27 April 2018

Public Finance

City of Quimper Rating Report

A+ STABLE OUTLOOK

Credit strengths

- Solid operating performance
- Good revenue flexibility
- Low-risk contingent liabilities
- Solid socio-economic profile

Credit weaknesses

- Rigid expenditures structure limiting budget consolidation efforts
- Higher, but still moderate debt ratios
- Growing pressure on budget margins

Rating rationale and Outlook: Scope's affirmation of the City of Quimper's A+ ratings and stable outlook reflects the fact that the city's ratings continue to be supported by Quimper's ability to maintain a solid operating performance, with strong operating margins, mitigating significant cuts in state transfers. Quimper's ratings benefit from good revenue flexibility, due to the high proportion of modifiable taxes, as well as tax rates that have remained unchanged for years. Sound development of the city's socio-economic indicators support the expansion of its tax base. The city's administration views tax rate hikes as a last resort, and are not planning to rise tax rates during their legislative period.

Looking forward, Scope continues to expect Quimper's budget balances to remain under pressure due to ongoing state transfer cuts and hence diminishing flexibility in its ability to reduce its operating and capital expenditures, a policy the city has been pursuing since 2015. Scope notes that reduction in expenditures could become increasingly difficult due to Quimper's relatively rigid operating expenditure structure. Scope believes the city's administration has the ability to take appropriate actions to ensure healthy fiscal performance over the medium term. The city's strategy to cope with increasing revenue pressures includes personnel cuts, by, for example, outsourcing certain functions.

Quimper's ratings also benefit from still moderate, though higher, direct debt ratios and low-risk contingent liabilities. According to Scope's estimates, Quimper's direct debt ratios will likely exceed 90% in the following years, compared to 47.8% at the end of 2009. This estimate may be overstated due to French municipalities' conservative budgetary planning, i.e. by the tendency to underestimate revenues and overestimate expenditures.

Quimper's ratings are underpinned by a supportive French institutional system that has been evolving over recent years. A prudent fiscal policy is defined at the national level, state transfers are timely but are being cut back, resulting in budgetary challenges for the sub-sovereigns. The system is characterised by close oversight, high transparency, strong institutionalisation of budgetary processes and an equalisation system which aims to smooth out disparities between sub-sovereigns.

Positive rating-change drivers

- Stabilisation of budget balance
- Stabilisation of debt levels

Negative rating-change drivers

- Significant increase of debt
- Self-imposed debt payback ratio of 8 years notably exceeded

Ratings and Outlook

Foreign currency

Long-term issuer rating	A+/Stable
Senior unsecured debt	A+/Stable
Short-term issuer rating	S-1+/Stable

Local currency

Long-term issuer rating	A+/Stable
Senior unsecured debt	A+/Stable
Short-term issuer rating	S-1+/Stable

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Institutional framework

Supportive but evolving framework, budgetary challenges for sub-sovereigns

Scope views the institutional framework of French local and regional governments (LRGs) overall as supportive and fairly predictable given that the French framework has been evolving with major reforms including the law on territorial reform, reducing the number of regions from 22 to 13 (effective since 2016), resulting in budgetary challenges for the local governments of municipalities, stemming from ongoing cuts in state transfers to LRGs as part of the national consolidation strategy.

Municipalities benefit from good revenue-expenditure balance

French municipalities[1] – such as Quimper – benefit from an overall good revenue and expenditure balance, as evidenced by strong operating surpluses on average, driven by high tax flexibility, and relatively lower dependence on state transfers vis-à-vis other layers of government. In addition, municipalities still enjoy a 'Clause de compétence générale' (general clause of competence), which allows them to undertake projects and activities if these are in line with local public interests. Regions and departments – the other layers of LRGs in France – lost this general clause of competence in the recent law on territorial reform.

Municipalities fulfil a wide range of responsibilities

The French framework places municipalities in charge of most public utilities (local transport, water supply and sewage, waste collection, etc.), construction and the maintenance of primary schools, and the management of cultural institutions and sports facilities. In order to benefit from economies of scale, the municipalities may delegate some responsibilities to associations of cities. Quimper is a founding member of Quimper Communauté (QC), an inter-municipal grouping of eight municipalities. The city transferred some responsibilities to the QC (principally public transport, water supply and sewage, waste collection and treatment, urban planning and economic development), while retaining core responsibilities such as primary schools, local development, sports, culture, and social issues. On behalf of the cities, i.e. the association's members, the QC funds its activities by levying and collecting taxes on companies and on households.

