy. In 2008 and 2009, the central government made optimistic estimates of these resources, resulting in Barcelona returning EUR93.5 million (for 2008) and EUR304.3 million (for 2009) to the central government within 10 years. Under RD 12/2014, this period was extended to 20 years from 2015. The 2013 negative settlement was returned in 2016 (EUR52.7 million). However, this was compensated by the positive settlement that Barcelona received in 2016 from 2014 (EUR59.2 million).

### Operating Expenditure

In 2016, operating spending grew by 3.5% yoy, as the administration paid 25% of the semi-annual year-end bonus, salaries of civil servants grew by 1% yoy and the administration recognised a one-off EUR61 million payment forced by a court judgement. This was relative to a 1% salary increase from 2007 and 2008 for civil servants of the overall general administration and municipal public companies. The number of employees in the general administration increased by 38 after the central government froze the replacement rate of employees in 2013 and 2014.

Most of Barcelona's public services are decentralised and provided by the administration through its PSEs. In 2013, the merger of four majority-owned companies under Barcelona's municipal infrastructure group resulted in a 4% reduction from 2010 in the staff of the autonomous bodies and PSEs. These companies were created in 1996-2010 and funded by transfers from the city administration, and were involved in managing, maintenance, rehabilitation and urban projects in different districts of the city.

In 2015, capital expenditure represented a moderate 16.7% of total expenditure, down from 23.8% in 2014: EUR100 million was transferred in 2014 to the public housing entity to fund investments of 1,000 housing for rents, and EUR30 million in investments were made to maintain a hospital managed by the regional government. Although, Fitch considers this ratio to be fairly rigid, we consider that the city has an adequate level of infrastructure.

### Tax Breakdown

(EURm)	2014 A	2015 A	2016 A	2017 b
Property tax (IBI)	626	667	671	668
Tax on economic activities (IAE)	93	90	94	90
Tax on motor vehicles	63	61	62	57
Tax on construction activities	22	20	29	22
Tax on increases in land value	146	170	177	173
Shared PIT, VAT and special taxes	82	90	95	90
<b>Total local taxes</b>	<b>1,031</b>	<b>1,098</b>	<b>1,128</b>	<b>1,101</b>

b: Budget A: Actual  
Source: City of Barcelona

### Revenue Settlement Between Barcelona and Central Government

	2012	2013	2014	2015
Revenue Settlement (EURm)	42.5	-52.7	59.2	30
% of operating revenue	1.9	-2.2	2.5	1.2

Source: Ministry of Finance and Civil Service

**Comparative Socio-Economic Factors 2016**

	Autonomous Community of Catalonia	City of Barcelona
Immigration population (%)	13.6	16.6
Population above 65 years (%)	18.3	21.6
Population growth 2000-2016 (%)	20.1	7.5
GDP per capita in 2014 <sup>a</sup> (Spain = 100) EUR	26,585	26,652
Unemployment rate (%) <sup>b</sup>	15	11.6
Employment rate (%) <sup>b</sup>	66.8	71.4

<sup>a</sup> GDP per capita of the provincial level 4Q16  
<sup>b</sup> 4Q16  
 Source: National Statistics Institute and Statistics of Barcelona

**Housing Price Development (EUR/m<sup>2</sup>)**

	Dec 15 (EUR/m <sup>2</sup> )	Dec 16 (EUR/m <sup>2</sup> )	EUR/m <sup>2</sup> times higher than in Spain in 2016
Madrid	2,504	2,629	174
Barcelona	2,554	2,822	187
Girona	1,452	1,443	95
Sant Cugat	2,506	2,779	184
Badalona	1,503	1,543	102
Hospitalet	1,473	1,599	106
Cornella	1,566	1,620	107
Gava	1,848	2,027	134
Vilanova i la Geltru	1,406	1,433	95

Source: Ministry of Housing

**Economy**

Fitch considers Barcelona’s socio-economic profile strong for its ratings, as it has a wealthy and diversified economy benefitting from being the administrative, political and economic center of the region of Catalonia.

