


The City of  Barcelona

Financial policy: 1992-1998

DHV

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The 1992 Olympic Games and the Strategic Plans of Barcelona

The 1992 Olympic Games

A city transformation project

- In a period of 5 years, the investments made were estimated US\$ 7 billions
- The main investment projects were:
 - Infrastructure (ring-roads, sewer system improvements, airport, public transport and telecommunications)
 - Urban renewal (Olympic village and port)
 - Hotels and sport facilities

Effects

- Economic growth and greater attraction for placing new investments
- International projection of the city
- Territorial impact: The improvements in infrastructure have a positive effect on accessibility, improving Barcelona competitiveness
- Act as catalyst of Barcelona stakeholders

Economic development

- The urban economy drives the national economic growth
- Increasing speed in the economic change
- The city economic success depends on its capacity to adapt to the economic change

Strategic plan

- The sustainable economic growth requires a long-term view
- A strategic plan defines the strategic development of the city, its objectives and priorities

Factors for success

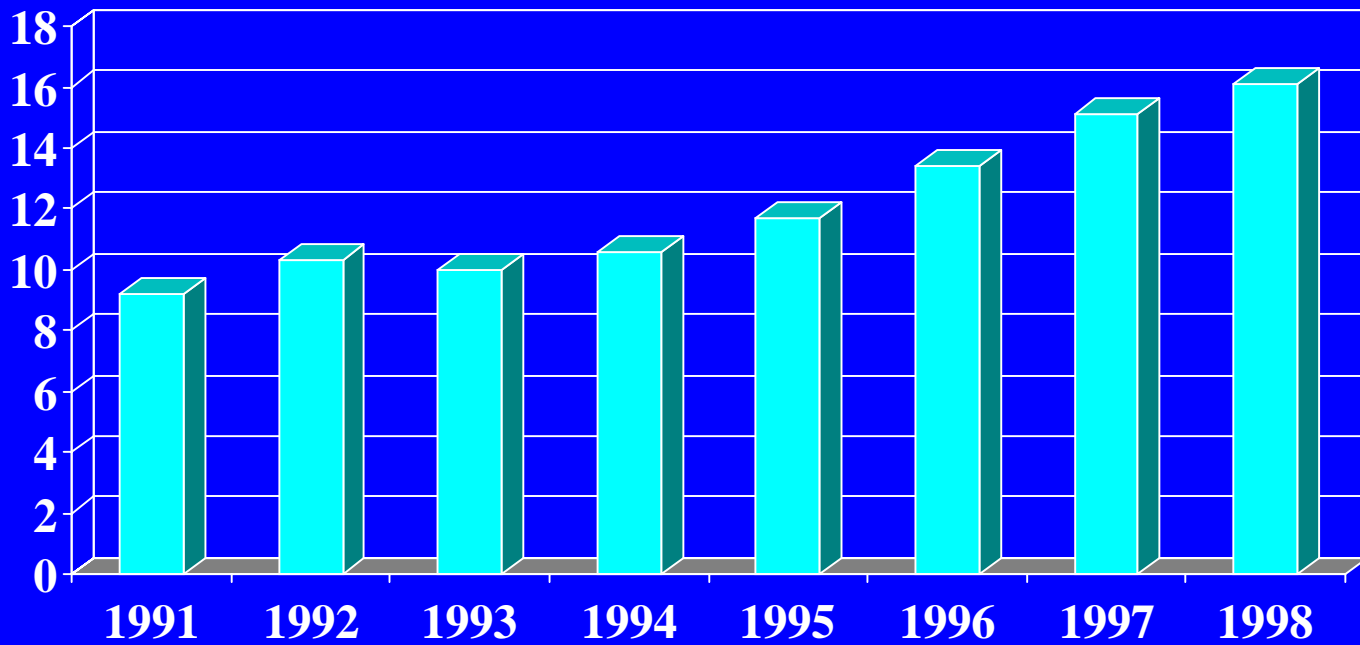
- Civic leadership
- Participation
- Multi-sectorial approach
- Effective management in the local government

The Strategic Plans of Barcelona

- The Strategic Plans act as a catalyst of Barcelona stakeholders
- The first Strategic Plan was approved in 1989 with a time horizon of 10 years, and the third in 1999

