CREDIT OPINION
24 April 2025

Update

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RATINGS

**Seine-et-Marne, Departement de**

| | |
|---|---|
| Domicile | Paris, 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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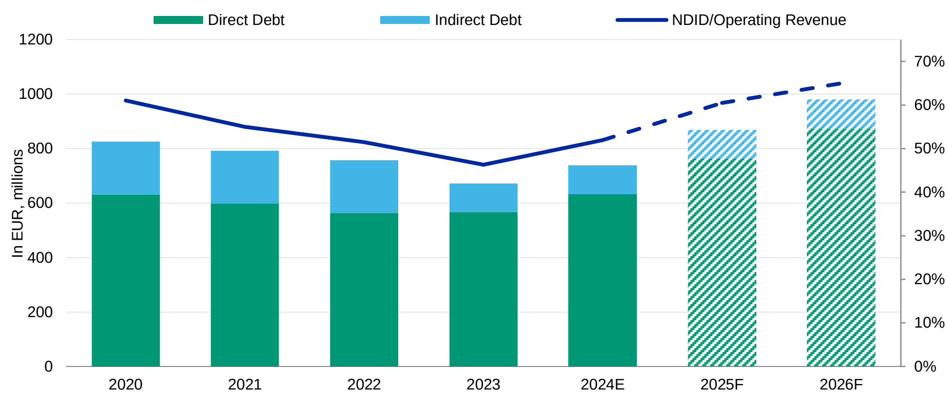
# Seine-et-Marne, Departement de (France)

## Update following rating affirmation, outlook remains negative

## Summary

The credit profile of Département de Seine-et-Marne (Aa3 negative/Prime-1) reflects its solid operating performance, moderate debt burden, and its very strong governance and financial management. Our assessment of Département de Seine-et-Marne also takes into consideration its limited budgetary flexibility.

Exhibit 1
**A debt burden which remains moderate, despite a forecasted increase after several years of debt deleveraging**




E: estimate, F: forecasts
*Source: Departement de Seine-et-Marne, Moody's Ratings*

## Credit strengths

» Solid operating performance, which will prove resilient

» A moderate debt burden

» Very strong governance and financial management

## Credit challenges

» Limited budgetary flexibility, like all French *départements*

## Rating outlook

The negative outlook reflects the downside risks to the *département*'s operating performance over the coming years, exacerbated by the challenges stemming from its inherently rigid budget structure. These risks to the financial trajectory are associated with (i) the difficulty in predicting the trajectory of property transfer tax proceeds given rising macroeconomic uncertainties, (ii) continued pressures on social expenditure and (iii) uncertainty over the central government's stance on limiting the resulting negative pressures. A combination of these elements could materially weaken the operating performance compared to our current expectations, and constrain the *département*'s capacity to maintain a sound operating margin and debt under control.

## Factors that could lead to an upgrade

» Given the negative outlook, an upgrade of the rating is unlikely. We would however return the outlook to stable in the event of a consolidation of operating performance and debt metrics, thanks to the *département*'s ability to adjust and navigate the current uncertain environment or thanks to additional supporting measures from the central government.

## Factors that could lead to a downgrade

» We would likely downgrade the rating if the *département* was not able to consolidate its operating performance and debt metrics, for instance due to additional detrimental measures from the central government or its inability to make adjustment.

» A downgrade of the sovereign bond rating would most likely have negative implications for the ratings.

## Key indicators

Exhibit 2

**Departement de Seine-et-Marne**

| | 2020 | 2021 | 2022 | 2023 | 2024E | 2025F | 2026F |
|---|---|---|---|---|---|---|---|
| Primary operating balance / operating revenues (%) | 16.9% | 20.1% | 20.8% | 11.1% | 7.4% | 7.5% | 10.1% |
| Capital spending/total expenditure (%) | 18.0% | 18.7% | 16.6% | 18.5% | 18.7% | 17.0% | 17.9% |
| Self-financing ratio | 1.48 | 1.57 | 1.79 | 0.72 | 0.48 | 0.53 | 0.63 |
| Direct debt / operating revenues (%) | 46.7% | 41.5% | 38.3% | 39.1% | 44.6% | 53.2% | 58.0% |
| Net Direct and Indirect Debt / operating revenue (%) | 61.0% | 55.0% | 51.5% | 46.3% | 51.9% | 60.5% | 65.0% |
| Interest expenses / operating revenues (%) | 1.0% | 0.8% | 0.8% | 1.1% | 1.3% | 1.3% | 1.5% |
| Debt repayment / operating revenue (%) | 5.2% | 4.9% | 4.8% | 5.1% | 6.5% | 5.7% | 5.0% |

E: estimate, F: forecast
*Source: Departement de Seine-et-Marne, Moody's Ratings*

## Detailed credit considerations

On 18 April 2025, we maintained Departement de Seine-et-Marne's negative outlook and affirmed the Aa3/Prime-1 ratings.