Barcelona is the capital of Catalonia and belongs to the provincial territory of Barcelona. Its registered population represents 21.4% of the region’s population and 29% of that of the province. Barcelona is the second-largest and second-most densely populated city in Spain. It has a high population density, at 15,686.6 inhabitants per square kilometre.

In January 2016, the city had a registered population of 1,608,746 inhabitants, which has been stable since 2004, mainly due to the large rise in immigrants. The number of immigrants increased in 2013 by 15% from 2007, owing to employment opportunities. However, this figure decreased in 2013-2015, when labour market conditions toughened. When the economy improved in 2016, this figure rose again, by 1.5% from 2015.

Barcelona’s has a large elderly population, with 21.6% over the age of 65, above both that of Catalonia and cities forming the metropolitan area. This figure has grown gradually since 2001, and suggests that present and future liabilities, mainly in welfare, could be burdensome.

The provincial economy is stronger than the national one, demonstrated by a GDP per capita 19.4% above the national average in 2014. As a developed economy, Barcelona’s tertiary sector is the largest sector, and accounted for 67% of provincial GDP in 2014. The city benefits from its important tourism position in Europe, with a high and growing number of airline passengers (44 million in 2016) and growing overnight stays.

The city also benefits from hosting a port with high cruise passengers traffic in the Mediterranean and important shipping traffic. The significant role of services in the city is underlined by the number of small and medium-sized companies, although it is also home to many multinationals. The economies of Barcelona and its metropolitan area are diversified, although the industrial and construction sectors (19% and 4%, respectively, of the provincial GDP in 2014) still dominate.

The local housing prices are higher than the national average and other cities in the province (see table). Barcelona’s housing market was affected by the economic recession between 2007 and 2014, more than in Spain, but is recovering. House prices in the city fell by 37% during 2007-2014. However, between 2014 and 2016 prices have grown by a significant 17%.

The 2007-2011 downturn in the Spanish economy had a similar impact on Barcelona’s labour market, with a 10% loss of registered workers between December 2007 and December 2011 (11% drop at national average). However, in 2012 the negative trend shifted, with an accumulative 7% growth of registered workers between December 2011 and December 2016 (Spain: 3.7%).

**Management and Administration**

Fitch considers Barcelona’s management practices as a strength, given its prudent financial, debt and liquidity management, and conservative budgets. This factor also takes into account compliance with fiscal targets.

### City Council Political Composition (Seats)

Parties	2007	2011	2015
PSC-CP	14	11	4
CIU	12	14	10
PP	7	9	3
ERC	4	5	5
UpB	4	2	
Barcelona en Comu			11
Ciutadans			5
CUP			3
<b>Total</b>	<b>41</b>	<b>41</b>	<b>41</b>

Source: City of Barcelona

Following the latest local elections in May 2015, Barcelona en Comu (BC) formed a minority government, after CIU had been in power, also governing in minority, since 2011. The new left wing party BC (coalition between EUiA, ICV, Podemos and Proces Constituent) won without obtaining a majority; it only won 11 seats out of 41 (see table). The nationalist party CIU won 10 out of 41 seats (14 in 2011), being the second party in the opposition. Two new parties also gained ground in the city council: the centrist wing party Ciutadans (5 seats) and the left wing party CUP (3 seats).

The new political regime resulted in four government commissions (six in the previous government), whose main function is to pass judgement on matters that have to be remitted to the council; the commissions can also authorise and approve contracts and approve initial bylaws. Barcelona was also divided into 10 districts.

Ms. Ada Colau, the leader of BC, was sworn as the Mayor, replacing Mr. Xavier Trias. Mr. Gerardo Pisarello was appointed as leader of the department of working, economy and planning, replacing Ms. Sonia Recasens. In May 2016, BC and the socialist party PSC-CP signed an agreement to govern in the municipality, but still in minority. Following the new agreement, a new department of culture, innovation and business was created.