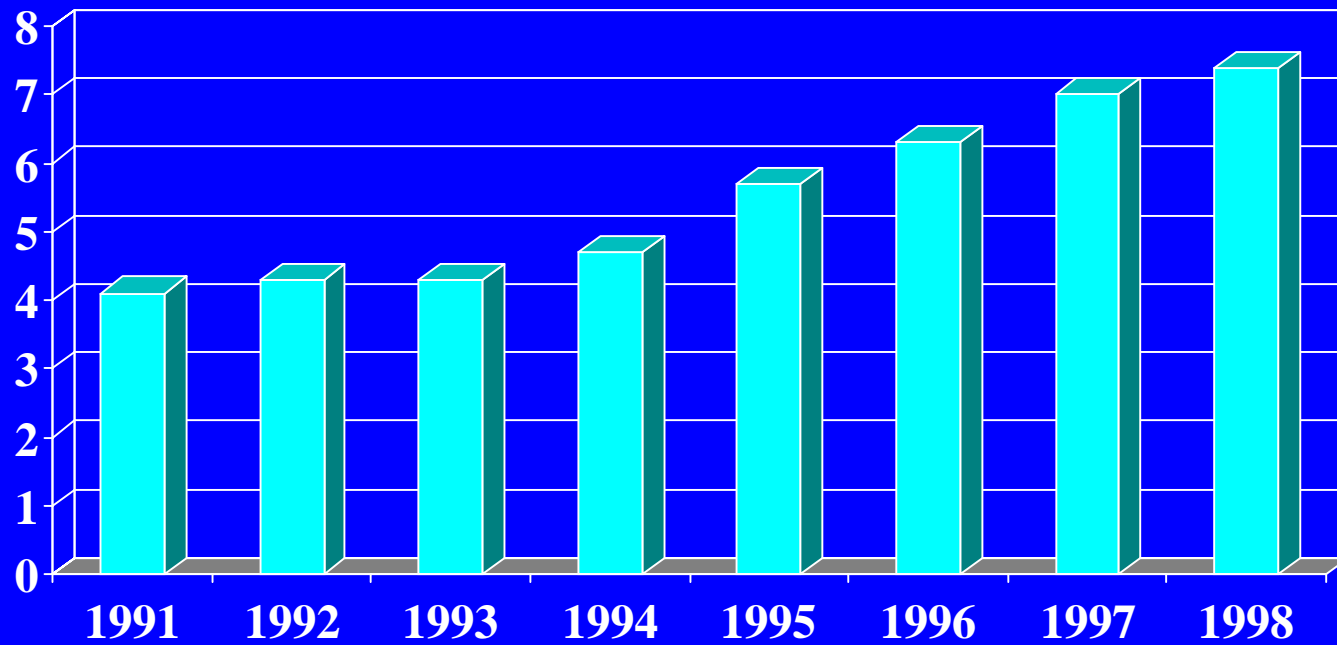
Airport

Milions of pasengers



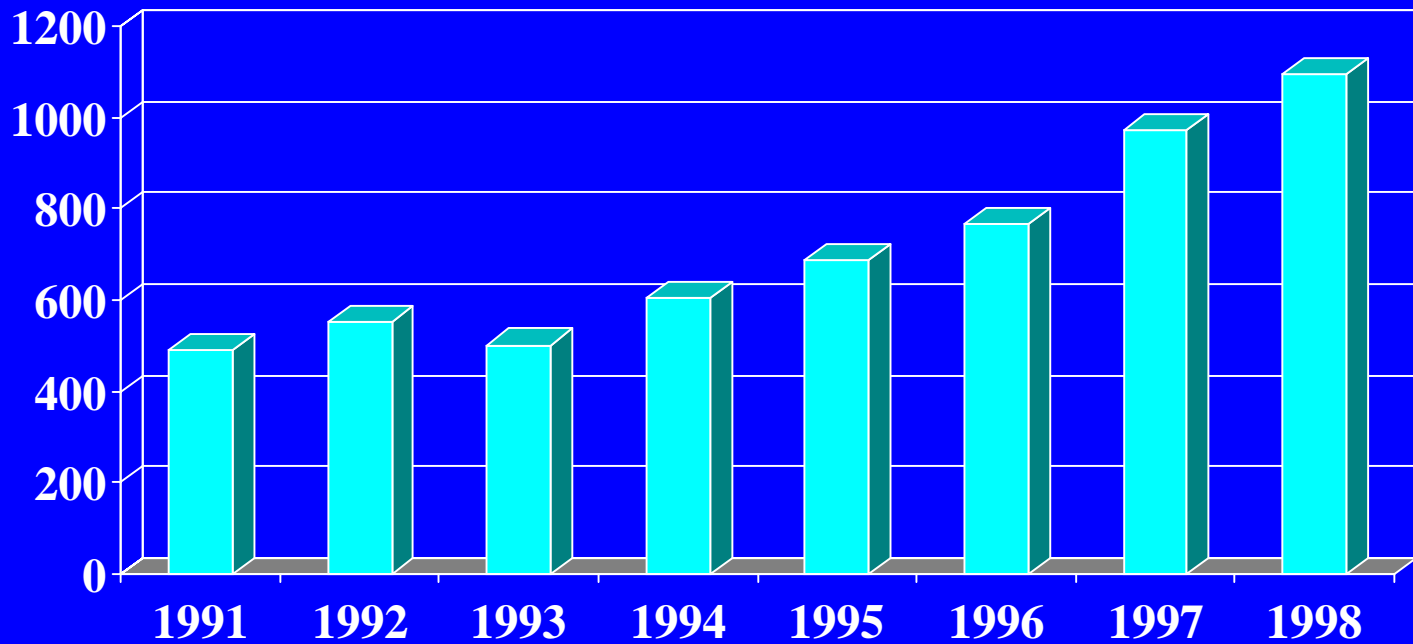
Hotel overnight stays

Milions



