

CREDIT OPINION

4 November 2024

Update

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RATINGS

Bordeaux Metropole

Domicile	France
Long Term Rating	Aa3
Type	LT Issuer Rating - Fgn Curr
Outlook	Negative

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Bordeaux Metropole (France)

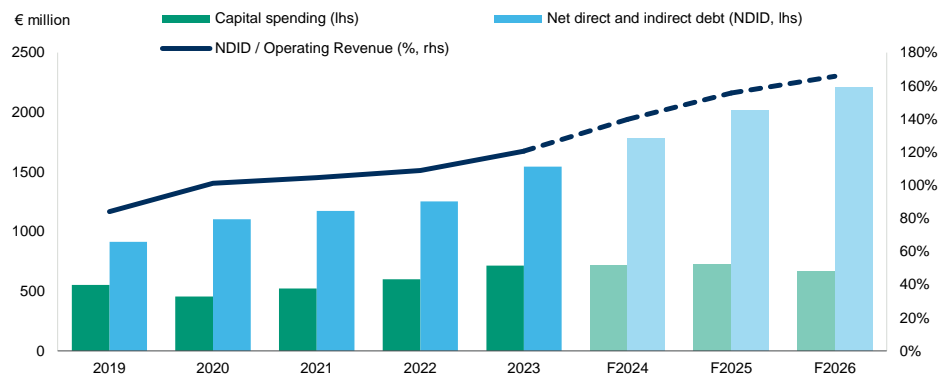
Update following outlook change to negative

Summary

The credit profile of [Bordeaux Metropole](#) (Aa3 negative/ Prime-1) reflects its strong operating performance - primary operating balance (POB) will average 21% over 2024-26 - supported by its dynamic and attractive economy. The ratings also account for our expectation of a significant increase in the intermunicipality's debt burden because of large capital spending. Very strong governance practices and moderate interest burden allow the intermunicipality to carry a high debt burden without weakening its credit rating profile.

Exhibit 1

Debt will increase because of large capital spending



F = forecast. Data based on the consolidated budgets (core budget, public transportation budget and waste management budget).

Source: Bordeaux Metropole, Moody's Ratings

Credit strengths

- » A wealthy, dynamic and attractive economy
- » Very strong governance practices within a stable and mature institutional framework
- » A strong operating performance
- » A robust liquidity profile and a strong access to funding

Credit challenges

- » Debt burden will increase significantly because of large capital spending
- » Sizeable contingent liabilities pose low risks

Rating outlook

The negative outlook reflects the deterioration of public finances in France, which increases the risks of funding cuts as part of the fiscal consolidation measures decided by the central government. Heightened policy uncertainty at the sovereign level increases the risks of unexpected, adverse measures being announced during the budget process or beyond. The combination of fiscal pressures and increased policy uncertainty could weigh on the operating environment. This could complicate budget planning and negatively impact borrowing costs.

Factors that could lead to an upgrade

Given the negative outlook, an upgrade of the rating is unlikely. However, one or a combination of the following could result in changing the outlook to stable: (i) France's outlook is changed to stable; (ii) Bordeaux Metropole is able to adapt to fiscal consolidation measures thus maintaining its financial performance.

Factors that could lead to a downgrade

The ratings could be downgraded as a result of one or a combination of the following: (i) a sovereign bond rating downgrade, (ii) challenges in adapting to fiscal consolidation measures leading to a permanently weakened financial position.

Key indicators

Exhibit 2

Bordeaux Metropole

	2019	2020	2021	2022	2023	F2024	F2025	F2026
Primary Operating Balance / Operating Revenue (%)	28.4%	24.4%	26.1%	25.6%	24.1%	20.9%	21.6%	21.5%
Capital Expenditure / Total Expenditure (%)	41.0%	35.1%	38.2%	40.7%	41.8%	40.5%	40.5%	37.7%
Self-financing ratio (%)	85.1%	83.8%	85.4%	79.0%	69.6%	68.4%	65.6%	69.6%
Direct Debt / Operating Revenue (%)	80.6%	97.2%	99.0%	103.7%	115.9%	135.0%	151.0%	161.2%
Net Direct and Indirect Debt (NDID) / Operating Revenue (%)	84.0%	101.1%	104.5%	108.9%	120.6%	139.7%	155.6%	165.7%
Interest Expenses / Operating Revenue (%)	1.5%	1.5%	1.5%	1.5%	1.7%	3.0%	3.5%	4.1%
Debt Repayment / Operating Revenue (%)	5.2%	6.7%	7.1%	7.2%	7.5%	9.0%	9.7%	10.5%

