

France Credit Analysis

City of Aubagne

Ratings

	Current Rating
Foreign Currency	
Long-Term	A-
Short-Term	F1
Local Currency	
Long-Term	A-

Outlook

Foreign Long-Term	Negative
Local Long-Term	Negative

Financial Data

	31 Dec 07	31 Dec 06
Operating revenue (EURm)	66.0	63.7
Direct risk (EURm)	129.7	128.1
Operating balance/operating revenue (%)	12.4	14.3
Debt service/current revenue (%)	15.6	12.0
Debt/current balance (yrs)	55.9	20.9
Operating balance/interest paid (x)	1.4	2.8
Capital expenditure/total expenditure (%)	12.9	15.5
Surplus (deficit) before debt variation/total revenue (excluding new debt; %)	-4.1	1.3
Current balance/capital expenditure (%)	22.9	53.5

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Related Research

- [International Rating Methodology for Local and Regional Governments](#)
- [Institutional Framework for French Subnationals](#)

Rating Rationale

- The ratings reflect the City of Aubagne's attractive economic environment, good road and rail connections, dynamic demographic features and active policy of public services provision. The Outlook revision to Negative from Stable on 21 October 2008 reflects Fitch Ratings' expectations that inflation-capped state transfers and more sluggish tax revenue growth may lead to operating revenue not keeping pace with operating spending during the medium term, resulting in a further weakening of operating performance.
- Despite tax rate rises of 2% in 2006 and 3% in 2007, in 2007 the city posted a current margin of 3.2% of operating revenue, down from 10% in 2006. Overall operating expenditure surged by almost 6% in 2007, partly on the back of one-off salary adjustments, significantly outpacing 3.6% operating revenue growth. Consequently, the surplus before debt variation of 1.3% of total revenue in 2006 turned into a 4.1% deficit in 2007.
- Although Fitch would revise Aubagne's Outlook to Stable if the city's budget performance were to prove better than expected, the agency considers that the city's future performance may be constrained by its weak tax potential in the medium term. The city's tax rates are already above average for comparable French cities and its budget is heavily affected by personnel costs, which make up 56% of operating spending. Fitch will continue to monitor Aubagne's capacity to control operating costs and therefore to restore its operating balance.
- The city's debt remains burdensome, with long-term debt equating to about 1.9 years of current revenue and 56 years of current balance in 2007, up from 21 years in 2006. However, the debt profile has improved since 2005, with bond restructuring smoothing out three maturity peaks in 2007, 2009 and 2011. Although this brings annual principal instalments into line with the city's self-financing capacity, the former will continue to increase until 2023. Matching capital expenditure to the city's self-financing capacity and keeping new borrowing below debt repayment are key elements of sustainable debt reduction. According to Fitch's projections, the city's debt should stabilise by 2011. The agency highlights that although financial derivatives helped lower the cost of debt in the past, they may ultimately represent a source of concern.

What Could Trigger a Downgrade?

- A rating downgrade could result from a further deterioration of budgetary performance and a failure to stabilise debt in absolute terms.
- The Outlook could be revised to Stable if the current balance and debt service coverage ratios are restored to sound levels, combined with a significant reduction in capex and a significant reduction in debt.

Profile

Situated on the eastern border of Marseilles, Aubagne has about 43,500 inhabitants. It is the hub of Metropolitan Community of Pays d'Aubagne et de l'Etoile (CAPAE; rated 'A'/'F1'/Stable), an inter-municipal grouping with 96,000 inhabitants. Its main responsibilities are the construction and maintenance of primary schools, social aid, urban planning, culture and sport facilities, and street maintenance. Aubagne provides a high level of public services and is an attractive location for households and businesses.

Institutional Evolution

City Responsibilities Shaped by Growing Importance of CAPAE

Like all French municipalities, Aubagne is primarily responsible for education (nursery and primary schools) and community programmes (including day nurseries, childcare centres and homecare), sports and cultural facilities, road maintenance and public order (including the local police and a mandatory financial contribution to the fire service).

Most capital-intensive local responsibilities have been transferred to CAPAE, an inter-municipal grouping with investment responsibilities that collects the business tax in place of the municipalities. CAPAE assumes some of its members' items of current and capital expenditure. In 2007, the decision was made to enlarge CAPAE with five neighbouring municipalities (cities of Belcodène, La Bouilladisse, la Destrousse, Peypin and Saint-Savournin). It therefore now has 11 members, and has gained more than 10,000 inhabitants. CAPAE's total population is about 96,000, of which Aubagne accounts for about 45%.