Inter-municipal grouping supports consolidation

In 2017, in line with the ongoing trend to reduce fragmentation of French municipalities and increase their efficiency, the inter-municipality Quimper Communauté merged with other inter-municipalities to form the inter-municipality of Quimper Bretagne Occidentale (QBO). The city of Quimper continues to be the core entity of the association, with approximately 63% of the enlarged association's inhabitants.

Municipalities have high revenue flexibility

French cities have reasonably stable sources of revenue comprising i) tax revenue (largely taxes on properties), which accounts for the bulk of budgeted revenue, ii) transfers, mostly from the state, and iii) non-tax revenue. From a credit perspective, an important feature of municipal budget revenue is the relatively high proportion of modifiable tax revenue, which allows cities to adjust their revenue by changing tax rates.

French LRGs benefit from an equalisation system which aims to smooth out disparities between LRGs through the redistribution of resources in two ways: a vertical equalisation whereby the state makes transfers to the poorest LRGs; and a horizontal one that involves the transfer of resources between LRGs. Following recent reforms, the horizontal equalisation has been strengthened, especially for the inter-municipal groupings, with the creation of an inter-municipal solidarity fund.

Another feature of the institutional framework of French LRGs, which makes it largely supportive, is enshrined in the constitutional responsibility of any government to delegate responsibilities to another layer of government with adequate funding.

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[1] The French municipal sector is the most fragmented in EU: France has more than 36,000 municipalities vs. 12,000 in Germany, or 8,000 in each of Italy and Spain. The vast majority of the municipalities have less than 3,500 inhabitants and almost half of them have less than 500.

We note that this principle has been applied so far, especially among municipalities. The abolishment of TP[2] (Taxe professionnelle) in 2010 provided compensation to municipalities (cities and their associations) using a mix of CVAE, another property tax on enterprises (Cotisation Foncière des Entreprises, CFE) and a transfer payment (Dotation de compensation de la réforme de la taxe professionnelle).

The French framework provides some extraordinary support to the LRG sector in exceptional situations, but there is no established framework and the track record is irregular. Central government can provide exceptional aid in the form of advances on tax revenues. In addition, there are some preventive risk-reducing rules, including the possible placement of the accounts of the local authority under the supervision of a prefect.

Strong oversight defined at the national level

The French LRGs are subject to generally strong oversight from the central government, which, in our opinion, contributes to their budgetary discipline and reduces risks of mismanagement. They can borrow only to finance investment expenditures but cannot do so for operating expenditures. However, new debt can be used to refinance non-matured debt in active debt-management processes. By law, French LRGs must keep budgets balanced. This principle also implies that the LRGs' current balance and own capital revenues must be not only be large enough to cover debt interest, but principal as well. Consequently, debt repayment is one of the compulsory budget expenditures. Furthermore, LRGs are also obliged to keep their monies in non-interest-bearing accounts with the French treasury, as it is a prerogative of the sovereign to collect the main tax proceeds. This feature of the institutional framework makes central state control over LRGs' finances fairly efficient and limits LRGs' direct control over their funds.

Institutionalised budgetary processes, high transparency

Before an LRG can spend such funds, an accounting officer, who works for the state treasury, validates the accounts by controlling the legality of payments. This officer is tasked with verifying that requested payments are included in the budget. He compiles financial accounts (compte de gestion)[3], which are used by the prefect to execute control such as to enforce compulsory spending (if not accounted for), or to ensure a balanced budget by either cutting non-compulsory expenditure or raising local taxes. Scope notes, however, that the prefect is not authorised to dictate the direction of spending and must respect the independence of local authorities. Besides, a local chamber of auditors (Chambre régionale des comptes, CRC) regularly controls LRGs' accounts and the efficiency of their management policies.

Recent reforms likely to result in closer fiscal monitoring

By the end of last year, the Constitutional Court approved the Finance Programming Bill (FPB) for 2018-2022, affecting all regions, departments and largest municipalities in terms of budget size. In principle, the affected LRGs must commit to capping operating expenditure growth and limiting their debt payback ratios below defined levels. Furthermore, non-compliance with the restrictions according to the bill will be subject to financial penalties. However, the bill will likely also allow a certain flexibility to account for variables like demographic growth or regional disparities, for example.

Budgetary performance

Continued solid performance despite cuts in transfers

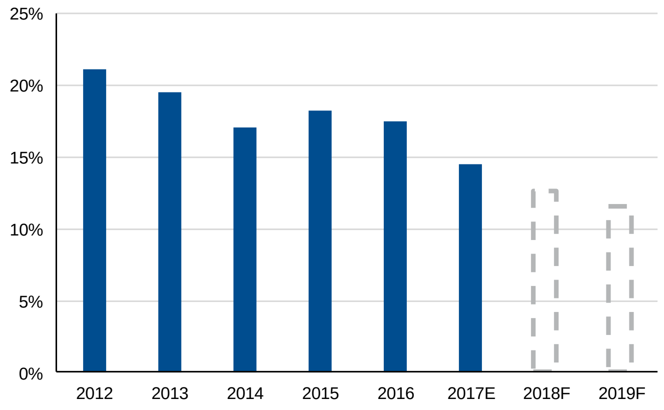
The City of Quimper continued its solid operating performance in 2016, achieving a solid operating surplus of 17.5% of operating revenues (following 18.3% in 2015).