The credit profile of Departement de Seine-et-Marne, as expressed in its Aa3 rating, reflects its Baseline Credit Assessment (BCA) of aa3 and a moderate likelihood of extraordinary support from the Government of France in the event the entity faces acute liquidity stress.

### Baseline credit assessment

**Solid operating performance, which will prove resilient**

By 2026, we expect Departement de Seine-et-Marne's primary operating balance (POB) to rebound at 10% of operating revenue, after two years of weakened operating performance. The 2025 Finance Law will negatively impact the département's operating performance by an estimated €45 million in 2025 (3% of 2024 operating revenue), through value added tax (VAT) proceeds unilaterally capped by the central government to the 2024 proceeds, a levy on revenue to build a reserve fund (known as “Dilico”), and a contribution rate hike to the mandatory pension scheme for civil servants.

We, as mentioned and in line with Departement de Seine-et-Marne's conservative forecasts in response to the 2025 Finance Law, expect operating revenues to rebound with a 5% increase in 2026, after a 2% decrease in 2024 and 1% growth in 2025. The expected rebound in property transfer tax proceeds, that account for around 17% of total operating revenues and had declined by 28% in 2023 and 17% in 2024, will be supportive of this increase. Growth in operating expenditures (excluding interest expenditure), after a 2.2% increase in 2024, is expected to diminish to 0.8% in 2025, followed by 2.3% in 2026.

**Debt burden which remains moderate while increasing**

At 65% of operating revenue at the end of 2026, the Département de Seine-et-Marne’s net direct and indirect debt (NDID) metric will remain moderate while increasing. Département de Seine-et-Marne had been deleveraging debt over several years up to 2023, and since 2015, had halved its direct debt, representing 39% of operating revenue. Taking into account debt issued by and guarantees to non-self-supporting entities, the NDID metric measured €738 million or 52% of operating revenue in 2024. Going forward, the increase in the debt burden will be driven by the increase to around 874€ million of the Département de Seine-et-Marne's direct debt at the end of 2026, as a result of a gradual increase in capital spending while POB decreases. Indeed, the executive targets to spend €300 million each year (€306 million in 2024) by the end of the current mandate in March 2028. We also expect debt to remain strongly affordable - over 2025-26, interest expenses will average a yearly 1.4% of operating revenues against 1.3% in 2024.

Not included in the NDID metrics are contingent liabilities that we estimate pose limited risk. Département de Seine-et-Marne's loan guarantees to social housing providers (SHPs) amounted to €488 million as of year-end 2023, including guarantees to 1001 Vies Habitat (A1 negative) and Vilogia (A2 stable). Loan guarantees to SHPs represented 86% of its direct debt and 34% of its operating revenue at year-end 2023. We consider the debt of central government-subsidized SHPs to be self-supporting, with revenue generation sufficient to cover debt service. The *département* also has one of the most efficient monitoring of SHP credit strength among the French entities we rate.

**Very strong governance and financial management**

Département de Seine-et-Marne demonstrates very strong governance practices. It has resulted in a track record of solid POB levels and debt deleveraging over several years, providing shock-absorption capacity. The *département* has a transparent and well-defined financial strategy, including a focus on the debt-to-gross operating balance ratio, and the executive is strongly committed to preserving its financial health.

Département de Seine-et-Marne's very strong financial management shows in prudent budgetary practices, sophisticated multi-year planning that includes scenario and sensitivity analysis, and very strong liquidity and debt management. The local government's debt is highly diversified, demonstrating a very good access to external financing. As of year-end 2024, the secured funding of public banks (European Investment Bank [Aaa stable, 22%], Caisse Des Depots et Consignations [Aa3 stable, 10%], SFIL [Aa3 stable, 10%] and La Banque Postale [A2 stable, 6%]) represented 48% of outstanding debt, in addition to highly rated French commercial banks (including Crédit Agricole S.A. [A1 stable, 8%], BPCE Group [A1 stable, 15%], Crédit Mutuel Arkéa [A1 stable, 2%] and Société Générale [A1 negative, 2%]). The remainder consisted of bond issuances (25%); the *département* is an experienced issuer in the financial markets, benefiting from the €1 billion EMTN programme launched in 2012 and a NEU CP programme launched in 2007. The local government also has a smooth debt amortisation profile, while 96% of its total outstanding debt as of year-end 2024 was at a fixed rate or standard variable rate.

