Ville de Quimper
Issuer Rating Report

A+ STABLE OUTLOOK
Sub-sovereign

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Strengths

Solid operating performance in spite of significant cuts in state transfers
Good revenue flexibility
Moderate, albeit increasing debt
Low-risk contingent liabilities
Solid socio-economic profile

Weaknesses

Rigid expenditure structure limiting budget consolidation efforts
Weak budget performance expected

Overview

Scope Ratings has assigned an Issuer Credit-Strength Rating (ICSR) of A+ to the city of Quimper ('city' or 'Quimper'). The Outlook is Stable.

The city's rating is driven 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 expenditure, and the adjustment strategy it is pursuing in the next two years, could become increasingly difficult due to its relatively inflexible operating expenditure structure. If the central government continues its budget consolidation efforts beyond 2017, which we view as a highly 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. Moreover, the fall in capital expenditure that we forecast for 2016-2017 is likely to reach its limit, and capital expenditure could start rising, pushing up the city's debt level.

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

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 2014 its gain was EUR 3.8m.

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 1.5 bn in transfers (DGF) from the state to LRGs in 2014 and c) a cut of EUR 11bn in transfers (DGF) spread over three years (2015-2017), of which municipalities and their associations will take the biggest hit (56% of the total cut in transfers).

[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.

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 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.

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

Having realised very comfortable operating margins in 2009-2014 (on average at 20% to operating revenue) the city is likely to see margins soften. We estimate that in 2015, the city's operating margin will reduce to almost 14.9% – though still comfortable by international standards. The decrease is driven by a cut in the DGF (the general operating grant) which was offset by a rise in local tax rates. To adjust for the declining revenue, Quimper streamlines its operating expenditure by putting a freeze on personnel expenses, rearranging and consolidating its contracts with suppliers, and reducing certain types of subsidies.

We believe that in the next two years the city's continuous efforts to streamline operating expenditure, albeit at a slower speed than in 2015, will allow it to keep operating margins high. This is possible despite further DGF cuts in 2016 and 2017, and a self-imposed freeze on local tax rates. We note that beyond the next two years, 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.

Operating revenue

Quimper's operating revenue comprises mostly tax revenue (2014: 64% of operating revenue) followed by transfers (26%) and non-tax revenue (10%). We expect the city's operating revenue to fall by almost 3% in 2015 compared to the previous year. This trend will continue for the next two years, albeit at a slower pace, driven by a decrease in DGF, which we expect to shrink by EUR 1.5m a year.

Lost revenue from the transfer will only be partially compensated by the expansion in tax revenue. In our forecast, we pencil a EUR 0.5m yearly increase due to the revaluation and expansion of housing tax and council tax bases. It should be noted that the city has certain revenue flexibility due to a high proportion of modifiable taxes – 54.8% of operating revenue in 2014 – 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 commitment to keep tax rates unchanged.

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 account for 50% of operating expenditure in 2014. 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 24.6% of operating expenditures in 2014. 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 is likely to reduce operating expenditure in 2015 compared to the previous year. Based on the eight-month budgeted performance in 2015, we forecast a 0.6% decrease compared to 2014. Measures undertaken by the city include curbing staff expenses (0% growth against 2014), streamlining general operating expenditure by renegotiating contracts with suppliers (-5%), and decreasing transfers to associations, excluding the social welfare centre (-6%).

We assume another 1.2% year–on-year decrease in 2016 given the city's commitment to cost-cutting measures, which includes zero growth in staff expenses, and a 3% and 2% drop in general expenditure and transfers, respectively. As for 2017, we are wary about the city's ability to continue the same path, and therefore do not forecast any further decrease in expenditure. We believe that, given the city's low expenditure flexibility, this path of operating budget adjustment has its limit, and forecast a reversal in the trend for 2017 – during which operating expenses will start to slowly rise.