Financial Position Transformed by Transfer of Activities to CAPAE

Cities that are members of the metropolitan communities receive direct taxes (land taxes and property tax), indirect taxes (property transfer duty) and central government transfers. The transfer of responsibilities to CAPAE has meant that the city is no longer wholly in charge of several costly services, such as public transport, infrastructure equipment, housing, economic development, waste treatment, water distribution and sewage.

However, to fund its new responsibilities CAPAE has heavily reduced business tax transfers to its members. Aubagne therefore no longer benefits from the traditional strong growth of this tax.

As Aubagne is now refocused on providing services to its residents, its financial position is more dependent on the social and economic profile of its population than on the financial strength of companies in its area. Aubagne now benefits from the construction of new housing and companies' new offices, but to a much lesser extent from developing industrial plants. It has also developed ambitious long-term policies in order to ensure its economic development is independent of that of Marseilles. As a result of those efforts, and low-cost and abundant local public services, Aubagne has become very attractive to both businesses and households.

It is difficult to quantify the benefits derived individually by Aubagne from CAPAE, as CAPAE's role is to handle expenditure for the community. CAPAE is responsible for an increasing proportion of capital expenditure, which makes for economies of scale in the provision of public services. It has created a zone of economic cohesion and, as the business tax is applied equally in each member municipality, competition in tax matters is avoided. Moreover, Aubagne played a significant role in setting up CAPAE and was the main financial contributor to this process.

Visibility, Reliability and Transparency

After a period disrupted by a disagreement (still unresolved, with a backlog of EUR2.3m of payments pending from the state) with the former treasurer, the reliability of the accounts has much improved since the early 2000s. The reliability of the accounts had not been optimal, due to past mistakes (among which were some resulting from backlogs in expenditures and reports of revenue from one exercise to another) by the treasurer (a state representative), which needed to be corrected after 2000. Financial transparency has improved with the introduction in December 2004 of financial projections.

Aubagne has only one ancillary budget (for cemeteries and funeral parlours), which is not of material importance.

Administration

A Stable Political Environment: Executive Re-Elected in March 2008

The municipality's policy-making body is the city council, whose members are elected for a six-year term by universal suffrage, under a two-round party list system. Executive functions are exercised by the mayor, who is elected from among the city's councillors at their first meeting. At the most recent elections (March 2008), 95% of the 43-member city council was rolled over. The mayor, Daniel Fontaine, who has been in office since 2001, was re-elected. The same majority political party (the Communist Party) has held power in Aubagne since 1965, which has fostered considerable continuity in the municipality's policies. The Mayor of Aubagne is also the Vice-Chairman of CAPAE and Vice-Chairman of the Department of Bouches-du-Rhône General Council.

The municipalities are represented in CAPAE's council in proportion to the size of their population. As Aubagne accounts for 45% of the population of the community area, it has significant weight in the decision-making process, with 30% of seats.

Historically, the chairman of the Community Council was the Mayor of Aubagne. The current chairman of CAPAE, Alain Belviso, however, is not the mayor but a member of Aubagne's council.

Political Priorities

The executive elected in March 2008 will focus on some key responsibilities of the city such as primary education (the building and maintenance of primary schools), social housing (1,200 units to be built during the present mandate, ie 27% of total current social housing stock in the city), cultural services and social aid (childcare and kindergartens, and construction of a home for Alzheimer patients).

Economy

Falling But Still Large Importance of City's Economic Health on Finances

The transfer of responsibilities to CAPAE, involving the loss of business tax proceeds, has reduced the links between the city's revenue and the local economy. Nevertheless, the state of the local economy still considerably influences the tax bases, as the construction of new housing and offices affects property tax proceeds. Moreover, the economic situation of the residents largely determines the level of public services the city must provide.

Aubagne's local economy has two outstanding features: the industrial sector is relatively important (18% of the workforce); and this sector was relatively unaffected by the recurrent recessions that have hit the region's traditional heavy industries (shipbuilding, oil and petrochemicals, and coal mining), which left many neighbouring municipalities reeling. However some businesses have closed in recent years, suggesting that Aubagne's economy is not totally immune.