F = forecast. Data based on the consolidated budgets (core budget, public transportation budget and waste management budget).

Source: Bordeaux Metropole, Moody's Ratings

Detailed credit considerations

On 29 October 2024, we changed Bordeaux Metropole's outlook to negative from stable and affirmed its Aa3/P-1 ratings. The outlook change followed the change in outlook to negative from stable of the Government of France on 25 October 2024, while the Aa2 sovereign bond rating was affirmed.

The credit profile of Bordeaux Metropole, as expressed in its Aa3 rating, combines a baseline credit assessment (BCA) of aa3 and a moderate likelihood of extraordinary support from the central government in the event that the entity faced acute liquidity stress.

Baseline Credit Assessment

A wealthy, dynamic and attractive economy

Bordeaux Metropole is a French metropole, created by the MAPTAM (Modernisation de l'Action Publique Territoriale et d'Affirmation des Metropoles) law on 1 January 2015. As an intermunicipality, Bordeaux Metropole brings together 28 municipalities and 831,534 inhabitants, including the City of Bordeaux with 261,804 inhabitants. As the biggest urban area in Region Nouvelle-Aquitaine, its economy is attractive to people and businesses, with much faster population growth than France (+1.2% annually over 2015-21 against +0.3% for France). Gross domestic product (GDP) per capita is similar to the French average (€36,600 compared with €36,700 in 2021). The metropole's economy is well diversified and benefits from high disposable income per capita compared with its international peers. During the first quarter of 2024, the unemployment rate was 6.8% in the Departement de la Gironde where Bordeaux Metropole is located, compared with 7.3% for France. Bordeaux Metropole's strong socioeconomic profile thus supports its credit profile, including through its tax base.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Very strong governance practices within a stable and mature institutional framework

Bordeaux Metropole's strong governance and financial management are reflected in its transparent and well-defined financial strategy, with a clear focus on preserving its financial health to facilitate investments — with a commitment to comply with a debt deleveraging ratio (debt-to-GOB ratio) target of below 10 years under the 2021-26 mandate (against 5.2 years as of year-end 2023). Strong governance has resulted in a track record of very strong POB ratios over the past years (26% on average over 2019-23) and provides shock absorption capacity.

Bordeaux Metropole's strong financial management is evidenced in its prudent budgetary practices, sophisticated multiyear financial planning, and sound debt and liquidity management. Of its total outstanding debt as of year-end 2023, 88% was at fixed rate and 10% at standard variable rates (mainly Euribor-indexed), and the remaining 2% consisted of non-risky structured loans. The intermunicipality also has a smooth debt amortisation profile.

Despite a reduced rate setting power following the housing tax reform, Bordeaux Metropole has some revenue flexibility, including rate setting power on the corporate property tax (CFE - Cotisation foncière des entreprises) which accounted for 10% of consolidated operating revenues in 2023, as well as the aquatic environment management and flood control (GEMAPI - Gestion des Milieux Aquatiques et Prévention des Inondations) tax. Bordeaux Metropole could implement the GEMAPI tax at a maximum amount of 40 euros per capita which would result in a total additional €32 million in tax revenues (representing 2.5% of operating revenues in 2023). Flexibility in spending is more limited because Bordeaux Metropole is committed to providing more services to people, leading to more investments. Nevertheless, the capital spending plan is somewhat flexible and Bordeaux Metropole has a review clause to this effect.