The previous government had a strong commitment to comply with fiscal targets set in the BSL, and we expect that the new government will continue to maintain this commitment. In 2015, Barcelona complied with the fiscal targets of non-deficit, debt below 60% of current revenues, current balance above 15% of current revenues and a payment target of 30 days. However, the administration did not comply with the spending limit of 1.3% ratified by Council of Ministers in June 2014; therefore, Barcelona had to develop an Economic and Financial Plan (EFP).

The first draft 2016 budget presented by the new government in November 2015 was not approved, as CIU and PP parties voted against. Therefore, the 2015 budget was rolled over into 2016. A modification of EUR265 million was approved in May 2016 with the support of BC, ERC and the socialist party (CUP abstained). The 2017 draft budget was presented in November 2016, but was again not approved as the parties in the opposition (PP, CIU and ERC) voted against it. However, on 23 January 2017, following a vote of confidence by the Mayor and in application of Law 5/1985, the draft budget was automatically approved; the parties in the opposition did not put forward another candidate for Mayor or present a new budget.

The 2017 budget presents a 5% tax increase from the 2016 draft budget from an expected higher tax collection. However, tax revenue from the funding system has been decreased by EUR4.6 million yoy. Current transfers received increases from better allocations from 2016, the one-off negative 2013 settlement recognised in 2016, and from higher transfers from the regional government of Catalonia and the AMB. The main difference from the 2016 draft budget is a higher level of investments from construction activities in several areas of the city.

Current spending has been increased by 1%. This comes from a 1% growth of salaries, the court judgement related to the 1% growth of salaries from 2007-2008 that was not already included in the 2016 draft budget and an expected increase in the number of employees in the local administration.

Appendix A

<b>City of Barcelona</b>					
<b>(EURm)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017B</b>
Taxes	977.1	1,031.5	1,097.6	1,127.6	1,100.7
Transfers received	1,085.4	1,054.8	1,139.9	1,051.2	1,083.3
Fees, fines and other operating revenue	323.6	310.3	303.1	319.0	280.1
<b>Operating revenue</b>	<b>2,386.1</b>	<b>2,396.6</b>	<b>2,540.6</b>	<b>2,497.8</b>	<b>2,464.1</b>
Operating expenditure	-1,805.0	-1,855.8	-2,004.7	-2,075.0	-2,129.3
<b>Operating balance</b>	<b>581.1</b>	<b>540.8</b>	<b>535.9</b>	<b>422.8</b>	<b>334.8</b>
Financial revenue	44.5	214.3	51.2	40.1	42.1
Interest paid	-33.3	-29.7	-23.4	-18.5	-22.1
<b>Current balance</b>	<b>592.3</b>	<b>725.4</b>	<b>563.7</b>	<b>444.4</b>	<b>354.8</b>
Capital revenue	28.4	48.6	43.2	40.7	24.1
Capital expenditure	-341.9	-630.6	-465.2	-451.8	-457.1
<b>Capital balance</b>	<b>-313.5</b>	<b>-582.0</b>	<b>-422.0</b>	<b>-411.1</b>	<b>-433.0</b>
<b>Surplus (deficit) before debt variation</b>	<b>278.8</b>	<b>143.4</b>	<b>141.7</b>	<b>33.3</b>	<b>-78.2</b>
New borrowing	41.2	1.8	161.5	160.5	205.8
Debt repayment	-104.9	-130.9	-296.9	-157.2	-127.7
<b>Net debt movement</b>	<b>-63.7</b>	<b>-129.1</b>	<b>-135.4</b>	<b>3.3</b>	<b>78.1</b>
<b>Overall results</b>	<b>215.1</b>	<b>14.3</b>	<b>6.3</b>	<b>36.6</b>	<b>-0.1</b>
<b>Debt</b>					
Short-term	0.0	0.0	0.0	0.0	n.a.
Long-term	1,101.4	971.6	835.7	835.5	n.a.
<b>Direct debt</b>	<b>1,101.4</b>	<b>971.6</b>	<b>835.7</b>	<b>835.5</b>	<b>n.a.</b>
+ Other Fitch classified debt - pre-financing	0.0	0.0	0.0	0.0	n.a.
<b>Direct risk</b>	<b>1,101.4</b>	<b>971.6</b>	<b>835.7</b>	<b>835.5</b>	<b>n.a.</b>
- Cash, liquid deposits, sinking fund	519.1	644.8	631.2	753.6	n.a.
<b>Net direct risk</b>	<b>582.3</b>	<b>326.8</b>	<b>204.5</b>	<b>81.9</b>	<b>n.a.</b>
Guarantees and other contingent liabilities	0.0	0.0	0.0	0.0	n.a.
Net indirect debt (public sector entities exc. gteed amount)	224.7	172.6	159.2	139.0	n.a.
<b>Net overall risk</b>	<b>807.0</b>	<b>499.4</b>	<b>363.7</b>	<b>220.9</b>	<b>n.a.</b>
<b>Memo for direct debt</b>					
% in foreign currency	0.0	0.0	0.0	0.0	n.a.
% issued debt	18.2	14.4	7.2	7.2	n.a.
% fixed interest rate debt	44.2	45.5	59.5	67.0	n.a.

