Ville de Quimper
Issuer Rating Report

A+ STABLE OUTLOOK
Sub-sovereign

Strengths

Solid operating performance in spite of significant cuts in state transfers

Good revenue flexibility

Low-risk contingent liabilities

Solid socio-economic profile

Weaknesses

Rigid expenditure structure limiting budget consolidation efforts

Increasing, albeit still moderate debt

Weaker budget performance expected

Overview

Scope Ratings has left the Issuer Credit-Strength Rating (ICSR) of A+ for the city of Quimper ('city' or 'Quimper') unchanged with stable outlook.

The city's rating is supported by the ability to maintain a solid operating performance in spite of significant cuts in state transfers, a moderate direct debt level and low-risk contingent liabilities. The city's credit benefits from good revenue flexibility due to the high proportion of modifiable taxes. Quimper can increase local tax rates if its budget balances deteriorate. We understand the city views tax rate hikes as a last resort, therefore, our revenue forecasts do not factor in this option. The city's healthy socio-economic profile suggests an expansion of its tax base, which is included in our forecasts. Quimper also benefits from integration with inter-municipal grouping, which undertakes capital-intensive responsibilities on its behalf.

At the same time, we are concerned that the city's efforts to streamline its operating expenditures as well as the adjustment strategy it is pursuing during the next two years could become increasingly difficult due to its relatively inflexible operating expenditure structure. Indeed, in spite of substantial expenditure cuts both on the operating and capital side, Quimper's direct debt level jumped by 13.5% from 2014 to 2015. If the central government continues its budget consolidation efforts beyond 2018, which we view as a likely scenario given France's commitment to the EU Fiscal Compact, the city has to either start hiking its tax rates and/or increasing its debt.

We would consider a rating upgrade if the city manages to keep its budget balances and debt level stable. The rating can go down if Quimper starts to rapidly accumulate debt and exceeds its self-imposed debt payback ratio of eight years.

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Institutional framework

We view the institutional framework in which French local and regional governments (LRGs) operate as fairly predictable and supportive. A high level of predictability in the layer of government to which Quimper belongs – the municipalities – is based on a long-established framework with expenditure responsibilities and revenue sources, largely unchanged since the 1980s despite three major decentralisation laws, including the law on territorial reform adopted in July 2015.

The municipalities are in charge of most public utilities (local transport, water supply and sewage, waste collection, etc.), construction and maintenance of primary schools, and management of cultural institutions and sport facilities. In addition, municipalities still enjoy a 'Clause de compétence générale' (general clause of competence), which allow them to intervene in many other fields as long as the action is in line with local public interests. Regions and departments – other layers of LRGs in France – have lost the general clause of competence as per the recent law on territorial reform.

To benefit from economies of scale, the municipalities[1] are allowed to delegate some responsibilities to associations of cities. Quimper is a founding member of Quimper Communuaté (QC), an inter-municipal grouping of eight municipalities. The city transferred some responsibilities to the QC (such as public transport, water supply and sewage, waste collection and treatment, urban planning and economic development), while keeping its core responsibilities – primary schools, local development, sports, culture, and social issues.

On behalf of the cities (the association's members) the association funds its activities by levying and collecting taxes on companies (Contribution Foncière des Entreprises (CFE), Cotisation sur la Valeur Ajoutée des Entreprises (CVAE), Imposition Forfaitaire sur les Entreprises de Réseaux (IFER), Taxe sur les surfaces commerciales (Tascom) and on households (Taxe d'habitation (TH), Taxe foncière sur les propriétés bâties (TFPB), Taxe foncière sur les propriétés non-bâties (TFPNB) and Taxe Additionnelle à la Taxe Foncière sur les Propriétés Non Bâties (TA TFNB)). If responsibilities delegated by a municipality to the association cost more than the tax proceeds on its territory, the association is entitled to an additional transfer from the municipality. Quimper receives more from the QC than it transfers – in 2015 its gain was EUR 2.8m.