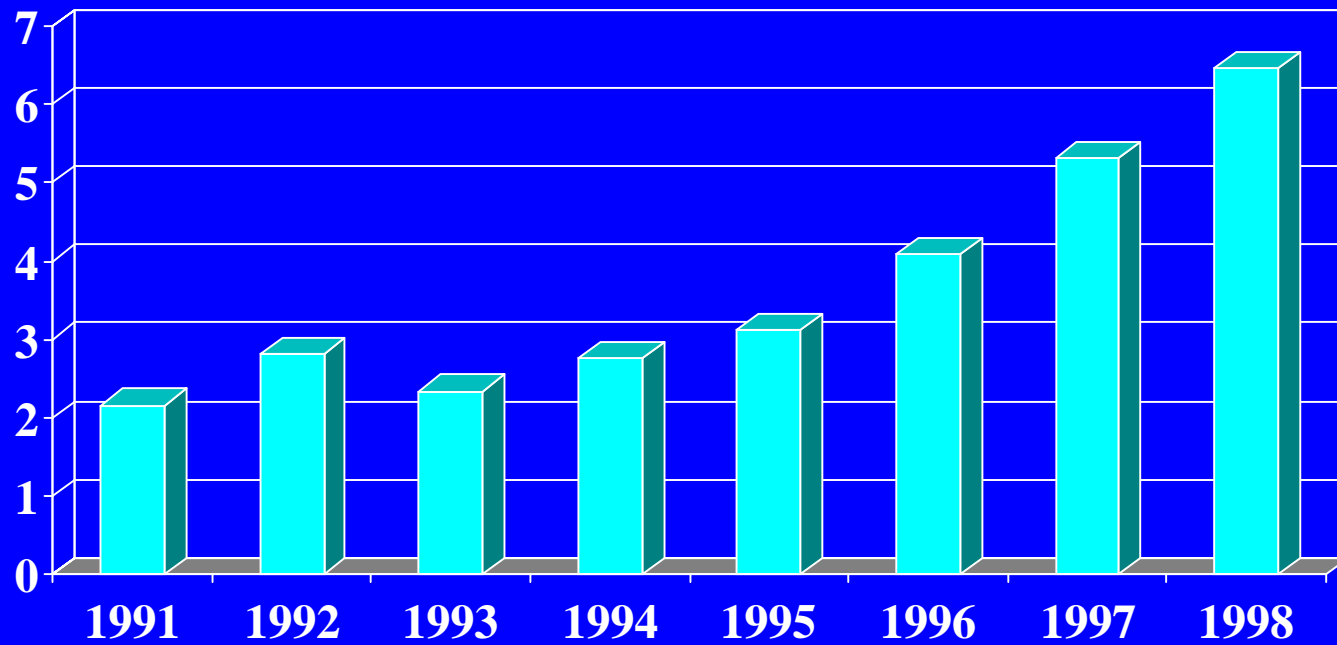
Port: Containers

Thousands of teus



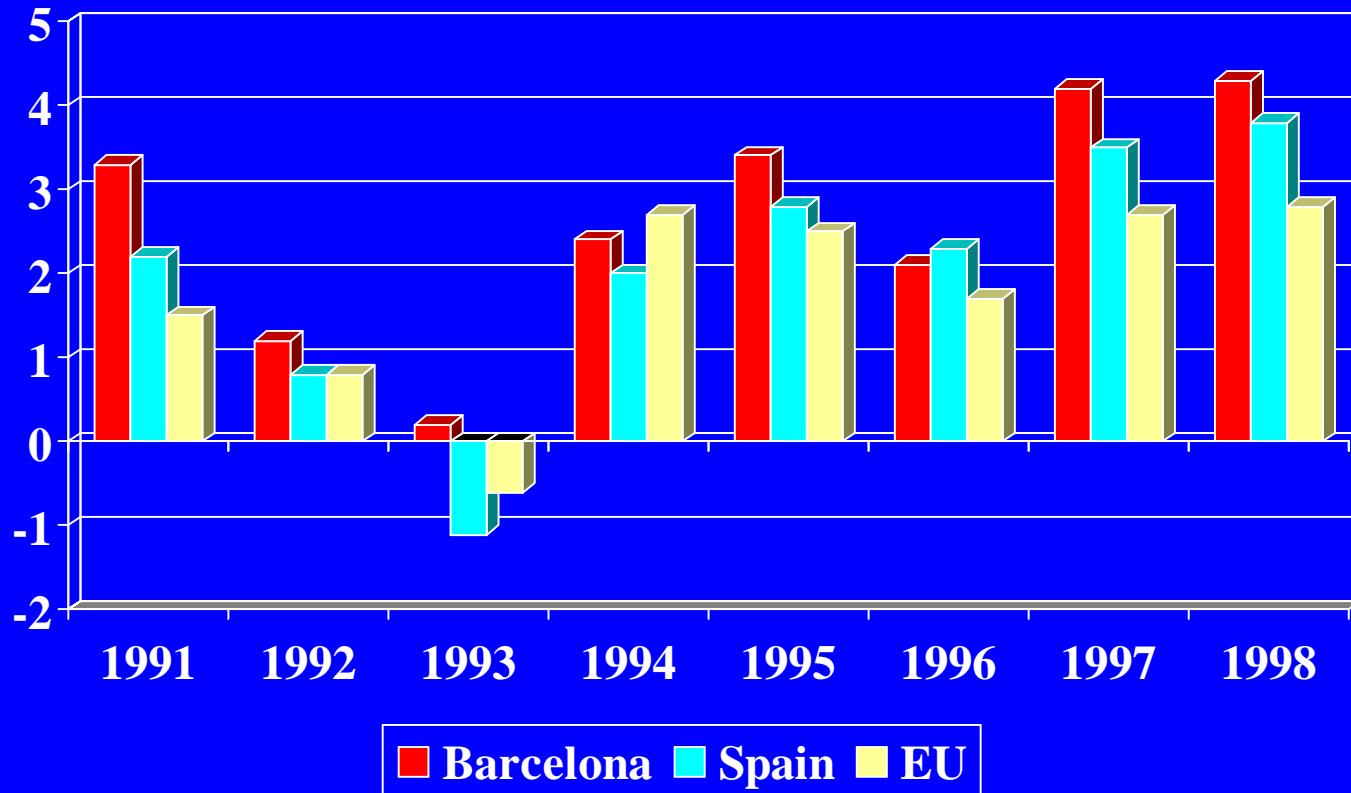
Housing stars

Thousands



GDP growth (%)

1991-1998



1998 European Cities Monitor (Healey & Baker)

- Barcelona ranks the 6th European city to locate a business after London, Paris, Frankfurt, Brussels and Amsterdam