[2] One of the three most important local property taxes, which was levied on the value of the companies' fixed assets and accounted for 1.5% of GDP compared to respective revenue of 1.1% and 0.8% from the property tax (TF- FV) and the residence tax (TH-FV) in 2007, according to the IMF.
[3] The city has its own set of accounts (Compte Administratif).

This is in line with the strong figures during the previous years (Figure 1), and notably better than the forecasted 10.5% on budgetary data for 2016, reflecting Quimper's conservative budgetary planning. Evidently, French municipalities historically tend to underestimate budgetary revenues and overestimate expenditures.

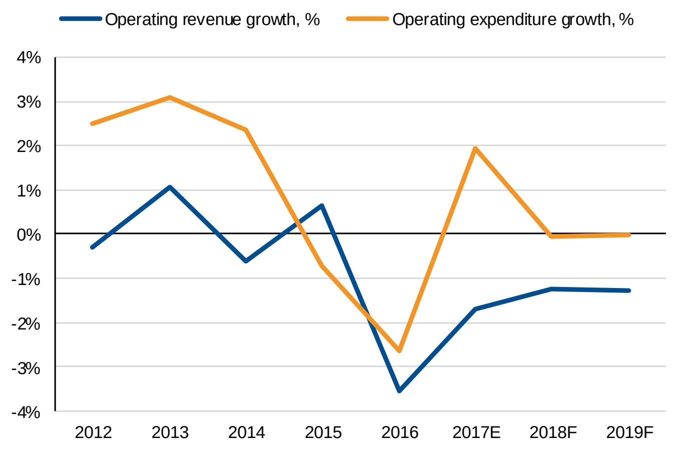
Quimper's overall strong budgetary performance in 2016 was achieved thanks to reduction of personnel costs which nearly compensated for lower operating revenue which was mainly due to lower state transfers. 2016 was the second year in a row in which the city managed a reduction of operating expenditure against a trend of constantly rising operating expenses seen from 2010 to 2014.

Figure 1: Operating balance/operating revenue (%)



Source: Ville de Quimper, Scope Ratings GmbH

Figure 2: Operating revenue & expenditure growth rate (%)



Source: Ville de Quimper, Scope Ratings GmbH

Operating margin to soften

Budgetary estimates for 2017 (the actual results for 2017 have not yet been released) revealed that the operating margin is expected to soften to 14.5% (Figure 1), still comfortable by international standards. The decline in the operating balance in 2017, on a budgeted base, is driven by conservative projections including stagnating tax revenue and higher personnel costs which are overcompensating budgeted cost reductions for materials, suppliers and subsidies. However, Scope positively notes that Quimper has indicated to cut personnel expenses, for example by outsourcing certain functions. Going forward, further cuts to state transfers are budgeted to have a milder effect on Quimper's operating revenue, when compared to previous years. For 2019, Quimper's transfers are budgeted to be lowered by 17% when compared to 2016; against a reduction of 29% from 2013 to 2016.

Further steep cuts in transfers unlikely

Scope expects a continuation of Quimper's solid operating margins during the next two years mostly due to expanding tax revenue, the lower pace of cuts to state transfers in 2016-2019 compared to 2013-2016, and a marginal increase in the city's expenditures. Scope notes that the city's efforts to streamline operating expenditure could become increasingly difficult, and it will have to rely on expanding its taxable base, asset sales and/or resort to increasing local tax rates. Scope does not expect the central government to change course and begin increasing transfers to LRGs in the medium term, given France's fiscal consolidation efforts in line with the EU fiscal compact.