In line with the on-going trend to reduce fragmentation of French municipalities and increase their efficiency, the QC will embrace new members in 2017. They are the City of Quéménéven and the association of cities Pays Glazik, which includes five municipalities. Following the enlargement, the city of Quimper will remain the core entity for the association, with around 63% of inhabitants of the enlarged association. We do not expect any material changes to the City of Quimper's fiscal position, as the new members will be able to supply enough funds for the responsibilities they are delegating to the association.

The cities have quite stable sources of revenue comprising i) tax revenue (largely taxes on properties – TH, TFPB, TFPNB), which accounts for a 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. This feature distinguishes the cities from the departments and regions, for which their tax modifying power is much more limited or even non-existent.

The high level of predictability in the system does not, however, imply it is immune from changes. In fact, the system is currently undergoing dramatic changes, which already had, and will have, significant effects on the municipal budget balances and, therefore, their ability to service debt. We view these changes as part of the French government's reforms that aim to downsize the country's public-sector deficit, and we expect these reforms to continue.

The first group of changes concerns the reduction of state transfers to municipalities. These include a) a freeze on indexation of DGF (Dotation Globale de Fonctionnement), the biggest operating grant from the state to municipalities which occurred in 2011-2013, b) a cut of EUR 1.5bn in transfers (DGF) from the state to LRGs in 2014 and c) a cut of EUR 11bn in transfers (DGF) initially spread over three years (2015-2017) but extended to 2018 recently, of which municipalities and their associations will take the biggest hit (56% of the total cut in transfers).

The second group of reforms is currently in discussion and includes the prospective review of the DGF[2] formula, and re-distribution of corporate value added tax (CVAE[3]) away from the municipalities, associations of cities and departments to the

[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.
[2] DFG comprised 20.7 % of the municipalities' operating revenue in 2013 (Les collectivités locales en chiffres 2015, DGCL).

regions. A reduced number of regions (to 13 from 22 currently) will be granted the exclusive right to subsidise or extend privileges to local businesses (currently all sub-sovereign levels are involved in attracting local businesses), and to provide intercity transport services.

We expect the changes to occur gradually. The aim of the DGF-formula revision is to reduce inequality when allocating DGF's proceeds among cities with similar characteristics, which would inevitably create 'winners and losers'. The central government, however, promises to compensate for revenue losses resulting from the reform. Though compensation might be merely temporary in order to smooth the transition, we note it will give municipalities the time to adjust to new circumstances.

The net result of the revenue reduction from CVAE and the elimination of municipal responsibilities to attract businesses to the territory are unclear due to the unknown distribution of revenue from CVAE and the costs of attracting businesses among the cities. However, despite the constitutional responsibility of the central government (which we discuss below) to compensate for losses to disadvantaged municipalities and associations of cities, the net result of the reform, is likely to be neutral.

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. We note that this principle has been applied so far, especially among municipalities. One of the recent changes – abolishing TP[4] (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 LRGs are subject to fairly strong oversight from the central government, which, in our opinion, contributes to their budgetary discipline and reduces risks of mismanagement.

By law, French LRGs have to keep budgets balanced. They can borrow only to finance investment expenditure, but cannot do so for operating expenditure. This principle also implies that the LRGs' current balance and own capital revenues (i.e. VAT and capital transfers) must be enough not only to cover debt interest, but principal as well. Besides, debt repayment is one of the compulsory budget expenditures.

LRGs are 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 the state control over LRGs' finances quite efficient and limits LRGs' direct control over their funds.

Before an LRG can spend the money, 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 were included in the budget. He compiles financial accounts (compte de gestion)[5], which are used by the prefect to execute the control: enforce compulsory spending (if not accounted for), or ensure a balanced budget by either cutting non-compulsory expenditure or raising local taxes. It should be noted, 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.