A strong operating performance

We expect Bordeaux Metropole's primary operating balance (POB) to remain strong over 2024-26, averaging 21% of operating revenue (including the intermunicipality's core, public transportation and waste management budgets), a slight decrease compared with the 26% average over 2019-23.

The intermunicipality's diversified operating revenues largely move either with nominal gross domestic product (GDP) or with price inflation. Following a 11% rise in operating revenues in 2023 - partly due to the adjustments related to the ending of the previous contract for transportation services, we are forecasting an average growth rate of 1.4% over 2024-26, in line with our baseline scenario for inflation and nominal GDP. Despite weaker-than-anticipated growth in value added tax (VAT) receipts at the national level in 2023, VAT proceeds usually move in line with inflation and will support Bordeaux Metropole's operating revenues over 2024-26. VAT proceeds represent 17% of the intermunicipality's operating revenues in 2023 (from 11% in 2022), since a business tax (CVAE) has been replaced by an additional share of VAT floored at the average CVAE proceeds of the last 4 years with no cap. Operating revenues are further supported by the revision of the tax base for built properties, which also moves in line with inflation and drives up proceeds from the corporate property tax (CFE) and the housing tax on second homes (*Taxe d'Habitation sur les Résidences Secondaires*). Concerning operating revenues related to public transportation, the mobility tax – a tax paid on payrolls by private companies and public entities and that represents around 18% of the intermunicipality's consolidated operating revenues in 2023 – moves in line with nominal gross domestic product (GDP) and will keep benefitting from the economic dynamism of the territory. Fare revenue will also grow by an average of 11% a year over 2024-26 on the back of already implemented increases in tariffs and planned increases in public transit supply. In addition, Bordeaux Metropole will benefit from the aquatic environment management and flood control (GEMAPI) tax implemented in 2024 (€3.9 million).

Over 2024-26, we expect operating expenditure to remain elevated with an average growth rate of 2.5% over the period, following a 11% increase in 2023 mainly related to cost inflation, higher energy prices and the implementation of a new contract with the public transportation provider. Operating expenditure growth will be driven by larger personnel expenses (+7.9% in 2024 on the main budget) due to rises in the salary of civil servants decided by the central government as well as a catching-up effect in recruitments in 2024-25. Over the next few years, the intermunicipality's consolidated operating expenses will also increase with the gradual ramp-up of the new contract with the public transportation provider which includes increases in public transit supply as well as investments in rolling stock.

Our forecasts do not incorporate the revenue measures planned by the central government in the draft financing law for 2025¹ because discussions are ongoing in a hung parliament, making it difficult to pass legislation. Once adopted, we will effectively incorporate the resulting measures in our assessment.

A robust liquidity profile and a strong access to funding

The intermunicipality's robust liquidity profile is supported by strong internal liquidity stemming from predictable and regular cash flows, in line with other French regional and local governments (RLGs). Bordeaux Metropole also maintains a strong liquidity buffer, with cash and cash equivalents representing 18.3% of consolidated operating revenue as of year-end 2023 (25.2% on the main budget) and averaging 10% during the year 2023, which covers more than 1.1x its consolidated debt annuity. However, we expect cash reserves to diminish as Bordeaux Metropole is entering a large capital spending plan.

Considering external funding, the intermunicipality's debt is safely split across multiple lenders. As of year-end 2023, the secured funding of public development banks (Agence France Locale, [Caisse des Depots et Consignations](#) [CDC, Aa2 negative], [European Investment Bank](#) [Aaa stable] and [SFIL](#) [Aa2 negative]) represented 62% of outstanding debt, while the remainder was split between highly rated French banks (including [Credit Mutuel Arkea](#) [Aa3 negative, 8%] and [BPCE Group](#) [A1 stable, 4%]) and foreign banks (including [Sumitomo Mitsui Banking Corporation](#) [A1 stable, 6%]). To meet its growing needs and further diversify its funding sources, Bordeaux Metropole also launched a €1 billion EMTN (Euro Medium Term Notes) programme in 2023.