The local authorities took advantage of the city's favourable geographic position (Aubagne is situated in the road triangle between Marseille, Aix and Toulon) to encourage commercial activities (such as hypermarkets and specialised distribution facilities), small-scale industry and business services.

Relatively High Standards of Living and Good Employment Indicators in Regional Context

Local household average net taxable income (EUR9,024) was 9% below the national average for cities above 10,000 inhabitants (EUR9,952) and the proportion of people receiving "revenu minimum d'insertion" (the minimum social security allowance) among the population entitled to its receipt is above the national average and increased by about 20% in 2007. Only 48% of households pay income tax compared with the national average of 52%. The socio-economic profile of the city's population is close to the national average, as 72% of households receive housing

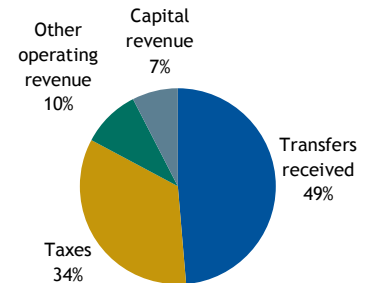
benefit (paid out of national social security) compared with the national average of 60%, and a quarter of the housing stock is owned by social housing bodies.

Although unemployment in the Aubagne area is among the lowest in the department, it remains well above the national average (12.4% in 2007, compared with 7.4% nationally). Local job training and placement programmes have led to a sharp reduction in the number of jobseekers under the age of 26.

Employment has risen faster than the population. As a result, the employment rate (defined here as the number of jobs provided within the municipality as a proportion of the city's working population) increased to 1.33 from 0.85 during 1975-2002. On this measure, Aubagne has the best performance in the region. The local economy's ability to generate employment is also reflected in the fact

that a significant proportion of its working population is employed in the city itself. From 50% in 1980, this percentage has risen to 53% in 2001 - a remarkably high level for a municipality located within the labour market catchment area of the city of Marseilles. Aubagne's employment position, however, may be affected if the local hospital is closed in the medium term, after current debates with the regional health authority. If this does happen, the hospital staff (800 direct and indirect jobs) would most likely be transferred to another local healthcare entity.

Revenue Structure - 2007



Source: Aubagne

Social and Economic Indicators

	Aubagne	France
Income per capita	9,024	9,952
Housing benefit beneficiaries (%)	72	60
Unemployment rate	12.4 ^a	7

^a CAPAE's area unemployment rate

Source: INSEE, Fitch, Ministry of Finance, Ministry of the Interior

Population Growth Encouraged After Years of Stagnation

The attractiveness of Aubagne and the capacity of its economy to generate employment are also reflected in demographic changes and the structure of its population. Aubagne's population increased by 0.8% per year during 1982-1990 and by 0.4% per year during 1990-1999. This slightly exceeded the national increase, but was less than in neighbouring towns. The lower increase was due mainly to a reduction in net immigration (traditionally the most dynamic factor in population change) rather than in the natural balance, which remained positive. The relative reduction in the city's ability to attract new residents was due to a lack of available housing rather than a decline in its popularity. The recent completion of new housing in the town centre and the approval of the new zoning ordinance, which increases growth prospects, have facilitated a better balance between supply and demand. The latter remains strong, as shown by the high property prices.

Finances and Performance

Revenue

Most operating revenue is derived from transfers (23% from CAPAE, 20% from central government in 2007) and tax revenue (42% in 2007), which benefits from high rates. Although growth in central government transfers will be limited to the rate of the consumer price index, future growth in Aubagne's tax revenue will chiefly depend on the expansion of the tax base, the latter being dynamic (up 8%

for the two main local tax bases in 2007). Aubagne is on the whole an attractive place for both commercial and residential properties, but available land is scarce.

Significant Tax Discretion, But Only on Household Taxes

Under the current legal framework, Aubagne has a certain amount of discretion on its tax rates: the law states that a municipality may increase its rates of council tax (“taxe d’habitation”) and property tax (“taxe foncière”) until they reach 2.5x the national average. The situation for business tax (“taxe professionnelle”) is different: only CAPAE is entitled to collect and set the rate of the single business tax (“taxe professionnelle unique”). Aubagne would benefit only indirectly from an increase through the complex set of tax repayments between CAPAE and the municipalities. However, the reintroduction of the cohesion grant, the mechanism for such a redistribution, is unlikely.