[3] CVAE accounted for 1.36% of municipalities' operating revenue in 2013 (Les collectivités locales en chiffres 2015, DGCL).
[4] 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.
[5] The city has its own set of accounts (Compte Administratif).

Finances

Operating performance

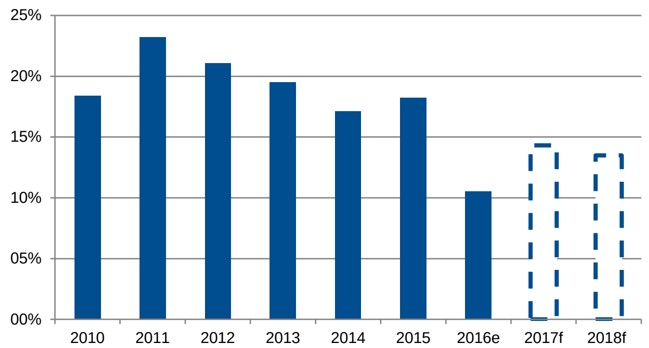
Based on the 2015 results, the city realised a solid operating balance, which is in line with the strong operating margins Quimper demonstrated during the previous six years (Figure 1). Strong budgetary performance in 2015 was achieved thanks to almost flat operating expenditure growth and slightly higher operating revenue compared to the previous year. 2015 was the first year when the city managed to stop the trend of constantly rising operating expenses seen from 2010 to 2014.

Budgetary estimates for 2016 reveal the operating margin is expected to soften to 10.5% (Figure 1), although this is still comfortable by international standards. The decline in the operating balance is driven by a further cut to the DGF that is not expected to be compensated by local tax revenue. Moreover, the city intends to loosen its grip on its operating expenditures, especially those for personnel and general purposes.

It should be noted that 2016 estimates should be taken with a pinch of salt, as French municipalities tend to underestimate their budgetary revenue and overestimate their expenditures. Indeed, in its 2015 budget, the city forecast its operating balance at almost 11% – a significant drop compared to the 2014 actual figures. However, actual performance in 2015 was much better mostly due to Quimper's ability to rein in its expenses and to a better local tax revenue outcome.

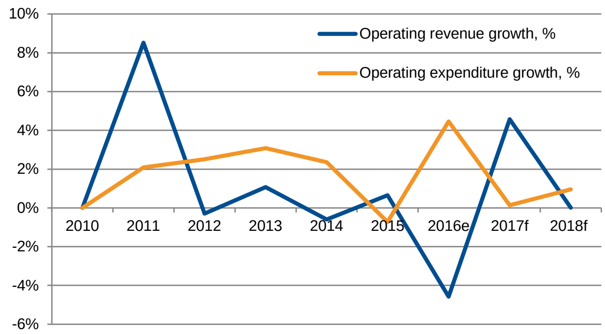
We expect improvements in Quimper's operating margins during the next two years (Figure 1) mostly due to expanded tax revenue, the DGF's lower pace of cuts in 2017 and 2018 compared to 2016, and a marginal increase in the city's expenditures in 2017 and 2018. We note that the city's efforts to streamline operating expenditure could become increasingly difficult, and it will have to rely on expanding its taxable base and/or resort to increasing local tax rates. We do not expect the central government to change course and to start increasing transfers to LRGs in the medium term, given France's fiscal consolidation efforts in line with the EU Fiscal Compact.

Figure 1: Quimper's operating balances, % of operating revenue



Source: City of Quimper, Scope calculations

Figure 2: Operating revenue and expenditure growth, YoY %



Source: City of Quimper, Scope calculations

Operating revenue

Quimper's operating revenue comprises mostly tax revenue (2015: 65% of operating revenue) followed by transfers (25%) and non-tax revenue (9.8%). Nearly flat operating revenue growth in 2015 compared to 2014 was mostly driven by an almost 4% cut in DFG, which was offset by tax revenue expansion. This reflects the city's healthy economic base and the improved economic environment in the country as a whole – the French economy grew by 1.5% in 2015 after nearly flat growth during the previous three years (Figure 2).