The Financial Position of the City of Barcelona at the end of 1991

The Financial Position of City of Barcelona at the end of 1991

- Cash deficit : US\$ 129 millions
- Interest coverage : 1.0
- Investment coverage : 0.0
- Debt as % of current revenues more than 160%
- Debt service as % of current revenues more than 25%

The Municipal Actions Plans

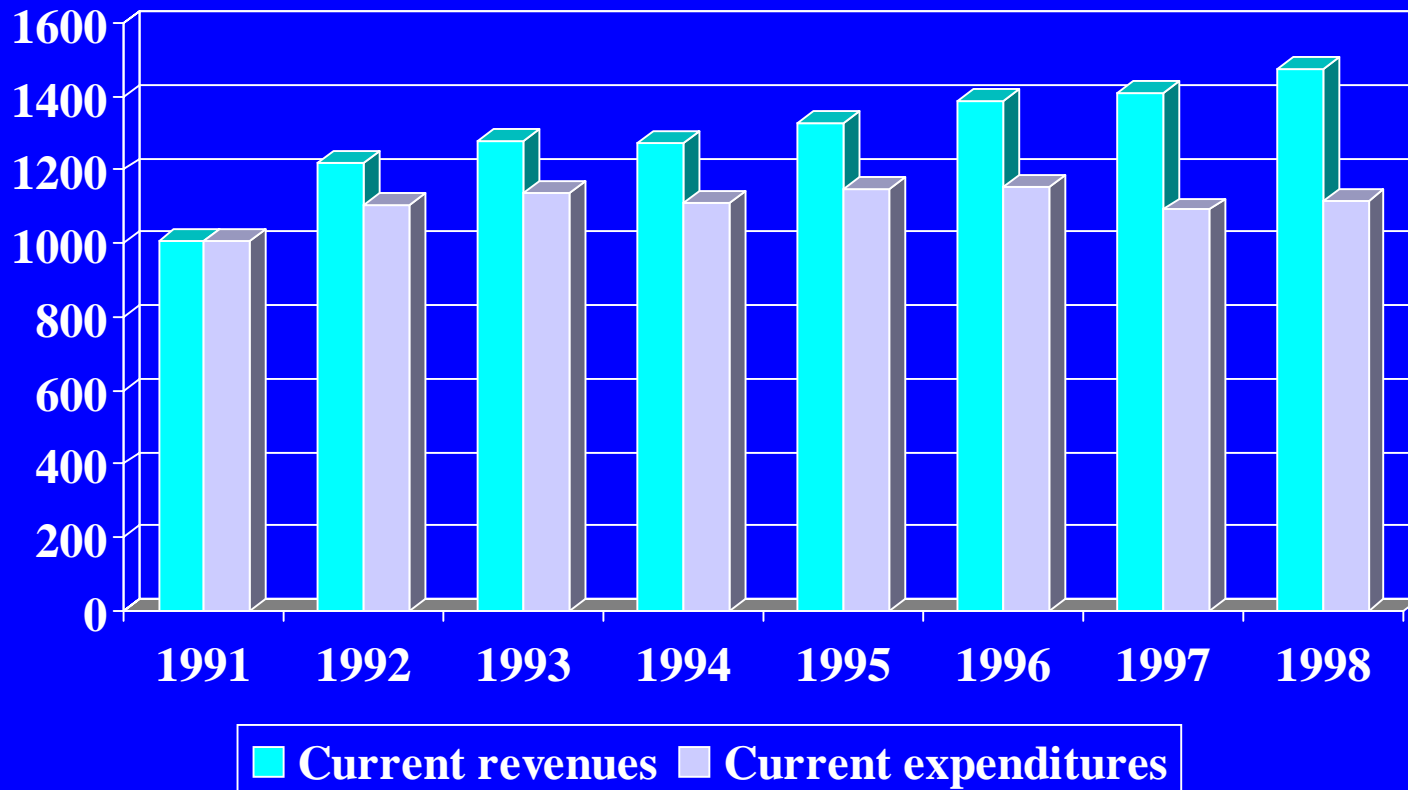
The Financial Goals

- 1991-1995: stabilize the amount of debt
- 1995-1999: increase the capital budget a 10% per year, subject to :
 - A) not to increase tax rates
 - B) reduce a 10% the total amount of debt (US\$ 200 million)

