

# City of Quimper

## Issuer Rating Report



### Overview

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

The city's rating is supported by the ability to maintain a solid operating performance, with operating margins averaging 18.3% of operating revenues over the past five years in spite of significant cuts in state transfers, as well as moderate, though rising, direct debt levels and low-risk contingent liabilities. Quimper's rating benefits from good revenue flexibility, due to the high proportion of modifiable taxes, as well as tax rates that have been unchanged for years. The city's administration also views tax rate hikes as a last resort. Sound development of the city's socio-economic indicators support the expansion of its tax base.

Looking forward, Scope expects Quimper's budget balances to come under pressure due to ongoing state transfer cuts and diminishing flexibility to reduce its operating and capital expenditures, which the city has been pursuing as a policy since 2015. Scope notes that reduction in expenditures could become increasingly difficult due to Quimper's relatively rigid operating expenditure structure and the necessity to maintain a certain level of investment. If the French central government continues its budget consolidation efforts beyond 2019, which Scope views as a likely scenario, the city must either raise its tax rates and/or increase its debt.

According to Scope's 2016 estimates, Quimper's direct debt levels may reach 95% of operating revenue by the end of 2016, compared to 47.8% at the end of 2009. This 2016 ratio may be overstated due to French municipalities' tendency to underestimate revenues and overestimate expenditures.

Scope understands that, apart from potential tax rate hikes, the city's strategy to cope with increasing revenue pressures includes outsourcing IT and HR expenditures to Quimper Bretagne Occidentale, the recently enlarged inter-municipal association which undertakes capital-intensive responsibilities on behalf of the city as well as other neighbouring municipalities.

The A+ rating could be upgraded if budget balances and debt levels stabilise. Conversely, the rating could be downgraded if Quimper's debt were to rise significantly and exceed the self-imposed debt payback ratio of eight years.

### 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

Growing pressure on budget margins

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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. The framework has remained 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 allows 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<sup>1</sup> are allowed to 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 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)).

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 the inter-municipality Pays Glazik, consisting of five municipalities, and the municipality of Quemeven. Together, they form the inter-municipality of Quimper Bretagne Occidentale (QBO). The city of Quimper remains the core entity of the association, with around 63% of the enlarged association's inhabitants. As a result of the merger, the city will be able to reduce expenditures by outsourcing its IT and human resource requirements to QBO. Additionally, the financial flows between the city and QC have been simplified. Previously, Quimper's contribution to QC's budget was based on the difference between the cost of services provided by the QC and the tax proceeds it was entitled to from the City. Now, Quimper receives a set payment of EUR 2.42m. Under the current arrangement, this allocation is fixed over time, providing the city with a stable and certain revenue.

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 continue to 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 recently extended to 2018 and 2019, of which municipalities and their associations will take the biggest hit (56% of the total cut in transfers).

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<sup>1</sup> 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 under discussion and includes the prospective review of the DGF<sup>2</sup> formula, and redistribution of corporate value added tax (CVAE<sup>3</sup>) 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.

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<sup>4</sup> (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)<sup>5</sup>, 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.

## Finance

### Operating performance

Based on the 2015 actual 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 (the actual data has not been released yet) revealed that 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 and moderate growth of the city's 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 a better local tax revenue outcome. Budget data for 2017 indicates

<sup>2</sup> DGF comprised 20.7 % of the municipalities' operating revenue in 2013 (Les collectivités locales en chiffres 2015, DGCL).

<sup>3</sup> CVAE accounted for 1.36% of municipalities' operating revenue in 2013 (Les collectivités locales en chiffres 2015, DGCL).

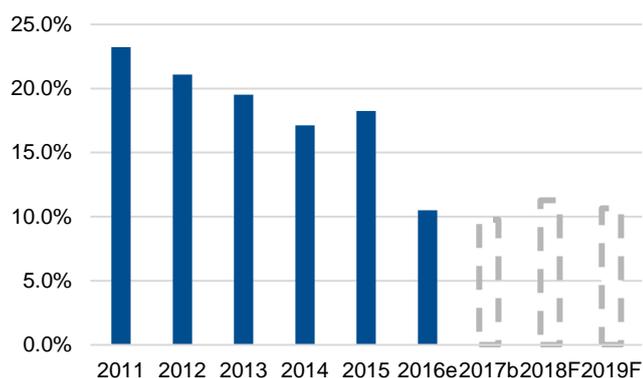
<sup>4</sup> One of the three most important local property taxes, which was levied on the value of the companies' fixed assets and accounted for 1.5% of GDP compared to respective revenue of 1.1% and 0.8% from the property tax (TF-FV) and the residence tax (TH-FV) in 2007, according to the IMF.