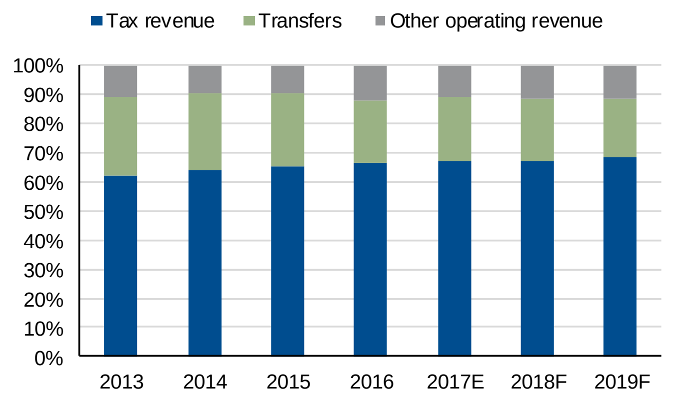
High and increasing revenue flexibility

Quimper's operating revenue comprises mostly tax revenue (2016: 66% of operating revenue) followed by transfers (22%) and non-tax revenue (12%), also reflecting a relatively low dependence on state transfers, the city's healthy economic base and the improved economic environment in the country as a whole.

It should be noted that the city has certain revenue flexibility due to a high proportion of modifiable taxes – around half of operating revenue in 2017 – and an average tax burden with the local tax pressure in line with the average for French cities with similar populations.

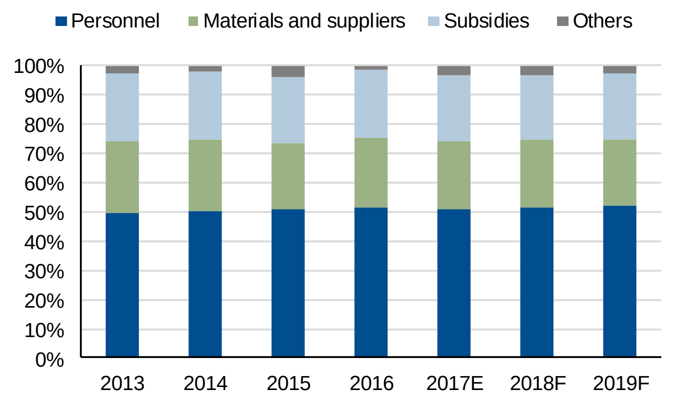
According to the city, a potential 1% rise in modifiable tax rates could have increased revenue by around EUR 1.9m. However, we did not include this aspect in our forecast because of the city's continuous commitment to keep tax rates unchanged. We expect the share of modifiable taxes in total operating revenue to rise slightly in 2017-2019 compared to the previous period, mostly due to continuous cuts to state transfers to municipalities as part of the general government consolidation process.

Figure 3: Operating revenue structure (%)



Source: Ville de Quimper, Scope Ratings GmbH

Figure 4: Operating expenditure structure (%)



Source: Ville de Quimper, Scope Ratings GmbH

Low expenditure flexibility

The structure of the city's operating spending is dominated by personnel costs, accounting for 51% of operating expenditures in 2016, which is weighing on flexibility in operating spending. Another 22% of operating expenditures is transfers to various associations providing cultural and sport services, as well as the social welfare centre (CCAS), further reducing flexibility. The remainder of operative spending is recurring expenses for materials and suppliers.

Despite low expenditure flexibility and constant expenditure growth in the previous years, the city continued with its operating expenditure reduction programme in 2016, which resulted in a total annual reduction of operating expenditure by 2.7%, driven by measures undertaken by the city including cutting staff expenses (-0.9% annual reduction vs 2015), continued streamlining of general operating expenditure by renegotiating contracts with suppliers and curbing transfers to associations, excluding the social welfare centre.

We expect the composition of operating expenditures to remain largely the same in 2017-2019, reflecting Quimper's intention to keep its operating expenditures under control by streamlining its general expenses and keeping a lid on personal expenses within the framework of the national labour code.

Capital revenue and expenditure

High capital expenditure needs

Historically, the city's capital expenditure has been high: in 2009-2014 this made up 28.5% of Quimper's total expenditures on average. The following years 2015 and 2016 were no exception. Capital expenditure in 2015 made up almost 29% and in 2016 24% of total expenditures, but Quimper spent notably less in absolute terms, reflecting the adjustment to slower revenue growth. Scope expects that adjusting capital expenditures may be the main tool the city will use to cope with flat or slow revenue growth.

The city budgeted EUR 18m for 2017 and we expect the city to keep its capital expenditure at this level in 2018-2019.

The city remains committed to completing capital investment projects inherited from the previous administration, with no new large capital investment projects planned. Quimper also plans to reduce expenses for major capital repair by selling assets that currently no longer meet criteria of energy efficiency, safety, and accessibility without significant investments. However, Scope does not exclude the possibility that new large investment projects may be launched after 2018 (in the second half of the current administration's tenure), potentially increasing the amount of capital expenditure and, therefore, the demand for debt financing.