Capital expenditure and revenue

Historically, the city's capital expenditure has been high: in 2019-2014 this made up 28.5% of Quimper's total expenditure on average. We do not expect this to stay as high after 2015; on the contrary, we assume a continuous decline in capital expenditure in 2016 and 2017. We forecast EUR 19.5m and EUR 16.4m in 2016 and 2017, respectively, against EUR 28m 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 2017 (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 2014, direct debt was a moderate 64% of current revenue. The debt payback ratio (long-term debt/current balance) was comfortable at 4.3 years. The city aims to keep the direct debt payback ratio below eight years in the medium term, and will likely meet this goal in the next two years, though its debt burden could rise. We estimate Quimper's direct debt to operating revenue ratio will reach 83% by the end of 2015, and continue to increase slightly in 2016 and 2017.

The city improved its debt structure in the last four years by reducing significantly the proportion of debt with variable rates – from 37.5% to 17.5% between 2010 and 2014. 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 2m, or 4.3% of the total direct debt at year-end 2014. Quimper has good access to funding from a variety of lenders.

Debt affordability is high: the city spent around 2.1% on interest payments in 2014. The debt repayment schedule is smooth, with 73.8% of capital to be redeemed by 2024. Debt service is well covered as it accounted for 66.1% of the operating balance at year-end 2014.

Contingent liabilities

Contingent liability risk is low. Debt guarantees stood at EUR 39.6m at year-end 2014 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 12 leasing contracts (cars and machinery). In 2014, total fees amounted to a minor EUR 0.3 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.

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 66,826 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 will be offset by the healthy economy – the unemployment rate at the department of Finistère was 9% versus the national rate of 9.8%[6] – and the wealthy population as the Bretagne region's GDP was 82% of the national average in 2013. Both characteristics bode well with the growing taxable base in the city. We have some concern about 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.