<sup>5</sup> The city has its own set of accounts (Compte Administratif).

stabilisation of the operating performance. We expect slight improvements in Quimper's operating margins during the next two years (Figure 1) mostly due to expanding tax revenue, the DGF's lower pace of cuts in 2018 and 2019 compared to 2016, and a marginal increase in the city's expenditures in 2018 and 2019. 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 start increasing transfers to LRGs in the medium term, given France's fiscal consolidation efforts in line with the EU fiscal compact.

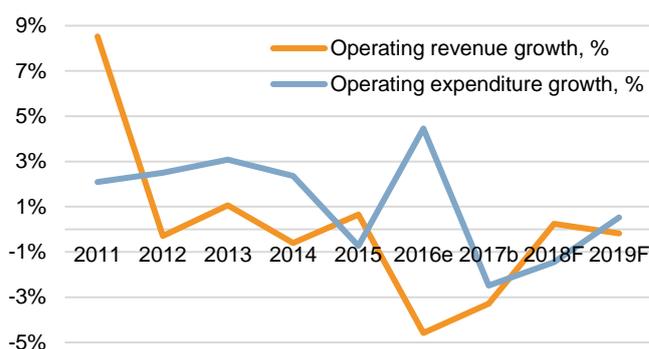
**Figure 1: City of Quimper**

**Operating balance/operating revenue, %**



Source: City of Quimper, Scope calculations

**Operating revenue and expenditure growth rate, %**



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 DGF, 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 1).

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 rise slightly in 2017-2019 compared to the previous period, mostly due to continuous cuts in DGF following tax revenue expansion.

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 staffing 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 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 2017-2019 given Quimper's intention to keep its operating expenditures at bay by streamlining its general expenses and keeping a lid on personal expenses within the framework of national labour code.

### Capital revenue and expenditure

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 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 pace of revenue growth. 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 expenditure will remain the main adjustment tool the city will use to cope with flat or slowly growing revenue. The city budgeted EUR 15.9m for 2017 and we expect the city to keep its capital expenditure at EUR 20m in 2018-2019.

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.

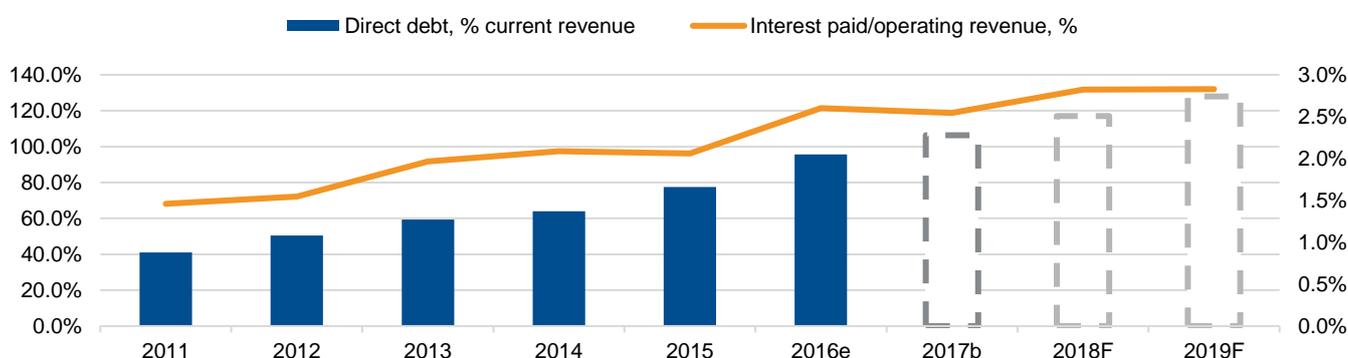
### Debt and liquidity

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 2). 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 year-end 2015. 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. Budget estimates for 2016 indicates that the city's direct-debt-to-operating-revenue ratio will reach 95.7% by the end of 2016<sup>6</sup> and continue to increase in 2017 and beyond.