Slightly Higher than Average Tax Bases

Taken together, the per capita tax bases are slightly above the national average for the “household taxes” (2% below the national average for the council tax and 13% above for the property tax), while business tax bases are significantly higher than the national average (13%). However, business tax makes up the single largest share of the overall local tax base (48%), as is often the case in industrial cities. The fact that most taxable income is excluded from the taxes over which Aubagne has rate-setting discretion is a negative rating factor. However, this is partly offset by the room for manoeuvre that Aubagne has in raising other taxes, should it be in dire financial need.

Aubagne has some leeway regarding its direct taxes, as its tax rates represented, on average, 45% of the national maximum tax rates in 2007. However, the administration does not intend to overly increase rates. In addition to its slight margins of manoeuvre on its rates, Aubagne has some leeway on the housing tax base, which might be adjusted upwards, as it is estimated that 10% (representing EUR4.5m of housing tax base value) of local housing is not included in the official city tax base.

Direct Tax Data - Peer Comparison (2007)

City	CIT base per capita ^a (EUR)	CIT rate ^b (%)	PIT base per capita ^a (EUR)	PIT rate ^b (%)
Aubagne	1,012	20.26	1,105	31.37
Marseille	845.9	24.9	851.6	20.9
Average metropolitan cities (cities of 20,000-50,000 inhabitants, belonging to a grouping with single business tax)	1,184	17.15	1,176	21.81

^a Population-weighted average

^b Tax base-weighted average

CIT - Corporate income tax; PIT - Personal income tax

Source: DGI, DGCL and INSEE

If the city were unable to service its debt (a mandatory expenditure), the Prefect, a state representative, would take steps to generate the necessary resources. In such circumstances, an increase in taxes would be difficult to avoid. Maximum tax proceeds, obtained by applying the maximum legal rates, would bring in an additional EUR51.4m of revenue. However, for political and social reasons, the Prefect would probably fix the rates at a lower level, more in line with what contributors could afford. The agency judges that a good approximation for these rates is the highest rate among neighbouring and comparable cities (“maximum psychological rates”). Applying these rates (those of Salon-de-Provence, close to Aubagne, which has 38,000 inhabitants, 40% higher than those of Aubagne), tax revenue would be increased by EUR9.5m. This amount represents 92% of 2007 debt servicing (net interest plus principal). Nevertheless, such an emergency measure would not be immediately taken as tax rates are set once a year when the budget is approved.

The tax burden is higher than the national average: in 2007 it was 127% of the average (rates in the Bouches-du-Rhône Département generally are notably higher than the national average). The council tax burden is moderate, 2% lower than the national average for all municipalities, but that of property tax is heavier (54% higher than the average).

Dynamic Tax Proceeds

As mentioned earlier, Aubagne has not collected business tax since 1994, when the single business tax was transferred to CAPAE. Growth in tax proceeds relies mainly on household taxes. The city decided to raise rates by 3% in 2007 and by 1.6% in 2008. Aubagne also benefits from the strong growth of the property registration duty, which it levies on property sales. In 2007 this brought in EUR1.7m, up 12.6% from 2006. That revenue should start to decrease to some extent from 2008, in line with the drop in real estate prices, and the low number of housing sales registered at département level.

Stable Grants and Subsidies but Expected to Decrease from 2009

The city's revenue structure has progressively changed. Current transfers represented 48.8% of operating revenue in 2007 compared with 55.5% in 2003.

The central government general transfer (one of the transfers from the state) accounted for EUR9.5m in 2007 or 14% of operating revenue: it consisted of the fixed grant (EUR7.3m, up 1.44% from 2006), the urban solidarity grant (EUR 0.7m, up 5%) and the national equalisation grant (EUR 0.1m, down 3%). Central government transfers will grow more slowly from 2009, as the government aims to restrain transfer growth to the national consumer price index.

Low Charges for Public Services, with Limited Scope for Increases

Aubagne has adopted a long-term policy of providing a high level of services at low cost to users. More public services are available than is usual in comparable French cities (notably in social and cultural areas). Charges made up 10% of current revenue in 2007, up from 8% in 2003. They are in general indexed to household income ("quotient familial"), and could be increased if necessary, although this does not provide significant discretion. However, the executive is not politically inclined to overly increase the charges on local public services, as indicated by its willingness to offer most services at the lowest cost possible for the user.