[6] Source : INSEE

Budget and debt data

EUR '000s	2009	2010	2011	2012	2013	2014	2015e	2016f	2017f
Operating revenue	67,774.9	68,074.7	73,876.5	73,659.4	74,446.2	74,000.5	71,589.5	71,724.3	70,758.7
tax revenue	38,366.1	39,628.0	42,722.1	44,078.6	46,165.5	47,363.8	46,825.0	48,709.8	49,359.6
transfers	21,733.9	21,753.2	20,460.9	20,080.4	20,072.4	19,494.3	18,073.5	16,216.4	14,492.2
other operating revenue	7,674.8	6,693.5	10,693.5	9,500.4	8,208.3	7,142.4	6,691.1	6,798.1	6,906.9
Operating expenditure	53,735.2	55,550.1	56,711.0	58,132.7	59,921.3	61,333.4	60,936.5	60,212.1	60,521.2
personnel	28,051.7	29,248.3	29,137.3	28,044.0	29,673.5	30,663.0	30,663.0	30,663.0	30,663.0
materials and suppliers	12,258.2	12,553.5	13,291.5	14,519.3	14,758.7	15,182.9	14,423.8	13,991.1	13,991.1
subsidies	13,009.9	13,254.9	13,621.3	13,749.9	14,001.4	14,203.9	13,351.7	13,084.6	13,084.6
others	415.4	493.4	660.9	1,819.5	1,487.7	1,283.6	2,498.0	2,473.4	2,782.5
Operating balance	***14,039.6***	***12,524.6***	***17,165.5***	***15,526.8***	***14,524.9***	***12,667.1***	***10,653.1***	***11,512.2***	***10,237.5***
Interest paid	1,123.0	932.8	1,078.7	1,139.5	1,462.8	1,544.3	1,950.0	1,782.8	1,823.1
Current balance	***12,916.6***	***11,591.9***	***16,086.7***	***14,387.3***	***13,062.1***	***11,122.8***	***8,703.1***	***9,729.4***	***8,414.5***
Capital revenue	8,512.8	5,908.8	6,545.2	6,973.6	6,589.6	6,555.0	7,274.4	8,436.1	7,186.0
Capital expenditure	20,300.5	22,271.6	20,477.1	25,310.2	22,887.4	26,965.5	28,391.5	19,507.4	16,424.0
Capital balance	***-11,787.7***	***-16,362.8***	***-13,931.9***	***-18,336.6***	***-16,297.8***	***-20,410.5***	***-21,117.1***	***-11,071.3***	***-9,238.0***
balance before debt movement	*1,128.9*	*-4,771.0*	*2,154.9*	*-3,949.3*	*-3,235.7*	*-9,287.7*	*-12,414.0*	*-1,341.9*	*-823.5*
new borrowing	3.2	8,000.8	3,000.4	11,502.4	11,500.0	10,000.0	17,105.0	7,284.6	6,900.4
debt repayment	4,831.3	4,834.5	4,939.3	4,623.3	4,538.2	6,822.5	5,002.0	5,942.7	6,076.9
net debt movement	*-4,828.1*	*3,166.3*	*-1,938.8*	*6,879.1*	*6,961.8*	*3,177.5*	*12,103.0*	*1,341.9*	*823.5*
overall result	*-3,699.2*	*-1,604.7*	*216.0*	*2,929.8*	*3,726.1*	*-6,110.2*	*-311.0*	*0.0*	*0.0*
Debt									
ST debt	na	na	na	na	na	na	na	nr	nr
LT debt	na	32,244.4	30,308.0	37,184.7	44,146.5	47,324.0	59,427.0	60,768.9	61,592.4
Direct debt	na	32,244.4	30,308.0	37,184.7	44,146.5	47,324.0	59,427.0	60,768.9	61,592.4
Direct risk	*na*	*32,244.4*	*30,308.0*	*37,184.7*	*44,146.5*	*47,324.0*	*59,427.0*	*60,768.9*	*61,592.4*
Cash, liquid deposits and sinking fund	na	na	na	na	13,500.0	5,354.0	na	nr	nr
Net direct debt	na	32,244.4	30,308.0	37,184.7	30,646.5	41,970.0	59,427.0	60,768.9	61,592.4
Guarantees	*92,068.2*	*87,984.6*	*48,146.0*	*44,808.7*	*41,955.6*	*39,590.4*	*39,590.4*	*39,590.4*	*39,590.4*
Overall risk	92,068.2	120,229.0	78,454.1	81,993.5	72,602.1	81,560.4	99,017.4	100,359.3	101,182.8
Direct debt composition									
FX debt	0.0	0.0	0.0	0.0	0.0	0.0	nr	nr	nr
Fixed rate debt	19,608.0	20,164.8	17,732.0	25,106.0	31,435.7	39,054.1	nr	nr	nr
Number of inhabitants	68.2	67.3	67.3	66.9	67.1	66.8	66.8	66.8	66.8