Debt burden will increase significantly because of a large multiyear fixed capital investment plan

Bordeaux Metropole's new executive elected in 2020 is committed to increasing its fixed capital investments, including in public transportation and mobility. Consolidated capital spending will thus average €700 million per year over 2024-26, in line with the amount observed in 2023 (€715 million), which represents a significant increase from the €533 million yearly average over 2019-22. The intermunicipality's capital spending is split in 2023 among its core budget (78%), public transportation budget (19%) and waste management budget (3%). While around one-third of these expenses will be funded by subsidies and other capital revenue (including FCTVA - Fonds de Compensation pour la Taxe sur la Valeur Ajoutee), new borrowings will also significantly increase from €130 million in 2021 to an annual average of €344 million over the 2024-26 period, in line with 2023 borrowings (€330 million). We thus expect Bordeaux Metropole's net direct and indirect debt (NDID) to reach €2.2 billion by year-end 2026, increasing the intermunicipality's debt burden (NDID-to-operating revenue ratio) to 165% in 2026 from 105% in 2021. As of year-end 2023, the intermunicipality's NDID comprised €1.5 billion of direct debt, mainly split between its core budget (€836 million) and public transportation budget (€623 million), and €60 million of indirect debt, which comprises non-self-supporting guarantees and debts of entities owned by the intermunicipality. Despite this relatively high debt burden, interest burden will remain moderate (4.1% of operating revenue by 2026 versus 1.7% in 2023), supported by reliable access to diversified funding sources at moderate costs.

Sizeable contingent liabilities pose low risks

Not included in the NDID metrics are sizeable contingent liabilities that pose low risks. Bordeaux Metropole's loan guarantees amounted to €3.9 billion as of year-end 2023, representing 305% of consolidated operating revenue. These guarantees are almost exclusively granted to central government-subsidised social housing providers (SHPs, 99% of total guarantees) — including [Villogia](#) (A2 negative) and [Clairsienne](#) (A2 negative) — as a core responsibility of the intermunicipality on its territory. SHPs' debt is self-supporting, with revenue generation sufficient to cover debt service, and their credit strength is carefully monitored by various public entities, including Caisse de Garantie du Logement Locatif Social (CGLLS) and CDC. The metropole also has one of the most efficient monitoring of SHP credit strength among the French entities we rate, with a consistent track record of no guarantee calls.

Extraordinary support considerations

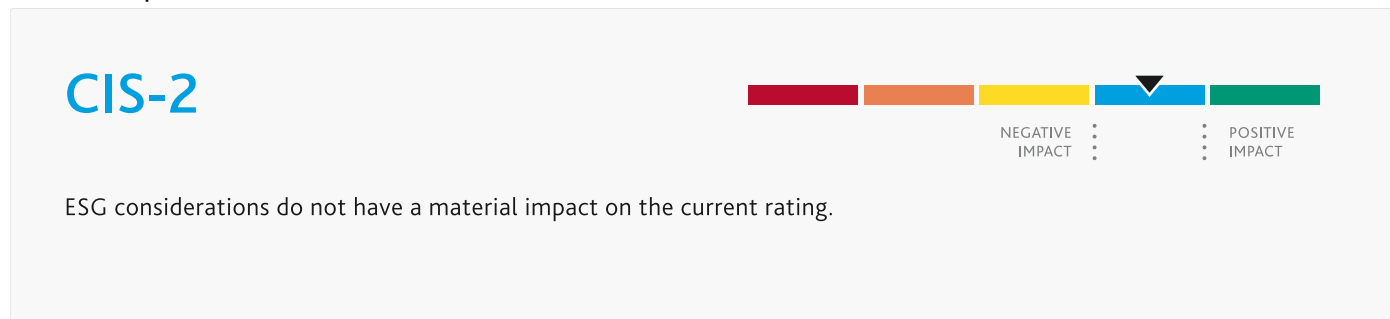
The extraordinary support that the central government is likely to provide to Bordeaux Metropole is moderate, reflecting the various mechanisms put in place by the central government during the global financial crisis to support all layers of RLGs, as well as the coronavirus relief measures. It also reflects a handful of defaults on municipal bank loans in the 1990s.