It should be noted that the city has certain revenue flexibility due to a high proportion of modifiable taxes – 55.9% of operating revenue in 2015 – 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 1.8m (in 2015 terms). 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 stay roughly the same in 2016-2018 compared to the previous period mostly due to the moderation of cuts in DGF in 2017 and 2018 on the back of tax revenue expansion. The latter is likely to benefit from the economic recovery in France in 2016-2018.

In our view, the city's significant portion of property taxes in relation to total tax proceeds is an advantage, as property taxes are less prone to volatility in the course of an economic cycle.

Operating expenditure

Unlike the city's operating revenue, its operating spending shows little flexibility, as it is largely composed of staff costs, which accounted for 50.6% of operating expenditures in 2015. The second biggest expenditure is transfers to various associations, which provide cultural and sport services to the citizens, as well as the social welfare centre (CCAS). This expenditure comprised 26.0% of operating expenditures in 2015. The remaining balance relates to recurring expenses for materials and suppliers.

In spite of the low flexibility and constant expenditure growth in the previous years (2.7% on average in 2010-2014), the city managed to implement its operating expenditure reduction programme in 2015, which resulted in almost zero year-on-year operating expenditure growth. Measures undertaken by the city included curbing staff expenses (0.4% annual growth vs 2014), streamlining general operating expenditure by renegotiating contracts with suppliers (-8%), and decreasing transfers to associations, excluding the social welfare centre (-2.8%). We expect the composition of operating expenditures to stay largely the same in 2016-2018 given Quimper's intention to keep its operating expenditures at bay by streamlining its general expenses and keeping a lid on personal expenses.

Capital expenditure and revenue

Historically, the city's capital expenditure has been high: in 2009-2014 this made up 28.5% of Quimper's total expenditure on average. The year 2015 was no exception – capital expenditure made up almost 29% of the 2015 total; yet in absolute terms Quimper spent less as a reflection of the adjustment to diminishing revenue coming from state transfers. The share of capital expenditure stayed high thanks only to a decline in total expenditures in 2015 compared to the previous year. We expect that capital expenditures will remain the main adjustment tool the city will use to cope with flat or slowly growing revenue. We forecast EUR 18m both for 2017 and 2018 versus EUR 25.3m in 2015 and EUR 26.9m in 2014.

The city is committed to not starting new, big projects, but will complete those inherited from the previous administration. Quimper also plans to reduce expenses on major capital repair by selling assets that no longer meet the criteria of energy efficiency, safety and accessibility, and would require significant investment to do so. However, we do not exclude that new, larger investment projects might 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.

A significant part of the expenditure, albeit declining, was covered by the city's own revenue in the past, in particular, state capital transfers, VAT returns and the current balance. We expect Quimper's own revenue to diminish after 2016 due to lower VAT returns linked to previous-year capital expenditure and a softening current balance. However, this declining trend on the capital revenue side will match diminishing capital expenditure and therefore demand for debt financing will be limited. But if the city starts new projects, this trend could change.