B: Budget  
n.a.: Not available  
Source: Issuer and Fitch calculations

Appendix B

City of Barcelona

	2013	2014	2015	2016	2017B
<b>Fiscal performance ratios</b>					
Operating balance/operating revenue (%)	24.35	22.57	21.09	16.93	13.59
Current balance/current revenue <sup>a</sup> (%)	24.37	27.78	21.75	17.51	14.16
Surplus (deficit) before debt variation/Total revenue <sup>b</sup> (%)	11.34	5.39	5.38	1.29	-3.09
Overall results/total revenue (%)	8.75	0.54	0.24	1.42	0
Operating revenue growth (annual % change)	5.05	0.44	6.01	-1.68	n.a.
Operating expenditure growth (annual % change)	1.66	2.81	8.02	3.51	n.a.
Current balance growth (annual % change)	17.19	22.47	-22.29	-21.16	n.a.
<b>Debt ratios</b>					
Direct debt growth (annual % change)	-5.47	-11.79	-13.99	-0.02	n.a.
Interest paid/operating revenue (%)	1.4	1.24	0.92	0.74	0.9
Operating balance/interest paid (x)	17.5	18.2	22.9	22.9	15.1
Direct debt servicing/current revenue (%)	5.69	6.15	12.36	6.92	5.98
Direct debt servicing/operating balance (%)	23.78	29.7	59.77	41.56	44.74
Direct debt/current revenue (%)	45.31	37.21	32.24	32.92	n.a.
Direct risk/current revenue (%)	45.31	37.21	32.24	32.92	n.a.
Direct debt/current balance (yrs)	1.9	1.3	1.5	1.9	n.a.
Net overall risk/current revenue (%)	33.2	19.13	14.03	8.7	n.a.
Direct risk/current balance (yrs)	1.9	1.3	1.5	1.9	n.a.
Direct debt/GDP (%)	2.67	2.33	1.94	n.a.	n.a.
Direct debt per capita (EUR)	683	606	521	519.3	n.a.
<b>Revenue ratios</b>					
Operating revenue/budget operating revenue (%) <sup>c</sup>	117.16	105.01	109.87	n.a.	n.a.
Tax revenue/operating revenue (%)	40.95	43.04	43.2	45.14	44.67
Modifiable tax revenue/total tax revenue (%)	91.42	91.27	91.78	91.61	91.82
Current transfers received/operating revenue (%)	45.49	44.01	44.87	42.09	43.96
Operating revenue/total revenue <sup>b</sup> (%)	97.04	90.11	96.42	96.87	97.38
Total revenue <sup>b</sup> per capita (EUR)	1,525	1,660	1,643	1,603	n.a.
<b>Expenditure ratios</b>					
Operating expenditure/budget operating expenditure (%) <sup>c</sup>	102.21	99.87	102.2	n.a.	n.a.
Staff expenditure/operating expenditure (%)	19.2	18.55	17.82	19.26	17.59
Current transfer made/operating expenditure (%)	51.22	52.04	53.44	53.23	50.54
Capital expenditure/budget capital expenditure (%) <sup>c</sup>	214.49	116.2	117.71	n.a.	n.a.
Capital expenditure/total expenditure (%)	14.96	23.82	16.67	16.72	16.71
Capital expenditure/local GDP (%)	0.83	1.51	1.08	n.a.	n.a.
Total expenditure per capita (EUR)	1,418	1,652	1,740	1,680	n.a.
<b>Capital expenditure financing</b>					
Current balance/capital expenditure (%)	173.24	115.03	121.17	98.36	77.62
Capital revenue/capital expenditure (%)	8.31	7.71	9.29	9.01	5.27
Net debt movement/capital expenditure (%)	-18.63	-20.47	-29.11	0.73	17.09