Expenditure

Relatively High Operating Expenditure

The level of services provided by the local authorities is higher than in many areas, due to political considerations. These services include public transport, town centre renewal, car parks, a conference centre, social benefits and extra-curricular education. Some of these services (which also benefit the residents of neighbouring municipalities) are partly financed by CAPAE, whose role in this context is set to expand.

Current expenditure has increased sharply, on average up 3.5% per year during 2003-2007. This increase would have been even higher without the transfers to CAPAE, which reduced expenditure. Since 2002, however, current expenditure has shot up and substantially exceeded the growth of revenue, which was 2% per year over the same period. In 2007 the mismatch between operating revenue and operating expenditure growth widened to 5.9% from 3.6%.

Operating expenditure control was hampered in 2007 by the (one-off) catching up of personnel expenses to comply with French legislation: personnel costs increased by a stiff 7.4% in 2007. However, the city has started to implement enhanced supply and cost-management tools and procedures with the aim of rationalising expenses (IT investments and increased monitoring by the Finance Department). Increased control by management of the size and efficiency of subsidies granted to the city's

associations (the latter representing 2.8% of current expenditure and 2.3% of current revenue in 2007) have started to be implemented, so control over operating expenditure is already being established.

Measures to Reduce Service Costs Integrated into Financial Management

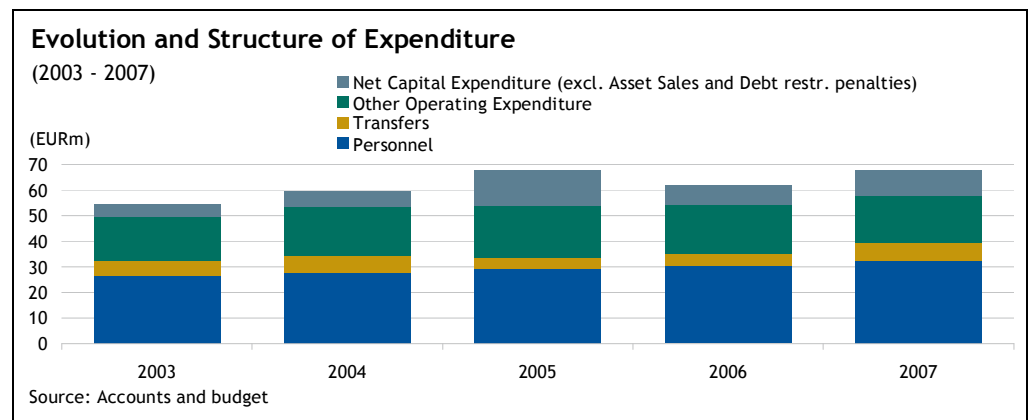
The city, aware of the risks from the steady rise in the cost of some public services and low coverage from revenue (for example, through parental contributions to school meals, day nurseries, and extra-curricular activities and car park charges), has decided to reduce the additional costs that it must cover. This will be achieved through better reporting of costs and improved collection. The outsourcing of car parking is part of this decision. Fitch will pay very close attention to this cost-monitoring policy over the medium term, as it must be maintained to be effective. The city's commitment to re-examining some social and cultural policies areas should also result in savings.

Discretion on Expenditure Still Limited

The structure of the city's expenditure leads to a certain rigidity in the budget: staff costs, at 56% of operating expenditure in 2007, are predominant. Staff costs change in line with conditions set at the national level, and rise automatically with length of service. In 2007 a one-off salary adjustment measure and the subsequent catching-up of personnel expenses were the main reasons behind the overall upsurge in personnel costs (7.4%). This is not expected to recur in the coming years.

Transfer of Responsibilities to CAPAE Only Released a Small Part of the Budget

The transfer of responsibilities to CAPAE has not reduced the city's staff costs, contrary to what was expected. Along with the transfer of workers to CAPAE, which was accompanied by the transfer of funds to pay for them, Aubagne decided to hire new staff for the responsibilities that the city retained. This policy has caused an increase of net costs.



Investment Decreased, But Less than Recurrent Self-Financing Capacity

The transfer of responsibilities to CAPAE (for waste management and economic development) has made possible a reduction in Aubagne's investment spending. However, over the long term the drop has not been as large as the fall in its self-financing capacity. Net capital expenditure is expected to slow during the present legislature (2008-2014). Although this decrease might be less rapid than expected, Fitch considers that keeping investment volume within the city's recurrent self-financing capacities is key to maintaining the ratings at their current level.