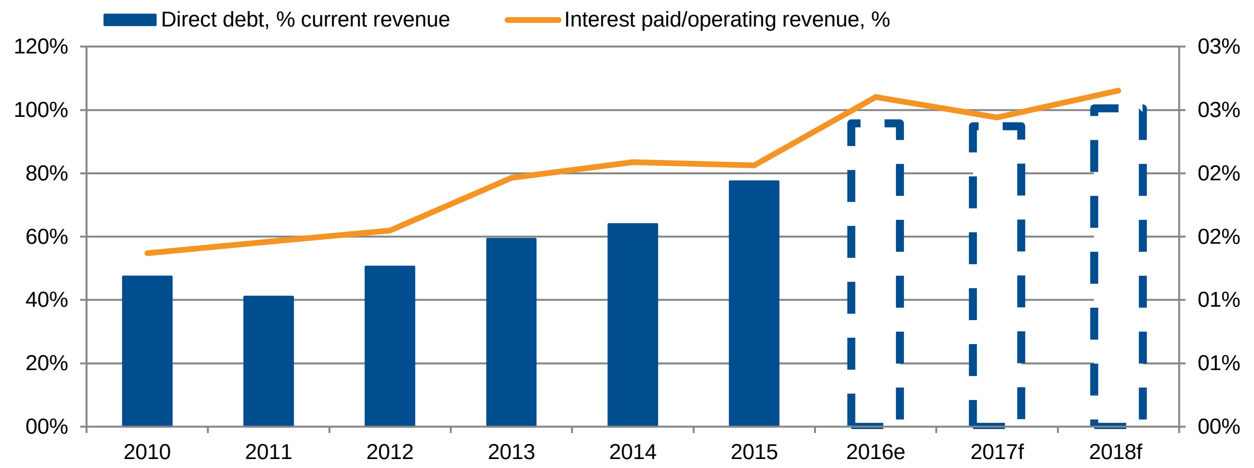
Debt and liquidity

At year-end 2015, direct debt was still at a moderate 77.4% of current revenue, though the change in the debt level compared to the previous year was noticeable – 13.7% (Figure 3). The jump in the debt level reflects, on the one hand the city's limited debt-neutral options to cope with stagnating revenue and, on the other, flat operating revenue, which worsens the debt level ratio.

The debt payback ratio (long-term debt/current balance) was comfortable at 4.8 years at YE2015. The city aims to keep the direct debt payback ratio below eight years in the medium term, and could meet this goal in the next two years, though its debt burden is likely to rise. Based on Quimper's 2016 budget, its direct-debt-to-operating-revenue ratio will reach 95.7% by the end of 2016[6] and continue to increase in 2017 and 2018.

The city improved its debt structure over the last five years by reducing the proportion of debt with variable rates – from 31.9% to 26.3% between 2010 and 2015. All variable rates were linked to eurozone interbank lending indices. The proportion of debt with a multiplier-effect interest payment structure is very low at EUR 1.8m, or 3.2% of total direct debt at year-end 2015. Quimper has good access to funding from a variety of lenders.

Figure3 : Quimper's outstanding debt and debt affordability ratio



Source: City of Quimper, Scope calculations

Debt affordability remains high: the city spent around 2.1% on interest payments in 2015, benefiting from low interest rate environment in France (Figure 3). The debt repayment schedule is smooth, with 66.7% of capital to be redeemed by 2024. Debt service is well covered by the city's own sources of revenue, as it accounted for 45.4% of the operating balance at year-end 2015.

Contingent liabilities

Contingent liability risk is low. Debt guarantees stood at EUR 36m at year-end 2015 and were mainly issued to low-risk social housing institutions. The city has reduced substantially the amount of issued guarantees in the last years.

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 and intends to leave SEMAEB's capital. We not consider PSEs to be a concern.

Quimper has 15 leasing contracts (cars and machinery). In 2015, total fees amounted to a minor EUR 0.4 m.

Political context

Since March 2014, the city has new mayor, L. Jolivet (UMP, right-wing political party). He succeeded B. Poignant (PS, left-side political party), who came into power in 2008. The mayor enjoys a solid majority at the city council: out of the 49 municipal councillors, he has support from 39. The duration of his tenor is six years.

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

Economy

Quimper is a dynamic and thriving city as 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 in next two to three years. The population of pre-school children, diminishing in the past, is likely to grow, which could put pressure on the city's finances in light of its responsibility for primary education.

However, we believe these factors will be offset by a healthy economy – the unemployment rate in the department of Finistère was 9.3% versus the national rate of 10.1%[7] in 2015, and the Bretagne region's per capita GDP was 82% of the national average in 2013[8]. Both characteristics bode well with the growing taxable base in the city. We have some concern about the relatively high proportion of the public sector employment, given reforms launched by the central government aiming to downsize the public sector. However, we believe this could be offset by a healthy and dynamic private sector.