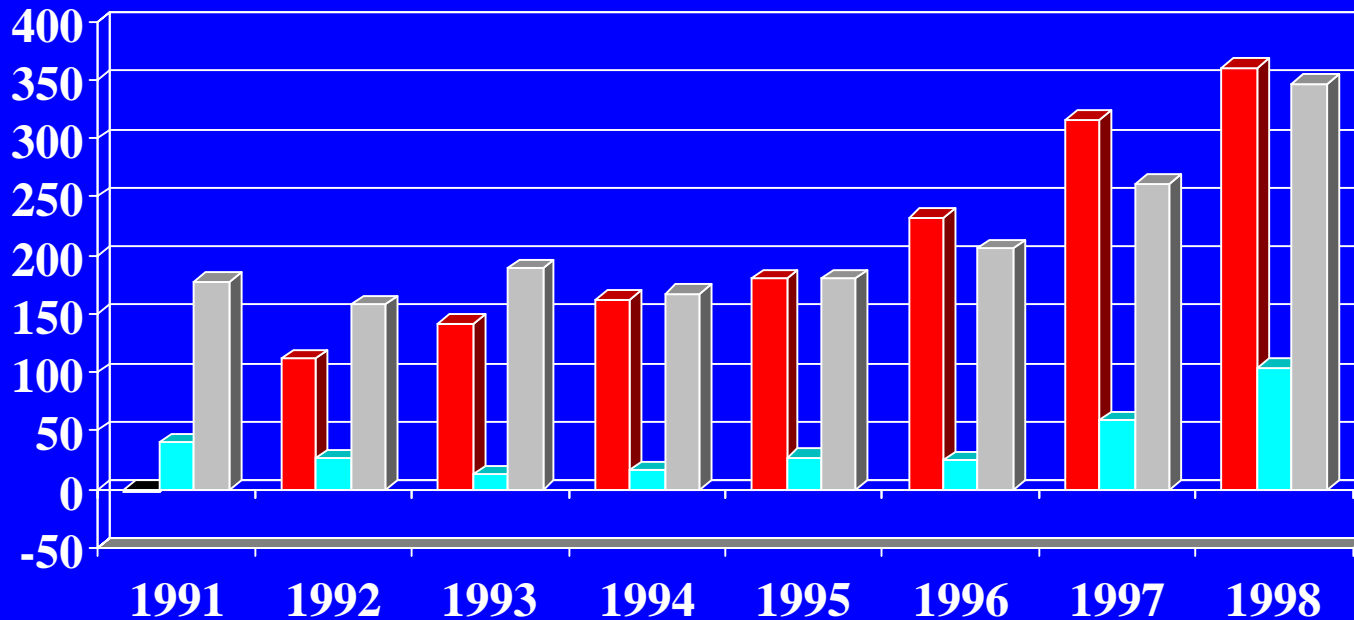
Policies applied: From Cash Deficit to Cash Surplus

- Revenues policy
- Current expenditure policy
- Capital expenditure policy
- Assets management policy
- Debt policy

Current revenues and expenditures (US\$ million)



Current Balance and Capital Expenditures (US\$ million)