The city improved its debt structure over the last five years by reducing the proportion of debt with variable rates – from 31.9% to

**Figure 2: Debt vs interest payments**



Source: City of Quimper

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.

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

Debt affordability remains high: the city spent around 2.1% on interest payments in 2015, benefiting from the low interest rate environment in France (Figure 2). 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.

The city's monthly cash position fluctuates over the course of the year. Largely driven by the tax calendar, troughs in liquidity are typically covered by credit from the national treasury.

### 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 substantially reduced the amount of issued guarantees in recent 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. The city is going to exit SEMAEB's capita during 2017 following the municipal council vote on 8 December 2016. We do not consider PSEs to be a concern. By the end of 2016 Quimper had 15 leasing contracts (cars and machinery) with total fees amounting to a minor EUR 0.4 m.

### Political context

Since March 2014, the city has a 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 in the city council: out of the 49 municipal councillors, he has support from 39. The duration of his tenure is six years.

### 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 in the 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 8.8% versus the national rate of 10.1%<sup>7</sup> in 2016, and the Bretagne region's per capita GDP was 84.3% of the national average in 2014<sup>8</sup>. Both characteristics bode well with the growing taxable base in the city. We have 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, 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.

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<sup>7</sup> Source : INSEE

<sup>8</sup> Latest available data.

	2011	2012	2013	2014	2015e	2016f	2017f	2018f	2019f
<b>Financial performance ratios</b>									
Operating balance/operating revenue, %	23.2%	21.1%	19.5%	17.1%	18.3%	10.5%	9.8%	11.3%	10.7%
Current balance/current revenue, %	21.8%	19.5%	17.5%	15.0%	16.2%	7.9%	7.2%	8.5%	7.8%
Balance before debt movement/total revenue,%	2.7%	-4.9%	-4.0%	-11.5%	-7.1%	-13.3%	-6.8%	-10.0%	-9.7%
Overall result/total revenue, %	0.3%	3.6%	4.6%	-7.6%	5.5%	-0.3%	0.0%	0.0%	0.0%
Operating revenue growth, %	9%	0%	1%	-1%	1%	-5%	-3%	0%	0%
Operating expenditure growth, %	2%	3%	3%	2%	-1%	4%	-2%	-1%	1%
<b>Debt ratios</b>									
Direct debt growth,%	-6.0%	22.7%	18.7%	7.2%	21.9%	17.9%	7.4%	10.3%	9.1%
Direct debt, % operating revenue	41.0%	50.5%	59.3%	64.0%	77.4%	95.7%	106.3%	117.0%	128.0%
Net direct debt & guaranteed debt, % operating	106.2%	111.3%	115.7%	117.5%	125.9%	146.5%	144.8%	155.4%	166.4%
Overall debt risk (incl. guarantees), % operating	106.2%	111.3%	97.5%	110.2%	122.0%	142.4%	144.8%	155.4%	166.4%
Interest paid/operating revenue, %	1.5%	1.5%	2.0%	2.1%	2.1%	2.6%	2.5%	2.8%	2.8%
Debt service/operating revenue, %	8.1%	7.8%	8.1%	11.3%	8.3%	11.0%	11.3%	12.6%	12.6%
Debt service/operating balance, %	35.1%	37.1%	41.3%	66.1%	45.4%	105.1%	115.5%	111.7%	118.5%
Operating balance/interest paid, (X)	15.9%	13.6%	9.9%	8.2%	8.9%	4.0%	3.8%	4.0%	3.8%
Proportion of variable interest debt, % of direct debt	27.5%	26.0%	23.7%	13.1%	26.3%	na	na	na	na
Proportion of FX debt, % of direct debt	0.0%	0.0%	0.0%	0.0%	0.0%	na	na	na	na
Direct debt per capita, EUR	450.5	555.7	657.6	708.2	862.1	1016.8	1091.1	1203.8	1313.8
Payback ratio (direct debt/current balance)	1.9	2.6	3.4	4.3	4.8	12.1	14.7	13.8	16.4
<b>Revenue ratios</b>									
Operating revenue/total revenue, %	91.9%	91.4%	91.9%	91.9%	90.9%	89.4%	92.1%	91.2%	90.5%
Modifiable tax revenue/operating revenue, %	48.8%	50.9%	53.3%	54.8%	55.9%	53.7%	56.6%	56.5%	57.4%
Current transfers received/operating revenue, %	27.7%	27.3%	27.0%	26.3%	25.1%	23.5%	22.9%	23.0%	21.9%
Total revenue per capita, EUR	1195.4	1205.1	1207.1	1205.5	1225.1	1188.5	1114.8	1127.6	1135.0
<b>Expenditure ratios</b>									
Personnel expenditure, % of operating expenditure	51.4%	48.2%	49.5%	50.0%	50.6%	49.5%	50.7%	52.0%	52.3%
Transfers paid, % of operating expenditure	24.0%	25.0%	24.8%	24.6%	26.0%	25.2%	21.6%	21.6%	21.5%
Capital expenditure, % total expenditure	26.5%	30.3%	27.6%	30.5%	29.4%	27.9%	20.5%	24.7%	24.6%
Total capital expenditure per capita, EUR	304.4	378.3	340.9	403.5	379.4	368.3	238.2	298.6	298.6
<b>Capital expenditure ratios</b>									
Current balance/capital expenditure,%	78.6%	56.8%	57.1%	41.2%	47.5%	22.8%	31.1%	29.1%	26.9%
Capital revenue/capital expenditure,%	32.0%	27.6%	28.8%	24.3%	29.4%	34.3%	37.2%	33.1%	36.3%
Net debt movement/capital expenditure,%	-9.5%	27.2%	30.4%	11.8%	40.8%	42.0%	31.7%	37.7%	36.8%
<b>Cash and liquidity management</b>									
Overall result (cash balance)/operating revenue, %	0.3%	4.0%	5.0%	-8.3%	-0.4%	na	na	na	na
Cash balance/debt service, %	na	na	225.0%	64.0%	na	na	na	na	na