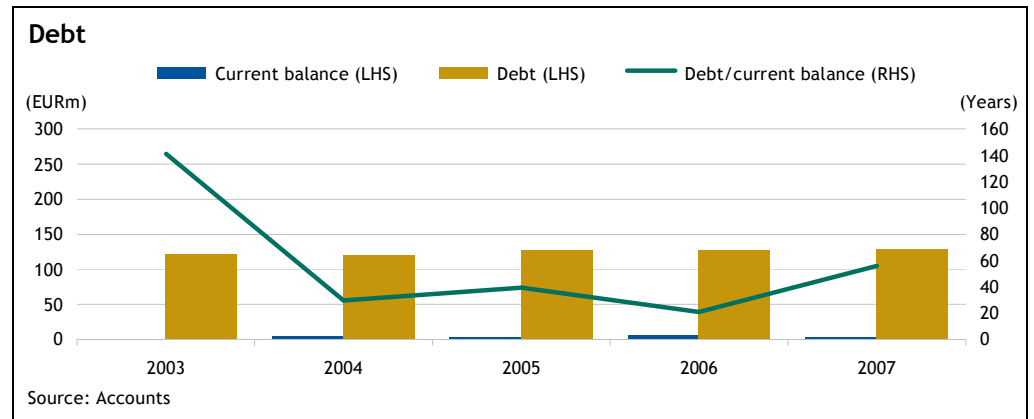
Moreover, the city used its extraordinary revenue from asset disposals in 2004-2007 to fund its investment and debt repayments. Exceptional assets sales (of hospital premises), totalling EUR3m, will be made. Half of the proceeds will be cashed in 2008, the remainder in 2009.

Budgetary Performance

After having reached a low point in 2005 in terms of budgetary balances, Aubagne reverted to comfortable budgetary performances in 2006, partly thanks to the debt restructuring operations it has implemented. However, the consolidation of the operating and current balances was not as strong as expected in 2007: the city posted a declining current margin of 3.2% of operating revenue, down from 10% in 2006. As a result, the surplus before debt variation of 1.3% of total revenue in 2006 turned into a 4.1% deficit in 2007. Tight monitoring of operating expenditure, notably staff expenditure, will be key to stabilising the current balance in the long term.

Debt and Liquidity

Heavy Debt Burden



The debt burden is the main weakness of the city's financial profile, especially given its budgetary performance: total debt (including short-term debt) represented 1.8 years of current revenue in 2007, which is high for Aubagne's current rating category. Whatever ratio is used, Aubagne's debt stands well above the national average.

Lumpy Amortisation Schedule, Smoothed by Debt Restructuring

Before 2003, high amortisation peaks weighed heavily on the city's medium-term solvency because it was unable to accumulate sufficient cash to meet those concentrated repayments; French local authorities are not allowed to pay back maturing debt with a new loan. They are required to settle repayments from their own revenue (including capital revenue) or by refunding the debt before maturity. Aubagne has chosen the second option.

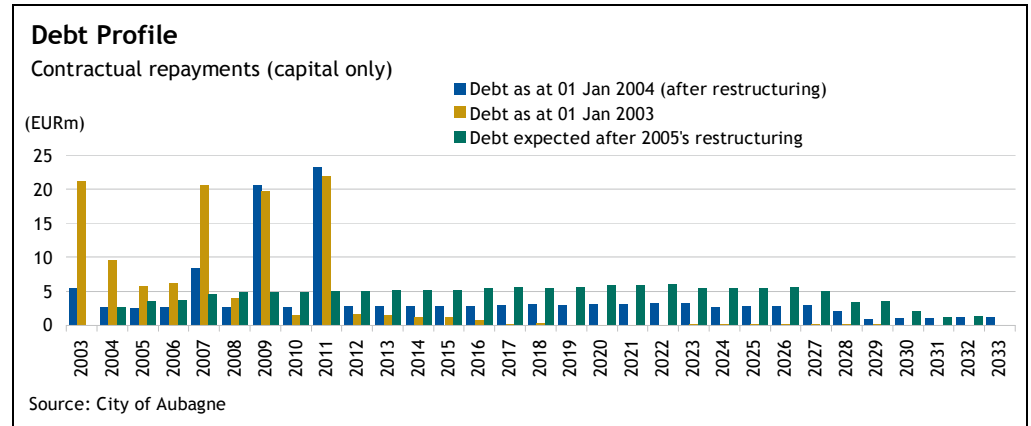
The city issued bonds for EUR16.8m in 1997 and EUR60m in 1999, which were applied to debt restructuring, refinancing expensive loans and to investment. After the partial refinancing of the bond debt in 2003, which smoothed out the 2003 and 2007 amortisation peaks, the city carried out another restructuring in 2005 to deal with the 2009 and 2011 peaks.