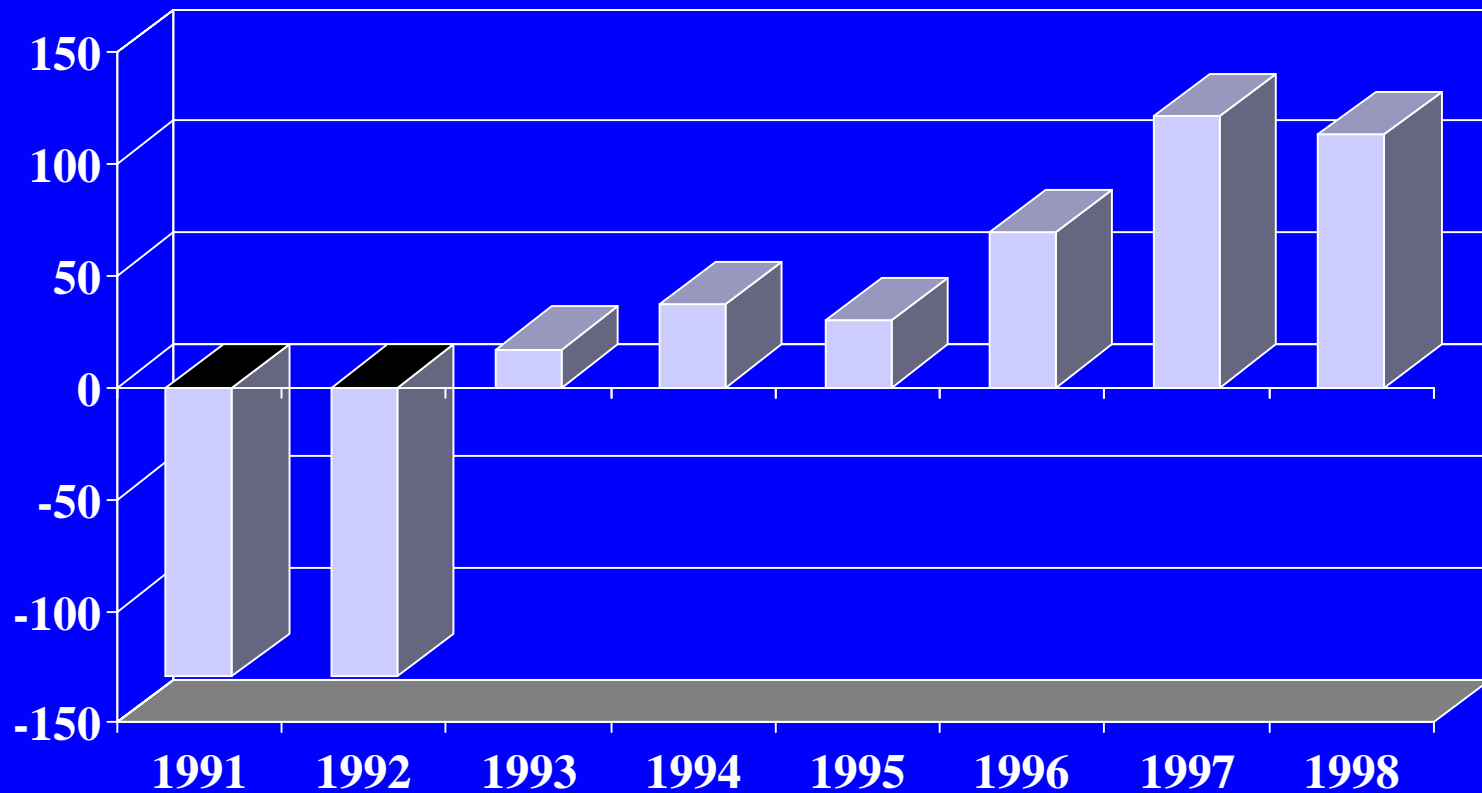


■ Current balance

■ Sale of assets and capital transfers

■ Capital expenditures

Cash Balance (US\$ millions)



1998 Results

- A cash surplus of US\$ 113 millions
- Interest coverage : 3.7
- Investment coverage : 1.5
- Debt as % of current revenues: 98.2%
- Debt service as % of current revenues:
15.9%

Debt Management

The Spanish Capital Market

- From 1991 to 1995 inverted interest curve
- 1990-1992 capital inflow controls
- The outstanding central government debt means 80% of the total debt issued in the Spanish capital market
- As a consequence, at the end of 1991, 50% of the debt had to be refinanced in one year and 92% was domestic debt

Debt management policy

- Short-term debt used only for cash management purposes
- Increase the average life of the debt
- Reduce the cost of the debt
- Access to the capital markets
- Diversification of the sources of funds
- Risk management

Debt breakdown per asset

	12/31/91	12/31/95	12/31/98
Domestic loans	69%	28%	23%
Domestic issues	23	18	24
Foreign loans	4	27	27
Foreign issues	4	27	26

Access to the Capital Markets

Transparency

- Annual report (includes audited consolidated financial statements)
- Presentations & bank and investors meetings
- Ratings of Moody's, S&P, Fitch- IBCA and Japan R&I

Ayuntamiento



de Barcelona