<sup>a</sup> Including Financial Revenue

<sup>b</sup> Excluding new Borrowing

<sup>c</sup> Budget 2015 was Rolled over into 2016

B: Budget

n.a.: Not available

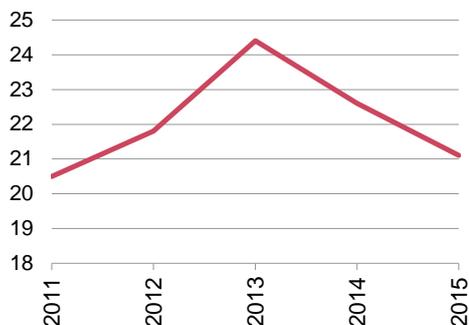
Source: Issuer and Fitch calculations

Appendix C  
City of Barcelona

Peer Comparison

**Operating Balance**

% Operating Revenue



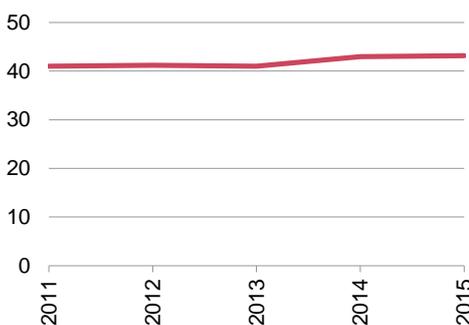
**Surplus (Deficit)**

% Total Revenue



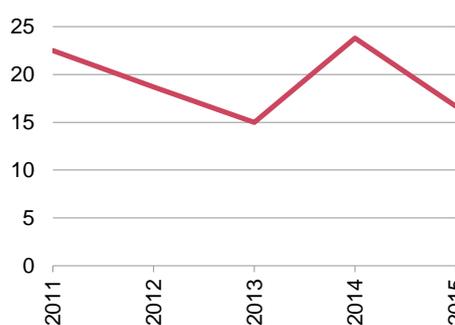
**Taxes**

% Operating Revenue



**Capital Expenditure**

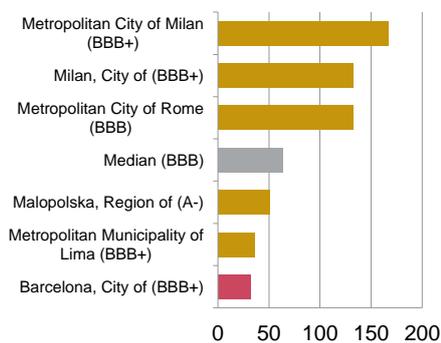
% Total Expenditure



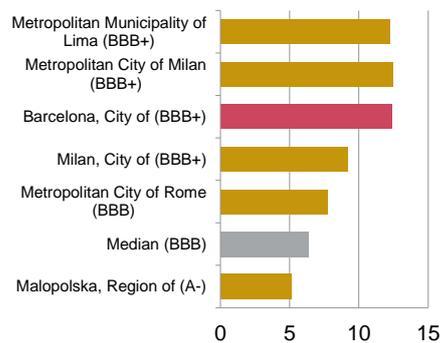
— City of Barcelona

— BBB+ Peer Group Median

**Debt To Current Revenue (%) 2015**



**Debt Servicing To Current Revenue (%) 2015**



The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT [WWW.FITCHRATINGS.COM](http://WWW.FITCHRATINGS.COM). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2017 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.