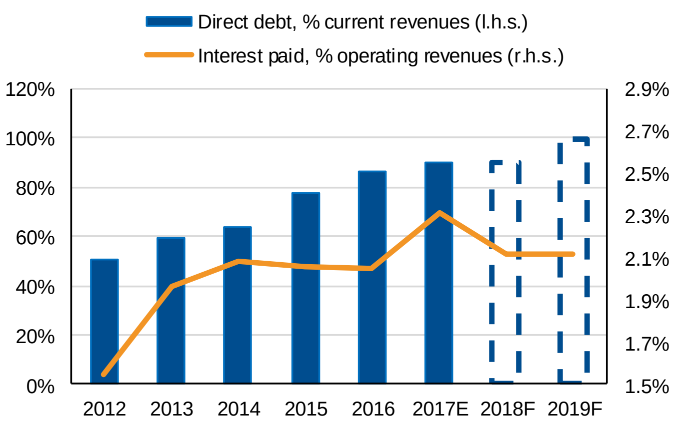
The city's own revenues, in the past, covered a significant part of expenditures, largely from state capital transfers, VAT returns and the current balance. Scope anticipates that Quimper's own revenues will continue to diminish due to a softening current balance. However, the declining trend on the capital revenue side will be matched by diminishing capital expenditures and therefore demand for additional debt financing will be limited. Were the city to start new projects, this trend may change.

Liquidity and indebtedness

Still moderate debt level

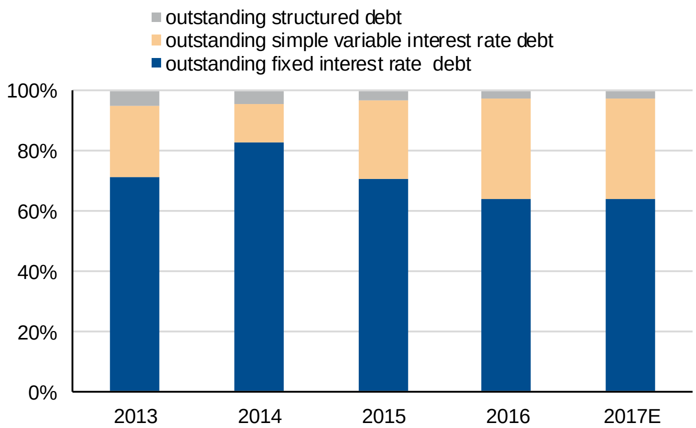
At year-end 2016, direct debt was still at a moderate 86.4% of current revenue, reflecting a slight increase from 77.4% in 2015 due to an annual debt-growth by 7.7% and decreased revenue level by 4.1% compared to the previous year. Budget estimates for 2017 indicates that the city's direct-debt-to-current-revenue ratio will reach 90.3% by the end of 2017[4] (final accounts have not been published yet) and likely continue to increase beyond.

Figure 5: Debt and interest burden



Source: Ville de Quimper, Scope Ratings GmbH

Figure 6: Debt structure, %



Source: Ville de Quimper, Scope Ratings GmbH

Strong debt affordability

Debt affordability remains high: the city spent around 2.1% on interest payments in 2016, benefiting from the low interest rate environment in France (Figure 5). Debt service is well covered by the city's own sources of revenue, as it accounted for 56.2% of the operating balance at year-end 2016.

[4] The actual figure is likely to be lower given the French municipalities' practice to overestimate expenditure side and underestimate revenue side of the budget.

Self-imposed conservative debt payback ratio was met in 2016

Quimper's debt payback ratio (long-term debt/current balance) was comfortable at 5.6 years at year-end 2016 (against 4.8 in the year before), well below the self-imposed threshold of 8 years. The city plans to keep the direct debt payback ratio below 8 years over the medium-term, and while the debt burden is likely to rise, could exceed this threshold in the coming years. However, Scope's estimate may be overstated due to Quimper's conservative budgetary planning, and tendency to underestimate revenues and overestimate expenditures. Furthermore, Scope views it as a positive that Quimper's self-imposed threshold of 8 years is conservatively set relative to the restrictions under the new Finance Programming Bill (FFB) for 2018-2022. The FFB will commit the largest municipalities in terms of budget size to keeping their debt payback ratios below 12 years, all departments below 10 and regions below 9 years.

The city has improved its debt structure and reduced the cost of its debt over the last five years as reflected by a strong decrease of the implicit interest rate on Quimper's overall debt from 3.6% in 2009 to 2.4% in 2016 and a smooth debt repayment schedule with around two thirds of capital to be redeemed by 2024. All variable rates are now linked to eurozone interbank lending indices. Quimper continues to have good access to funding from a variety of lenders. The city's monthly cash position fluctuates significantly over the course of the year, driven by the tax calendar. Any troughs in liquidity are typically covered by credit from the national treasury.