In addition to its very good access to external financing, Département de Seine-et-Marne's solid liquidity position is supported by a sound and secure internal liquidity profile, driven by predictable and regular cash flows, in line with other French regional and local governments (RLGs). As a result, cash on hand averaged monthly at 2.6x debt annuity in 2023. While this ratio will decrease in 2024, with a forecasted average monthly cash on hand standing at 1.5x debt annuity, the Département's liquidity position remains strong relative to peers. In addition, short-term available committed facilities will remain stable, amounting to 0.9x debt annuity in 2024.

**Limited budgetary flexibility, like all French *départements***

Like all French *départements*, Département de Seine-et-Marne's flexibility on operating expenditure and revenue is limited. This has been compounded by the housing tax reform implemented from 2018 onwards, resulting in no tax rate-setting power, while the *département*'s tax revenue represents around 80% of its operating revenue. Since 2021, the land tax, which accounted for 27% of operating revenue, has been replaced with a share of national VAT proceeds, with no rate-setting power. French *départements* also have little control on operating expenses because of their core responsibility in managing social benefits. Half of Département de Seine-et-Marne's operating expenditure is thus made of mandatory transfers that are driven by socio-demographic factors.

At the same time, the local government has the ability to adjust capital spending if needed. Over the past several years, we assess that around 50% of capital spending has been recurring and incompressible. As a result, there is some flexibility on some of the remaining 50%, as projects can be delayed, resized, postponed or canceled.

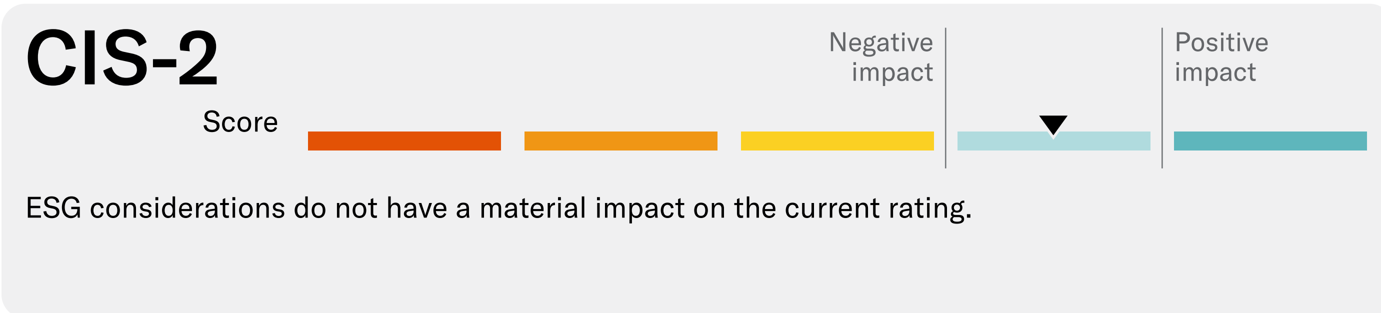
### Extraordinary support considerations

The moderate level of extraordinary support from the central government reflects the various mechanisms put in place during the global financial crisis to support RLGs, as well as the supportive measures implemented in response to the pandemic.