The city will benefit from the expected completion of a high-speed train link to Paris by 2017.

[7] Source : INSEE
[8] Latest available data.

EUR '000s	2010	2011	2012	2013	2014	2015e	2016f	2017f	2018f
Total operating revenue	**68,074.7**	**73,876.5**	**73,659.4**	**74,446.2**	**74,000.5**	**74,484.2**	**71,071.8**	**74,321.2**	**74,325.8**
Tax revenue	39,628.0	42,722.1	44,078.6	46,165.5	47,363.8	48,486.1	47,476.1	50,707.5	51,804.6
Transfers	21,753.2	20,460.9	20,080.4	20,072.4	19,494.3	18,688.5	16,733.7	15,918.1	15,039.5
Other operating revenue	6,693.5	10,693.5	9,500.4	8,208.3	7,142.4	7,309.6	6,862.0	7,695.6	7,481.6
Total operating expenditure	**55,550.1**	**56,711.0**	**58,132.7**	**59,921.3**	**61,333.4**	**60,889.3**	**63,602.6**	**63,687.2**	**64,294.6**
Personnel	29,248.3	29,137.3	28,044.0	29,673.5	30,663.0	30,790.9	31,480.6	31,795.4	32,113.3
Materials and suppliers	12,553.5	13,291.5	14,519.3	14,758.7	15,182.9	13,974.3	15,546.3	15,390.8	15,390.8
Subsidies	13,254.9	13,621.3	13,749.9	14,001.4	14,203.9	13,809.5	13,982.7	13,842.9	13,842.9
Other	493.4	660.9	1,819.5	1,487.7	1,283.6	2,314.6	2,593.0	2,658.1	2,947.6
Operating balance	**12,524.6**	**17,165.5**	**15,526.8**	**14,524.9**	**12,667.1**	**13,594.9**	**7,469.2**	**10,634.0**	**10,031.1**
Interest paid	932.8	1,078.7	1,139.5	1,462.8	1,544.3	1,535.6	1,850.0	1,814.4	1,972.0
Current balance	**16,086.7**	**14,387.3**	**13,062.1**	**11,122.8**	**12,059.3**	**5,619.2**	**8,819.6**	**8,059.1**	**11,591.9**
Capital revenue	5,908.8	6,545.2	6,973.6	6,589.6	6,555.0	7,472.1	8,439.0	6,750.7	5,734.4
Capital expenditure	22,271.6	20,477.1	25,310.2	22,887.4	26,965.5	25,383.2	24,637.9	18,000.0	18,000.0
Capital balance	**-16,362.8**	**-13,931.9**	**-18,336.6**	**-16,297.8**	**-20,410.5**	**-17,911.1**	**-16,198.9**	**-11,249.3**	**-12,265.6**
Balance before debt movement	-4,771.0	2,154.9	-3,949.3	-3,235.7	-9,287.7	-5,851.8	-10,579.7	-2,429.8	-4,206.5
New borrowing	8,000.8	3,000.4	11,502.4	11,500.0	10,000.0	15,000.0	16,351.5	9,259.3	11,841.5
Debt repayment	4,834.5	4,939.3	4,623.3	4,538.2	6,822.5	4,641.7	6,002.0	6,829.5	7,635.0
Net debt movement	***3,166.3***	***-1,938.8***	***6,879.1***	***6,961.8***	***3,177.5***	***10,358.3***	***10,349.5***	***2,429.8***	***4,206.5***
Overall result	-1,604.7	216.0	2,929.8	3,726.1	-6,110.2	4,506.5	-230.2	0.0	0.0
Debt									
Short-term debt	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Long-term debt	32,244.4	30,308.0	37,184.7	44,146.5	47,324.0	57,682.2	68,031.7	70,461.5	74,667.9
Direct debt	32,244.4	30,308.0	37,184.7	44,146.5	47,324.0	57,682.2	68,031.7	70,461.5	74,667.9
Direct risk	*32,244.4*	*30,308.0*	*37,184.7*	*44,146.5*	*47,324.0*	*57,682.2*	*68,031.7*	*70,461.5*	*74,667.9*
Cash, liquid deposits and sinking fund				13,500.0	5,354.0	1,983.0	0.0		
Net direct debt	32,244.4	30,308.0	37,184.7	30,646.5	41,970.0	57,682.2	68,031.7	70,461.5	74,667.9
Guarantees	87,984.6	48,146.0	44,808.7	41,955.6	39,590.4	36,064.0	36,064.0	39,590.4	39,590.4
Overall risk	120,229.0	78,454.1	81,993.5	72,602.1	81,560.4	93,746.2	104,095.7	110,051.8	114,258.3
Direct debt composition									
Foreign exchange debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A	N/A
Variable-rate debt	10,290.6	8,336.3	9,678.0	10,479.0	6,215.5	15,152.0	15,152.0	N/A	N/A
Population (source fiches Minefi, et CA 2014)	67.3	67.3	66.9	67.1	66.8	66.9	66.9	66.8	66.8