ESG considerations

Bordeaux Metropole's ESG credit impact score is CIS-2

Exhibit 3

ESG credit impact score



Source: Moody's Ratings

Bordeaux Metropole's ESG Credit Impact Score (**CIS-2**) reflects low exposure to environmental and social risks, very strong governance as well as resilience to shocks thanks to its intrinsic fiscal strength and external support (incl. central government support in case of major natural disaster).

Exhibit 4

ESG issuer profile scores



Source: Moody's Ratings

Environmental

Bordeaux Metropole's exposure to environmental risks is generally low across most categories. The one exception which we consider to be moderately negative relates to water stress and sea level rise. Its overall E issuer profile score is therefore **E-2**.

Social

Bordeaux Metropole's social issuer profile (**S-2**) reflects high-quality education, good housing availability, high quality of health & safety and very high-quality access to basic services. As for France, population ageing is a longer-term challenge, balanced at the metropolitan level by the attractiveness of the territory and strong demographic growth.

Governance

Bordeaux Metropole's very strong governance profile supports its ratings, as exemplified by prudent budgetary practices and planning, its budgetary flexibility and its financial management. This is captured by a positive G issuer profile score (**G-1**).

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

All of these considerations are further discussed in the "Detailed credit considerations" section above. Our approach to ESG is explained in our report "[Regional and Local Governments – International: Credit impact of ESG factors limited in advanced economy RLGs, negative in emerging markets](#)" and our cross-sector methodology [General Principles for Assessing Environmental, Social and Governance Risks Methodology](#).

Rating methodology and scorecard factors

The assigned BCA of aa3 is close to the BCA scorecard-indicated outcome.

For details about our rating approach, please refer to our [Regional and Local Governments rating methodology](#), published on 28 May 2024.

Exhibit 5

Bordeaux Metropole Regional & Local Governments

Baseline Credit Assessment – Scorecard	Score	Value	Sub-factor Weighting	Sub-factor Score	Factor Weighting	Total
Factor 1: Economy					25%	0.85
Regional Income [1]	2.65	5848718	15%	0.40		
Economic Growth	6.00	a	5%	0.30		
Economic Diversification	3.00	aa	5%	0.15		
Factor 2: Institutional Framework and Governance					30%	0.90
Institutional Framework	3.00	aa	15%	0.45		
Governance	3.00	aa	15%	0.45		
Factor 3: Financial Performance					20%	0.37
Operating Margin [2]	1.49	25.07%	10%	0.15		
Liquidity Ratio [3]	1.47	25.16%	5%	0.07		
Ease of Access to Funding	3.00	aa	5%	0.15		
Factor 4: Leverage					25%	1.37
Debt Burden [4]	6.68	96.37%	15%	1		
Interest Burden [5]	3.72	1.24%	10%	0.37		
Preliminary BCA Scorecard-Indicated Outcome (SIO)						(3.49) aa2
Idiosyncratic Notching						0.0
Preliminary BCA SIO After Idiosyncratic Notching						(3.49) aa2
Sovereign Rating Threshold						Aa2
Operating Environment Notching						1.0
BCA Scorecard-Indicated Outcome						(3.00) aa2
Assigned BCA						aa3

[1] Regional GDP per capita in terms of purchasing power parity (PPP) terms, in international dollars

[2] Primary Operating Balance / Operating Revenue

[3] Cash and Cash Equivalents / Operating Revenue

[4] Net Direct and Indirect Debt / Operating Revenue

[5] Interest Payments / Operating Revenue

Source: Moody's Ratings; Fiscal 2023 (main budget, audited accounts)

Ratings

Exhibit 6

Category	Moody's Rating
BORDEAUX METROPOLE	
Outlook	Negative
Baseline Credit Assessment	aa3
Issuer Rating	Aa3
Senior Unsecured MTN -Dom Curr	(P)Aa3
ST Issuer Rating	P-1

Source: Moody's Ratings

Endnotes

1 [Regional and Local Governments – France: Central government measures will lower RLG revenue €6.5 billion in 2025](#), 11 October 2024

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