Financial ratios

	2009	2010	2011	2012	2013	2014	2015e	2016f	2017f
Financial performance ratios									
Operating balance/operating revenue, %	20.7%	18.4%	23.2%	21.1%	19.5%	17.1%	14.9%	16.1%	14.5%
Curent balance/operating revenue, %	19.1%	17.0%	21.8%	19.5%	17.5%	15.0%	12.2%	13.6%	11.9%
Balance before debt movement/total revenue,%	1.5%	-6.4%	2.7%	-4.9%	-4.0%	-11.5%	-15.7%	-1.7%	-1.1%
Overall result/total revenue, %	-4.8%	-2.2%	0.3%	3.6%	4.6%	-7.6%	-0.4%	0.0%	0.0%
Operating revenue growth, %	nr	0.4%	8.5%	-0.3%	1.1%	-0.6%	-3.3%	0.2%	-1.3%
Operating expenditure growth, %	nr	3.4%	2.1%	2.5%	3.1%	2.4%	-0.6%	-1.2%	0.5%
Debt ratios									
Direct debt growth,%	na	na	-6.0%	22.7%	18.7%	7.2%	25.6%	2.3%	1.4%
Direct debt, % operating revenue	na	47.4%	41.0%	50.5%	59.3%	64.0%	83.0%	84.7%	87.0%
Net direct debt &guaranted debt, % operating revenue	na	176.6%	106.2%	111.3%	115.7%	117.5%	138.3%	139.9%	143.0%
Overall debt risk (incl gurantees), % operating revenue	135.8%	176.6%	106.2%	111.3%	97.5%	110.2%	138.3%	139.9%	143.0%
Interest paid/operating revenue, %	1.7%	1.4%	1.5%	1.5%	2.0%	2.1%	2.7%	2.5%	2.6%
Debt service/operating revenue, %	8.8%	8.5%	8.1%	7.8%	8.1%	11.3%	9.7%	10.8%	11.2%
Debt service/operating balance, %	42.4%	46.0%	35.1%	37.1%	41.3%	66.1%	65.3%	67.1%	77.2%
Operating balance/interest paid, (X)	12.5%	13.4%	15.9%	13.6%	9.9%	8.2%	5.5%	6.5%	5.6%
Proportion of variable interest debt, % of direct debt	na	37.5%	41.5%	32.5%	28.8%	17.5%	na	na	na
Proportion of FX debt, % of direct debt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	na	na	na
Direct debt per capita, EUR	na	479.4	450.5	555.7	657.6	708.2	889.3	909.4	921.7
Payback ratio (direct debt/curent balance)	na	2.8	1.9	2.6	3.4	4.3	6.8	6.2	7.3
Revenue ratios									
Operating revenue/total revenue, %	88.8%	92.0%	91.9%	91.4%	91.9%	91.9%	90.8%	89.5%	90.8%
Modifiable tax revenue/operating revenue, %	48.5%	49.6%	48.8%	50.9%	53.3%	54.8%	57.1%	na	na
Current transfers received/operating revenue, %	32.1%	32.0%	27.7%	27.3%	27.0%	26.3%	25.2%	22.6%	20.5%
Total revenue per capita, EUR	1,118	1,100	1,195	1,205	1,207	1,205	1,180	1,200	1,166
Expenditure ratios									
Personnel expenditure, % of operating expenditure	52.2%	52.7%	51.4%	48.2%	49.5%	50.0%	50.3%	50.9%	50.7%
Transfers paid, % of operating expenditure	24.2%	23.9%	24.0%	25.0%	24.8%	24.6%	25.3%	na	na
Capital expenditure, % total expenditure	27.4%	28.6%	26.5%	30.3%	27.6%	30.5%	31.8%	24.5%	21.3%
Capital expenditure ratios									
Current balance/capital expenditure,%	63.6%	52.0%	78.6%	56.8%	57.1%	41.2%	30.7%	49.9%	51.2%
Capital revenue/capital expenditure,%	41.9%	26.5%	32.0%	27.6%	28.8%	24.3%	25.6%	43.2%	43.8%
Net debt movement/capital expenditure,%	-23.8%	14.2%	-9.5%	27.2%	30.4%	11.8%	42.6%	6.9%	5.0%
Cash and liquidity management									
Overall result (cash balance)/operating revenue, %	-5.5%	-2.4%	0.3%	4.0%	5.0%	-8.3%	-0.4%	na	na
Cash balance/debt service, %	na	na	na	na	225.0%	64.0%	na	na	na

nr - not relevant
na - not available

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.

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Responsible for approving the rating: Samuel Theodore, Group Managing Director

The rating concerns an issuer which was evaluated for the first time by Scope Ratings AG.
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.

Scope Ratings considers the quality of the available information on the evaluated entity to be satisfactory. Scope ensured as far as possible that the sources are reliable before drawing upon them, but did not verify each item of information specified in the sources independently.

Examination of the rating by the rated entity prior to publication

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.

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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