	2010	2011	2012	2013	2014	2015e	2016f	2017f	2018f
Financial performance ratios									
Operating balance/operating revenue, %	18.4%	23.2%	21.1%	19.5%	17.1%	18.3%	10.5%	14.3%	13.5%
Current balance/operating revenue, %	17.0%	21.8%	19.5%	17.5%	15.0%	16.2%	7.9%	11.9%	10.8%
Balance before debt movement/total revenue,%	-6.4%	2.7%	-4.9%	-4.0%	-11.5%	-7.1%	-13.3%	-3.0%	-5.3%
Overall result/total revenue, %	-2.2%	0.3%	3.6%	4.6%	-7.6%	5.5%	-0.3%	0.0%	0.0%
Operating revenue growth, %	0.4%	8.5%	-0.3%	1.1%	-0.6%	0.7%	-4.6%	4.6%	0.0%
Operating expenditure growth, %	3.4%	2.1%	2.5%	3.1%	2.4%	-0.7%	4.5%	0.1%	1.0%
Debt ratios									
Direct debt growth,%	N/A	-6.0%	22.7%	18.7%	7.2%	21.9%	17.9%	3.6%	6.0%
Direct debt, % operating revenue	47.4%	41.0%	50.5%	59.3%	64.0%	77.4%	95.7%	94.8%	100.5%
Net direct debt & guaranteed debt, % operating revenue	176.6%	106.2%	111.3%	115.7%	117.5%	125.9%	146.5%	148.1%	153.7%
Overall debt risk (incl. guarantees), % operating revenue	176.6%	106.2%	111.3%	97.5%	110.2%	125.9%	146.5%	148.1%	153.7%
Interest paid/operating revenue, %	1.4%	1.5%	1.5%	2.0%	2.1%	2.1%	2.6%	2.4%	2.7%
Debt service/operating revenue, %	8.5%	8.1%	7.8%	8.1%	11.3%	8.3%	11.0%	11.6%	12.9%
Debt service/operating balance, %	46.0%	35.1%	37.1%	41.3%	66.1%	45.4%	105.1%	81.3%	95.8%
Operating balance/interest paid, (X)	13.4%	15.9%	13.6%	9.9%	8.2%	8.9%	4.0%	5.9%	5.1%
Proportion of variable-interest debt, % of direct debt	31.9%	27.5%	26.0%	23.7%	13.1%	26.3%	N/A	N/A	N/A
Proportion of foreign exchange debt, % of direct debt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A
Direct debt per capita, EUR	479.4	450.5	555.7	657.6	708.2	862.2	1016.9	1054.4	1117.3
Payback ratio (direct debt/current balance)	2.8	1.9	2.6	3.4	4.3	4.8	12.1	8.0	9.3
Revenue ratios									
Operating revenue/total revenue, %	92.0%	91.9%	91.4%	91.9%	91.9%	90.9%	89.4%	91.7%	92.8%
Modifiable tax revenue/operating revenue, %	49.6%	48.8%	50.9%	53.3%	54.8%	55.9%	53.7%	53.8%	55.2%
Current transfers received/operating revenue, %	32.0%	27.7%	27.3%	27.0%	26.3%	25.1%	23.5%	21.4%	20.2%
Total revenue per capita, EUR	1,100.0	1,195.4	1,205.1	1,207.1	1,205.5	1,225.1	1,188.5	1,213.2	1,198.0
Expenditure ratios									
Personnel expenditure, % of operating expenditure	52.7%	51.4%	48.2%	49.5%	50.0%	50.6%	49.5%	49.9%	49.9%
Transfers paid, % of operating expenditure	23.9%	24.0%	25.0%	24.8%	24.6%	26.0%	25.2%	21.7%	21.5%
Capital expenditure, % total expenditure	28.6%	26.5%	30.3%	27.6%	30.5%	29.4%	27.9%	22.0%	21.9%
Capital expenditure ratios									
Current balance/capital expenditure,%	52.0%	78.6%	56.8%	57.1%	41.2%	47.5%	22.8%	49.0%	44.8%
Capital revenue/capital expenditure,%	26.5%	32.0%	27.6%	28.8%	24.3%	29.4%	34.3%	37.5%	31.9%
Net debt movement/capital expenditure,%	14.2%	-9.5%	27.2%	30.4%	11.8%	40.8%	42.0%	13.5%	23.4%
Cash and liquidity management									
Overall result (cash balance)/operating revenue, %	-2.4%	0.3%	4.0%	5.0%	-8.3%	6.1%	-0.3%	N/A	N/A
Cash balance/debt service, %	N/A	N/A	N/A	225.0%	64.0%	N/A	N/A	N/A	N/A