These efforts to restructure debt gave relief to the budget but entailed two side effects: a heavy financial cost (overall financial expenses rose to EUR5.8m from EUR3.2m in 2006) and a brought-forward burden (instalments are growing instead of declining as usual).

In absolute terms, direct debt decreased significantly in 2007 thanks to asset sale proceeds. Long-term debt deceleration is a priority for the administration, the latter aiming at reducing long-term debt stock to EUR116m by 2014 from EUR123m in 2007. Together with short-term debt, at end-2007 direct debt represented 56 years of current balance, down from 21 years in 2006, due to exceptional items having negatively affected the city's current balance in 2007.

Debt-servicing costs accounted for 15.3% of current revenue in 2007, with interest representing 8.9% of operating revenue. The operating balance was 1.4x the interest paid in 2007.

Fixed-rate debt represented 49% of total debt at end-2007 (including floating-rate bonds) and the average life of debt was 11.5 years.



Growing Exposure to Interest Rate Risk

The debt management strategy implemented by Aubagne in recent years has led to a sharp increase in the use of derivatives. The notional amount of derivatives subscribed (both stand-alone and embedded in structured loan products) reached about EUR62.1m at end-2007 (50.6% of the total outstanding). About 38% of the derivatives rely on exchange-rate products (euro to Swiss franc, US dollar to Japanese yen). Due to the lack of adequate tools, the management team is unable to assess the marked-to-market value of its portfolio regularly. In 2008, the financial cost for the city should increase faster than average market conditions due to the negative impact of some leveraged products (see *French Local Governments' Structured Debt: Active Management or Speculation?* published on 15 July 2008 and available at www.fitchratings.com). The agency highlights that although financial derivatives helped lower the cost of debt in the past, they may eventually represent a source of concern.

Liquidity

Aubagne's liquidity is more reliant on external cash advances than on the city's self-generation capacity. In 2008, day-to-day liquidity shortfalls have been covered by two credit lines whose total amount was increased to EUR10m from EUR9m. One, of EUR6.7m, was with Dexia ('AA-/Stable/'F1+'), and the other, of EUR3.3m, was with Caisse National des Caisses d'Epargne ('A+/'Stable/'F1'). These lines allowed Aubagne to manage liquidity actively while providing a cushion to meet day-to-day requirements. These facilities were used repeatedly during 2007 and 2008, becoming a quasi-permanent source of funding in these periods. Throughout 2008, the maximum daily cash requirements totalled EUR7m.

Aubagne reported moderate year-end cash reserves, at EUR1.3m in 2007, representing 22% of 2007 interest payments.

Contingent Liabilities

Guaranteed Debt Remains Moderate

Guarantees given by the city are very moderate (EUR0.4m at end-2007, down from EUR2m in 2005) and mostly relate to past urban development operations. Fitch considers the potential risk posed by these guarantees to be low.

Majority-Owned Companies

Aubagne no longer has any exposure to partly publicly owned companies and does not have any material off-balance-sheet risk.