Low contingent liability risks

Scope believes that contingent liability risks are low. Debt guarantees stood at EUR 26.5m at year-end 2016 (down from EUR 36m the year before) mainly due to guarantees issued to low-risk social housing institutions. Furthermore, the city has substantially reduced the volume of issued guarantees in recent years, also when compared to EUR 92m in terms of outstanding guarantees in 2009. Quimper is a minority shareholder in two public-sector entities (PSEs), SAFI (land planning – the city holds 2.86% of capital) and SEMAEB (land planning – the city's share is 2.5% of capital). The city works in partnership with SAFI on two land planning projects.

Economic performance

Dynamic and thriving local economy

Dynamic and thriving, Quimper is the second-biggest city in the department of Finistère, and the third-largest in the region of Bretagne. Its current population of 66,905 inhabitants (7.4% of the department, 2% of the region's population) is expected to grow to 70,000 over the next years. The population of pre-school children, which has fallen in the past, is likely to grow, which may then put pressure on the city's finances due to its responsibility for primary education.

However, Scope believes that these factors will be offset by a healthy economy and a growing tax base – the unemployment rate in the department of Finistère was 8.8% versus the national rate of 10.1%[5] in 2016, and the Bretagne region's per capita GDP was 84.3% of the national average in 2014[6]. Scope does note some concern about the relatively high proportion of public sector employment, given reforms launched by the central government aiming to downsize the public sector. However, this may be offset by a strong growth in a healthy and dynamic private sector.

[5] Source: INSEE
[6] Latest available data.

Pro-active management of long-term sustainability risks

Scope views the planning positively and believes that it holds potential for addressing the city's economic growth profile going forward. For example, the city has taken a proactive stance in dealing with long-term challenges to growth with a long-term plan for local development (PUL)[7]. The PUL is primarily aimed at urban renewal, but also includes plans to increase population in the face of demographic stagnation and an aging population (birth rates at 11.1 per thousand inhabitants are below the French national average). This includes additional construction for housing and returning unused housing to markets. Further, land designated for economic usage will increase by 120ha over 14 years and the city aims to expand its role as the regional centre for Cornouaille. This includes significant urban renewal plans, but these are largely aimed at revitalisation (including transport and travel policies) and freeing up existing businesses from construction restrictions and making more land available for building, rather than extensive investments by the city.

The city is also planning on exploiting its exceptional heritage with a rich history, especially of the old town centre, in conjunction with the surrounding countryside, to increase the attractiveness of Quimper for tourism. Expansion of the Quimper Cornouaille airport is considered essential for tourism.

Political aspects

Stable political situation

L. Jolivet (UMP, right-wing political party) has been mayor since March 2014. He succeeded B. Poignant (PS, left-side political party). The mayor enjoys a solid majority in the city council, with 39 of 49 municipal councillors supporting him. The duration of his tenure is six years and the next elections will be held in 2020. Scope views the political situation in Quimper as stable.

Methodology

The methodology applicable for this rating and/or rating outlook, 'Sub-Sovereign Credit Rating', published on 16 June 2017, is available on www.scoperatings.com.

Historical default rates of Scope Ratings can be viewed in the rating performance report on https://www.scoperatings.com/#governance-and-policies/regulatory-ESMA. Please also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): http://cerep.esma.europa.eu/cerepweb/statistics/defaults.xhtml. A comprehensive clarification of Scope's definition of default as well as definitions of rating notations can be found in Scope's public credit rating methodologies on www.scoperatings.com.

The rating outlook indicates the most likely direction of the rating if the rating were to change within the next 12 to 18 months. A rating change is, however, not automatically ensured.

[7] For details, see Commune de QUIMPER : Elaboration du Plan Local d'Urbanisme (PLU), de l'Aire de Mise en Valeur de l'Architecture et du Patrimoine (AVAP) et modification des périmètres de protection (PPM) des monuments historiques Référence enquête : E16000222/35