Regulatory and legal disclosures

Important information

Information pursuant to Regulation (EC) No 1060/2009 on credit rating agencies, as amended by Regulations (EU) No. 513/2011 and (EU) No. 462/2013

Responsibility

The party responsible for the dissemination of the financial analysis is Scope Ratings AG, Berlin, District Court for Berlin (Charlottenburg) HRB 161306 B, Executive Board: Torsten Hinrichs (CEO), Dr. Stefan Bund and Dr. Sven Janssen. The rating analysis has been prepared by Dr. Ilona Dmitrieva, Associate Director Responsible for approving the rating: Samuel Theodore, Group Managing Director

Rating history

13 November 2015 | new | A+
13 May 2016 | affirmation | A+

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.

Information on interests and conflicts of interest

The rating was prepared independently by Scope Ratings but for a mandate of the issuer represented by Mairie de Quimper.

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Key sources of Information for the rating

Historical figures on budget implementation, budget for the next year and multi-year budget forecasts, historical outstanding debt, debt like obligations and guarantees, list of sponsored entities, socio-economic statistics.

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Prior to publication, the rated entity was given the opportunity to examine the rating and the rating drivers, including the principal grounds on which the credit rating or rating outlook is based. The rated entity was subsequently provided with at least one full working day, to point out any factual errors, or to appeal the rating decision and deliver additional material information. Following that examination, the rating was not modified.

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Methodology

For the rating and analytical contents of this report, Scope used the following methodologies which are published on: www.scoperatings.com: « Sub-sovereign credit rating » (June 2015) The historical default rates of Scope Ratings can be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA): http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml. A comprehensive clarification of Scope's default rating, definitions of rating notations and further information on the analysis components of a rating can be found in the documents on methodologies on the rating agency's

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