Appendix A

City of Aubagne

(EURm)	Actual				
	2003	2004	2005	2006	2007
Taxes	20.7	22.0	24.3	25.9	27.2
Transfers received	31.4	32.0	31.8	31.9	32.2
Fees, fines and other operating revenue	4.5	7.5	5.1	5.9	6.6
Operating revenue	56.6	61.5	61.2	63.7	66.0
Operating expenditure	-49.9	-53.4	-53.8	-54.6	-57.8
Operating balance	6.7	8.1	7.3	9.1	8.2
Financial revenue	1.0	0.8	1.0	0.2	0.0
Interest paid	-6.8	-4.8	-5.1	-3.2	-5.8
Current balance	0.9	4.1	3.2	6.1	2.3
Capital revenue	9.4	6.1	10.9	6.3	4.9
Capital expenditure	-8.7	-10.1	-18.7	-11.5	-10.1
Capital balance	0.6	-3.9	-7.8	-5.2	-5.2
Surplus (deficit) before debt variation	1.5	0.1	-4.6	0.9	-2.9
Debt repayment	-35.4	-3.0	-2.6	-4.5	-4.5
New borrowing	37.3	1.7	4.7	5.1	4.2
Net debt movement	1.9	-1.3	2.1	0.6	-0.3
Overall results	3.4	-1.1	-2.5	1.5	-3.1
Debt stock					
Short-term	1.2	1.0	5.0	5.0	6.6
Long-term	120.5	119.5	121.7	123.1	123.1
Total debt	121.7	120.5	126.7	128.1	129.7
+ Other Fitch classified debt	0.0	0.0	0.0	0.0	0.0
Direct risk	121.7	120.5	126.7	128.1	129.7
- Cash and liquid deposits	0.1	0.5	0.5	1.3	1.3
Net direct risk	121.6	120.0	126.2	126.8	128.4
Guarantees and other contingent liabilities	4.5	3.3	2.0	0.5	0.4
Net indirect debt (public sector entities exc. gteed amount)	0.0	0.0	0.0	0.0	0.0
Net overall risk	126.1	123.3	128.2	127.3	128.8
Memo (%)					
Debt in foreign currency	0.0	0.0	0.0	0.0	0.0
Issued debt	0.0	64.0	62.6	47.7	47.7

Source: City of Aubagne, administrative accounts

Appendix B

City of Aubagne

	Actual				
	2003	2004	2005	2006	2007
Fiscal performance ratios					
Operating balance/operating revenue (%)	11.9	13.1	12.0	14.3	12.4
Current balance/current revenue ^a (%)	1.5	6.5	5.2	9.6	3.5
Surplus (deficit) before debt variation/total revenue ^b (%)	2.2	0.2	-6.4	1.3	-4.1
Overall results/total revenue (%)	5.1	-1.7	-3.4	2.2	-4.4
Operating revenue growth (annual % change)	-15.0	8.6	-0.6	4.2	3.6
Operating expenditure growth (annual % change)	-1.5	7.1	0.7	1.4	5.9
Current balance growth (annual % change)	-91.1	370.4	-21.0	90.9	-62.1
Debt ratios					
Direct debt growth (annual % change)	2.8	-1.0	5.1	1.1	1.3
Interest paid/operating revenue (%)	12.1	7.9	8.4	5.1	8.9
Operating balance/interest paid (x)	1.0	1.7	1.4	2.8	1.4
Debt servicing/current revenue (%)	73.3	12.5	12.4	12.0	15.6
Debt servicing/operating balance (%)	625.8	96.5	105.4	84.1	126.1
Debt/current revenue (%)	211.4	193.4	203.8	200.2	196.5
Direct risk/current revenue (%)	211.4	193.4	203.8	200.2	196.5
Net overall risk/current revenue (%)	218.9	197.8	206.3	199.0	195.2
Debt/current balance (yrs)	141.0	29.7	39.5	20.9	55.9
Debt per capita (EUR)	2,825	2,797	2,941	2,972	2,982
Revenue ratios					
Tax revenue/operating revenue (%)	36.6	35.7	39.8	40.7	41.2
Modifiable tax revenue/total tax revenue	0.0	0.0	0.0	0.0	0.0
Current transfers received/operating revenue (%)	55.5	52.1	52.0	50.0	48.8
Operating revenue/total revenue (%)	84.6	89.9	83.8	90.8	93.1
Total revenue per capita (EUR)	1,532	1,570	1,671	1,624	1,630
Expenditure ratios					
Staff expenditure/operating expenditure (%)	53.8	52.2	54.2	55.2	55.8
Current transfer made/operating expenditure (%)	11.0	11.7	8.2	9.6	11.9
Capital expenditure/total expenditure (%)	8.7	14.1	23.3	15.5	12.9
Total expenditure ^c per capita (EUR)	1,361	1,474	1,684	1,533	1,562
Capital expenditure financing					
Current balance/capital expenditure (%)	9.9	40.4	17.2	53.5	22.9
Capital revenue/capital expenditure (%)	107.2	60.7	58.0	54.6	48.6
Net debt movement/capital expenditure (%)	21.8	-12.5	11.4	5.4	-2.5
Change in reserves/capital expenditure (%)	-39.0	11.3	13.4	-13.5	30.9

^a Includes financial revenue

^b Excluding new borrowing

^c Including debt repayment

Source: City of Aubagne, administrative accounts

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