nr - not relevant

na - not available



# City of Quimper

## Issuer Rating Report

	2011	2012	2013	2014	2015e	2016f	2017f	2018f	2019F
<b>Total operating revenue</b>	<b>73,876.5</b>	<b>73,659.4</b>	<b>74,446.2</b>	<b>74,000.5</b>	<b>74,484.2</b>	<b>71,071.8</b>	<b>68,734.0</b>	<b>68,896.7</b>	<b>68,769.7</b>
Tax revenue	42,722.1	44,078.6	46,165.5	47,363.8	48,486.1	47,476.1	46,285.6	46,407.7	47,030.6
Transfers	20,460.9	20,080.4	20,072.4	19,494.3	18,688.5	16,733.7	15,772.5	15,813.2	15,063.2
Other operating revenue	10,693.5	9,500.4	8,208.3	7,142.4	7,309.6	6,862.0	6,675.9	6,675.9	6,675.9
<b>Total operating expenditure</b>	<b>56,711.0</b>	<b>58,132.7</b>	<b>59,921.3</b>	<b>61,333.4</b>	<b>60,889.3</b>	<b>63,602.6</b>	<b>62,021.7</b>	<b>61,124.4</b>	<b>61,442.3</b>
Personnel	29,137.3	28,044.0	29,673.5	30,663.0	30,790.9	31,480.6	31,422.6	31,795.4	32,113.3
Materials and suppliers	13,291.5	14,519.3	14,758.7	15,182.9	13,974.3	15,546.3	16,816.4	15,546.3	15,546.3
Subsidies	13,621.3	13,749.9	14,001.4	14,203.9	13,809.5	13,982.7	13,192.2	13,192.2	13,192.2
others	660.9	1,819.5	1,487.7	1,283.6	2,314.6	2,593.0	590.5	590.5	590.5
<b>Operating balance</b>	<b>17,165.5</b>	<b>15,526.8</b>	<b>14,524.9</b>	<b>12,667.1</b>	<b>13,594.9</b>	<b>7,469.2</b>	<b>6,712.3</b>	<b>7,772.3</b>	<b>7,327.3</b>
Interest paid	1,078.7	1,139.5	1,462.8	1,544.3	1,535.6	1,850.0	1,750.0	1,945.7	1,945.7
<b>Current balance</b>	<b>16,086.7</b>	<b>14,387.3</b>	<b>13,062.1</b>	<b>11,122.8</b>	<b>12,059.3</b>	<b>5,619.2</b>	<b>4,962.3</b>	<b>5,826.6</b>	<b>5,381.6</b>
Capital revenue	6,545.2	6,973.6	6,589.6	6,555.0	7,472.1	8,439.0	5,933.5	6,626.0	7,252.9
Capital expenditure	20,477.1	25,310.2	22,887.4	26,965.5	25,383.2	24,637.9	15,952.8	20,000.0	20,000.0
<b>Capital balance</b>	<b>13,931.9</b>	<b>18,336.6</b>	<b>16,297.8</b>	<b>20,410.5</b>	<b>17,911.1</b>	<b>16,198.9</b>	<b>10,019.3</b>	<b>13,374.0</b>	<b>12,747.1</b>
Balance before debt movement	2,154.9	3,949.3	3,235.7	9,287.7	5,851.8	10,579.7	5,057.0	7,547.4	7,365.5
New borrowing	3,000.4	11,502.4	11,500.0	10,000.0	15,000.0	16,351.5	11,057.0	14,286.5	14,104.6
Debt repayment	4,939.3	4,623.3	4,538.2	6,822.5	4,641.7	6,002.0	6,000.0	6,739.1	6,739.1
<b>Net debt movement</b>	<b>-1,938.8</b>	<b>6,879.1</b>	<b>6,961.8</b>	<b>3,177.5</b>	<b>10,358.3</b>	<b>10,349.5</b>	<b>5,057.0</b>	<b>7,547.4</b>	<b>7,365.5</b>
Overall result	216.0	2,929.8	3,726.1	-6,110.2	4,506.5	-230.2	0.0	0.0	0.0
<b>Debt</b>									
ST debt	nr								
LT debt	30,308.0	37,184.7	44,146.5	47,324.0	57,676.0	68,025.5	73,082.5	80,629.9	87,995.4