## ESG considerations

### Seine-et-Marne, Departement de's ESG credit impact score is CIS-2

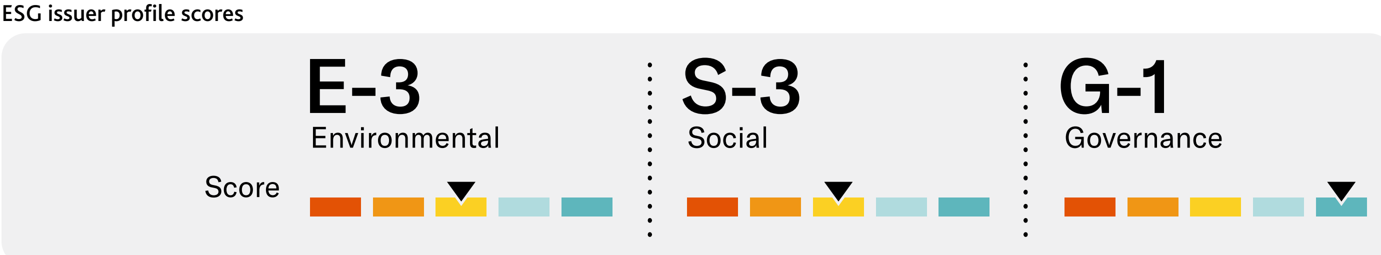
Exhibit 3
**ESG credit impact score**




*Source: Moody's Ratings*

Département de Seine-et-Marne's Environmental, Social, Governance (ESG) Credit Impact Score (**CIS-2**) reflects moderately negative exposure to environmental and social risks, mitigated by very strong governance practices, as well as strong resilience to shocks thanks to its intrinsic financial strength, strong liquidity and external support (including central government support in case of major natural disaster).

Exhibit 4
**ESG issuer profile scores**




*Source: Moody's Ratings*

### Environmental

Département de Seine-et-Marne's environmental issuer profile score is **E-3**, principally reflecting its exposure to flooding and drought. Its risk exposure from other environmental categories we monitor is low.

### Social

Département de Seine-et-Marne's social issuer profile score is **S-3**. As with France, the ageing population of the local government is a longer-term challenge, balanced at the local level by a growing population thanks to natural change. Due to Département de Seine-et-Marne's core responsibility in managing social benefits, the importance of social spending in its budget weighs on its social profile score. Département de Seine-et-Marne benefits from high-quality education, good housing availability, high quality of health & safety and very high-quality access to basic services.

### Governance

Département de Seine-et-Marne's very strong governance profile supports its rating, as exemplified by its prudent budgetary practices, planning and financial management. The local government also benefits from a strong institutional framework that limits, however, its financial flexibility. 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.

## Rating methodology and scorecard factors

The assigned BCA of aa3 is in line with the BCA scorecard-indicated outcome.

The principal methodology used to rate Département de Seine-et-Marne is the Regional and Local Governments rating methodology, published in May 2024

Exhibit 5

**Seine-et-Marne, Departement de**

**Regional & Local Governments**

| Baseline Credit Assessment – Scorecard | Score | Value | Sub-factor Weighting | Sub-factor Score | Factor Weighting | Total |
|---|---|---|---|---|---|---|
| **Factor 1: Economy** | | | | | **25%** | **1.10** |
| Regional Income [1] | 3.30 | 54774.49 | 15% | 0.50 | | |
| Economic Growth | 9.00 | baa | 5% | 0.45 | | |
| Economic Diversification | 3.00 | aa | 5% | 0.15 | | |
| **Factor 2: Institutional Framework and Governance** | | | | | **30%** | **1.35** |
| Institutional Framework | 6.00 | a | 15% | 0.90 | | |
| Governance | 3.00 | aa | 15% | 0.45 | | |
| **Factor 3: Financial Performance** | | | | | **20%** | **1.39** |
| Operating Margin [2] | 7.10 | 11.08% | 10% | 0.71 | | |
| Liquidity Ratio [3] | 10.51 | 9.98% | 5% | 0.53 | | |
| Ease of Access to Funding | 3.00 | aa | 5% | 0.15 | | |
| **Factor 4: Leverage** | | | | | **25%** | **0.86** |
| Debt Burden [4] | 3.47 | 46.30% | 15% | 0.52 | | |
| Interest Burden [5] | 3.41 | 1.14% | 10% | 0.34 | | |
| **Preliminary BCA Scorecard-Indicated Outcome (SIO)** | | | | | | **(4.69) a1** |
| **Idiosyncratic Notching** | | | | | | **0.0** |
| **Preliminary BCA SIO After Idiosyncratic Notching** | | | | | | **(4.69) a1** |
| **Sovereign Rating Threshold** | | | | | | **Aa3** |
| **Operating Environment Notching** | | | | | | **0.5** |
| **BCA Scorecard-Indicated Outcome** | | | | | | **(4.19) aa3** |
| **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.*

## Ratings

Exhibit 6

| Category | Moody's Rating |
| --- | --- |
| **SEINE-ET-MARNE, DEPARTEMENT DE** | |
| Outlook | Negative |
| Baseline Credit Assessment | aa3 |
| Issuer Rating | Aa3 |
| Senior Unsecured -Dom Curr | Aa3 |
| Commercial Paper -Dom Curr | P-1 |

*Source: Moody's Ratings*

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## CLIENT SERVICES


| | |
|---|---|
| Americas | 1-212-553-1653 |
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| EMEA | 44-20-7772-5454 |