I. Appendix: Financial Ratios

	2013	2014	2015	2016	2017E	2018F	2019F
Financial performance ratios							
Operating balance/operating revenue, %	19.5%	17.1%	18.3%	17.5%	14.5%	12.7%	11.6%
Current balance/current revenue, %	17.5%	15.0%	16.2%	15.4%	12.1%	10.5%	9.4%
Balance before debt movement/total revenue, %	-4.0%	-11.5%	-7.6%	0.6%	-5.6%	-7.7%	-9.1%
Overall result/total revenue, %	4.6%	-7.6%	5.1%	4.3%	-3.3%	6.6%	7.9%
Operating revenue growth, %	1.1%	-0.6%	0.7%	-3.5%	-1.7%	-1.3%	-1.3%
Operating expenditure growth, %	3.1%	2.4%	-0.7%	-2.6%	1.9%	0.0%	0.0%
Debt ratios							
Direct debt growth, %	18.7%	7.2%	21.9%	7.7%	2.8%	8.5%	9.3%
Direct debt, % current revenue	59.3%	64.0%	77.4%	86.4%	90.3%	90.3%	99.9%
Net direct debt & guaranteed debt, % current revenue	115.7%	117.5%	123.2%	119.3%	89.7%	90.3%	99.9%
Overall risk (incl. guarantees), % current revenue	115.7%	117.5%	123.2%	119.3%	127.8%	128.6%	138.8%
Interest paid, % operating revenues	2.0%	2.1%	2.1%	2.1%	2.3%	2.1%	2.1%
Debt service/operating revenue, %	8.1%	11.3%	8.3%	9.8%	11.1%	10.5%	11.5%
Debt service/operating balance, %	41.3%	66.1%	45.4%	56.2%	76.7%	82.7%	99.4%
Operating balance/interest paid, %	9.9	8.2	8.9	8.5	6.2	6.0	5.5
Proportion of variable interest debt, % of direct debt	23.7%	13.1%	26.3%	33.2%	33.2%	nr	nr
Proportion of FX debt, % of direct debt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Direct debt per capita, EUR	659.9	707.4	862.2	928.2	953.8	930.8	1017.3
Payback ratio (direct debt/current balance)	3.4	4.3	4.8	5.6	7.4	8.6	10.6
Revenue ratios							
Operating revenue/total revenue, %	91.9%	91.9%	91.2%	91.7%	93.2%	93.2%	93.2%
Modifiable tax revenue/operating revenue, %	48.3%	49.9%	50.9%	52.8%	54.4%	56.5%	57.9%
Current transfers received/operating revenue, %	33.2%	32.7%	31.4%	27.6%	25.8%	24.4%	23.1%
Total revenue per capita, EUR	1207.1	1205.5	1220.2	1171.6	1133.4	1106.1	1090.7
Expenditure ratios							
Personnel expenditure, % of operating expenditure	49.5%	50.0%	50.6%	51.5%	51.0%	51.6%	52.2%
Transfers paid, % of operating expenditure	23.4%	23.2%	22.7%	23.5%	22.8%	22.4%	22.1%
Capital expenditure, % total expenditure	27.6%	30.5%	29.4%	23.9%	23.0%	23.0%	23.0%
Total capital expenditure per capita, EUR	340.9	403.5	379.4	278.7	268.7	268.7	268.7
Capital expenditure ratios							
Current balance/capital expenditure, %	57.1%	41.2%	47.5%	59.5%	47.6%	40.4%	35.7%
Capital revenue/capital expenditure, %	28.8%	24.3%	28.2%	35.0%	28.8%	27.8%	27.4%
Net debt movement/capital expenditure,%	30.4%	11.8%	40.8%	23.7%	9.5%	27.1%	32.2%
Cash and liquidity management							
Overall result (cash balance)/operating revenue, %	5.0%	-8.3%	5.6%	4.7%	-3.6%	-1.2%	-1.2%
Cash balance/debt service, %	62.1%	-73.0%	67.7%	48.1%	-32.2%	-11.6%	-10.7%

Source: Federal Ministry of Finance, Federal Statistical Office, Scope Ratings GmbH.