<b>Direct debt</b>	<b>30,308.0</b>	<b>37,184.7</b>	<b>44,146.5</b>	<b>47,324.0</b>	<b>57,676.0</b>	<b>68,025.5</b>	<b>73,082.5</b>	<b>80,629.9</b>	<b>87,995.4</b>
Direct risk	30,308.0	37,184.7	44,146.5	47,324.0	57,676.0	68,025.5	73,082.5	80,629.9	87,995.4
Cash, liquid deposits and sinking fund	na	na	na	na	1,983.0	2,874.0			
Net direct debt	30,308.0	37,184.7	30,646.5	41,970.0	54,802.0	65,151.5	73,082.5	80,629.9	87,995.4
Guarantees	48,146.0	44,808.7	41,955.6	39,590.4	36,064.0	36,063.9	26,457.6	26,457.6	26,457.6
Net indirect debt (public sector debt, excl guarantees)	0.0	0.0	0.0	0.0	0.0	0.0	nr	nr	nr
Overall risk	78,454.1	81,993.5	72,602.1	81,560.4	90,866.0	101,215.4	99,540.1	107,087.5	114,453.0
<b>Direct debt composition</b>									
FX debt	0.0	0.0	0.0	0.0	0.0	0.0	na	na	na
Variable rate debt	8,336.3	9,678.0	10,479.0	6,215.5	15,152.0	15,152.0	20,607.2	na	na
Population	67.3	66.9	67.1	66.8	66.9	66.9	67.0	67.0	67.0



## Regulatory disclosures

This rating was prepared by Scope Ratings AG, Berlin, District Court for Berlin (Charlottenburg) HRB 161306 B, Chief Executive Officer: Torsten Hinrichs, Chief Analytical Officer Dr Stefan Bund,

<b>Rating prepared by</b>	<b>Person responsible for approval of the rating</b>
Ilona Dmitrieva, Lead Analyst	Dr Giacomo Barisone, Committee Chair

The rating was prepared independently by Scope Ratings and was requested by the issuer. The issuer has participated in the rating process.

## Rating history

The Rating for City of Quimper was issued for the first time in November 2015. / The rating was last updated in May 2016.

## 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 issuer to be satisfactory.

## Rating Committee Minutes

On May 2nd 2017, the rating committee discussed the city of Quimper rating. The committee decided to affirm the rating.

## Review of the rating by the rated entity prior to publication

Prior to publication, the rated entity was given the opportunity to review 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 review, the rating was not modified.

## Methodology

The methodology applicable for this rating (Sub-Sovereign Credit Rating, June 2015) is available on [www.scoperatings.com](http://www.scoperatings.com). The historical default rates of Scope Ratings can be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA): <http://cerp.esma.europa.eu/cerp-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 website.

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## Rating issued by

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