II. Appendix: Financial Figures, EUR ths. unless otherwise stated

	2013	2014	2015	2016	2017E	2018F	2019F
Total operating revenue	**74,446.2**	**74,000.5**	**74,485.1**	**71,847.4**	**70,634.0**	**68,990.0**	**68,116.0**
Tax revenue	46,165.5	47,363.7	48,486.8	47,626.9	47,619.2	46,484.6	46,805.2
Transfers	20,072.4	19,494.3	18,688.6	15,535.2	15,552.0	14,430.4	13,302.5
Other operating revenue	8,208.3	7,142.4	7,309.7	8,685.3	7,462.8	8,075.1	8,008.3
Total operating expenditure	**59,921.3**	**61,333.4**	**60,889.5**	**59,277.8**	**60,422.4**	**60,258.0**	**60,239.7**
Personnel	29,673.5	30,663.0	30,790.9	30,504.2	30,809.3	31,117.4	31,428.5
Materials and suppliers	14,758.7	15,182.9	13,974.3	14,158.0	14,016.5	13,862.3	13,709.8
Subsidies	14,001.4	14,203.9	13,809.5	13,908.3	13,769.2	13,480.2	13,331.9
others	1,487.7	1,283.6	2,314.7	707.2	1,827.4	1,798.2	1,769.4
Operating balance	**14,524.9**	**12,667.1**	**13,595.6**	**12,569.6**	**10,211.6**	**8,732.0**	**7,876.3**
Interest paid	1,462.8	1,544.3	1,535.6	1,475.0	1,636.6	1,458.8	1,442.7
Current balance	**13,062.1**	**11,122.8**	**12,060.0**	**11,094.5**	**8,575.0**	**7,273.2**	**6,433.6**
Capital revenue	6,589.6	6,555.0	7,147.0	6,533.8	5,192.9	5,009.3	4,934.9
Capital expenditure	22,887.4	26,965.5	25,384.9	18,646.1	18,000.0	18,000.0	18,000.0
Capital balance	**-16,297.8**	**-20,410.6**	**-18,237.9**	**-12,112.3**	**-12,807.1**	**-12,990.7**	**-13,065.1**
Balance before debt movement	**-3,235.7**	**-9,287.8**	**-6,177.8**	**-1,017.7**	**-4,232.1**	**-5,717.5**	**-6,631.5**
new borrowing	11,500.0	10,000.0	15,000.0	10,000.0	7,906.9	10,647.3	12,181.3
debt repayment	4,538.2	6,822.5	4,641.8	5,585.3	6,194.3	5,764.9	6,389.5
Net debt movement	**6,961.8**	**3,177.5**	**10,358.2**	**4,414.7**	**1,712.5**	**4,882.4**	**5,791.8**
Overall result	**3,726.1**	**-6,110.3**	**4,180.4**	**3,397.0**	**-2,519.5**	**-835.1**	**-839.7**
Debt							
ST debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LT debt	44,146.5	47,324.0	57,682.2	62,097.0	62,097.0	62,268.7	68,060.5
Direct debt	**44,146.5**	**47,324.0**	**57,682.2**	**62,097.0**	**63,809.5**	**62,268.7**	**68,060.5**
Direct risk	44,146.5	47,324.0	57,682.2	62,097.0	63,809.5	62,268.7	68,060.5
Cash, liquid deposits and sinking fund	na	na	1,983.0	2,874.0	416.0	na	na
Net direct debt	44,146.5	47,324.0	55,699.2	59,223.0	63,393.5	62,268.7	68,060.5
Guarantees	41,955.6	39,590.4	36,063.9	26,457.6	26,457.6	26,457.6	26,457.6
Net indirect debt (public sector debt, excl guarantees)	na	na	na	na	na	na	na
Overall risk	**86,102.1**	**86,914.4**	**91,763.2**	**85,680.6**	**90,267.1**	**88,726.3**	**94,518.1**
Direct debt composition							
Outstanding structured debt	5.1%	4.3%	3.2%	2.7%	2.7%	na	na
Variable rate debt	23.7%	13.1%	26.3%	33.2%	33.2%	na	na
Fixed rate	71.2%	82.5%	70.5%	64.1%	64.1%	na	na
Population (thousands)	**67.1**	**66.8**	**66.9**	**66.9**	**67.0**	**67.0**	**67.0**

III. Regulatory disclosures

This credit rating and/or rating outlook is issued by Scope Ratings GmbH.

Rating prepared by Jakob Suwalski, Lead Analyst.

Person responsible for approval of the rating: Dr Giacomo Barisone, Managing Director Public Finance.

The Rating for City of Quimper was issued for the first time in November 2015. The rating was last updated in May 2017. On April 23rd, 2018, the rating committee affirmed the long-term local currency rating and assigned for the first time the long-term foreign currency rating, the short-term foreign and local currency rating and the rating for senior unsecured debt in both foreign and local currency.

The main points discussed by the rating committee were: i) French institutional framework and recent reforms; ii) the city's economic developments and policy priorities; iii) budgetary performance and city's strategy related to ongoing cuts in state transfers; and iv) debt structure and dynamics.

Solicitation, key sources and quality of information

The rated entity and/or its agents participated in the rating process.

The following substantially material sources of information were used to prepare the credit rating: public domain, issuer, agents' of issuer and third parties. Key sources of information for the rating include: Historical figures on budget implementation, actual financial figures, budget for the next year and multi-year budget forecasts, historical outstanding debt, debt obligations and guarantees, list of sponsored entities, socio-economic statistics.

Scope considers the quality of information available to Scope on the rated entity or instrument to be satisfactory. The information and data supporting Scope's ratings originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data.

Prior to publication, the rated entity was given the opportunity to review the rating and/or outlook and the principal grounds on which the credit rating and/or outlook is based. Following that review, the rating was not amended before being issued.

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Please see www.scoperatings.com for a list of potential conflicts of interest related to the issuance of credit ratings.

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