

A Brief Guide to the City of Zagreb 2015 Enacted Budget

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A Brief Guide to the City of Zagreb 2015 Enacted Budget



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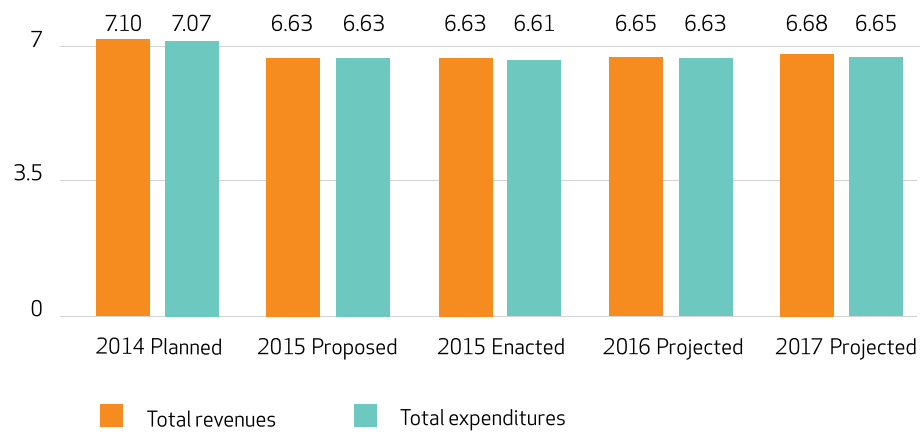
The purpose of this Brief Guide is to provide the public with basic information about the City of Zagreb 2015 Enacted Budget and to encourage the citizens of Zagreb to monitor the budget and communicate with the City authorities. The [2015 Enacted Budget, A Guide to the City of Zagreb Budget](#) (with general information about the City Budget and budget process) and [A Brief Guide to the 2015 Budget Proposal](#) can be found on the City's website.

As indicated in the calendar laid down in the [Budget Act](#), the City's budget must be prepared in line with the Government's Economic and Fiscal Policy Guidelines and the Ministry of Finance's Instructions for budget drafting. As these documents had not been available at the time of preparing a budget proposal, the City on 15 November 2014 proposed to the City Assembly a 2015 Budget, based on extremely cautious and conservative estimates and with all good intentions to make it as realistic as possible. Having discussed the proposed amendments, the Assembly on 22 December 2014 adopted the 2015 Budget and projections for 2016–17.

Below is a brief presentation of the revenues, expenditures, financing account and debt in the period 2014–17, including a more detailed analysis of the City of Zagreb revenues and expenditures in 2015.

PLANNED REVENUES AND EXPENDITURES

The 2015 budget revenues are planned in the amount of HRK 6.63bn, down 6.6% from 2014, and expenditures in the amount of HRK 6.61bn, down 6.5% from 2014 (graph 1). The main causes of the revenue collapse are the personal income tax changes, introduced by the Government on 1 January 2015. In response to a drop in revenues, the City was forced to reduce its planned expenditures. A relatively stable and only slightly growing budget has been planned for the period 2016–17 as well.



Graph 1: City of Zagreb budget revenues and expenditures, 2014-17 (in billion HRK)

The City budget contains the revenues and expenditures of all City budget users, i.e. institutions founded and majority-financed by the City (e.g. primary schools, museums and kindergartens). There are also companies (such as Zagreb Holding), founded by the City for the provision of public services and performance of public interest activities. However, as such companies are not majority-financed from the City budget (they are not its users), their revenues and expenditures are not stated in the budget.

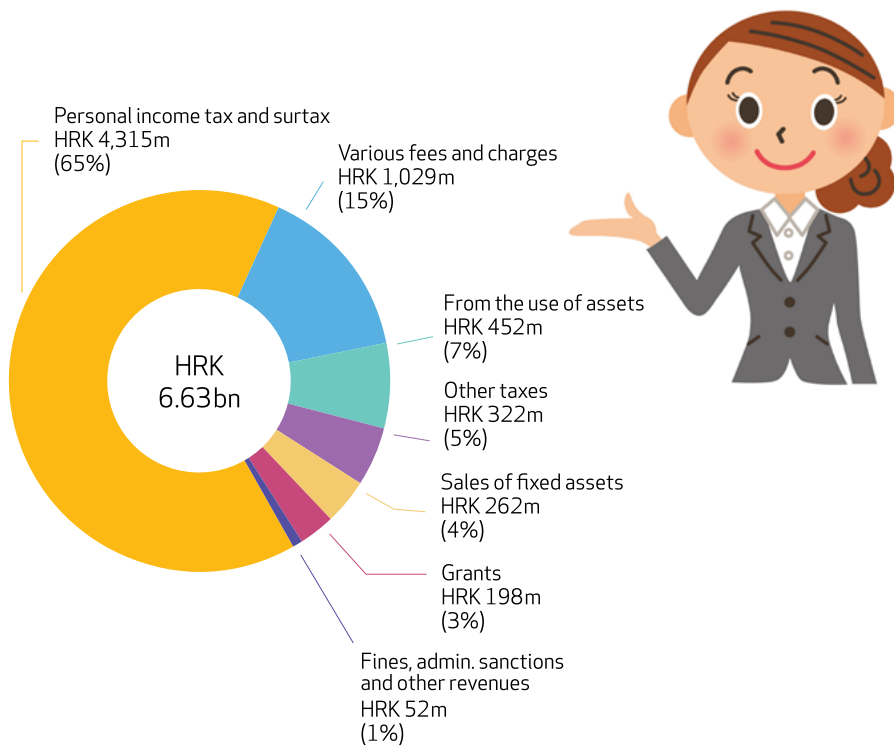


Each employee will pay a monthly average amount of HRK 920 into the City budget on account of the personal income tax and surtax.

PLANNED REVENUES

Total revenues planned for 2015 amount to HRK 6.63bn (graph 2), of which almost two thirds will come from **personal income tax and surtax (HRK 4.3bn)**.

The second largest revenues come from various **fees and charges** (about HRK 1bn), mainly utility contributions and charges, and from **the use of assets** (HRK 452m), mainly public road user fees payable when registering a vehicle, fees for the lease of business premises, etc.

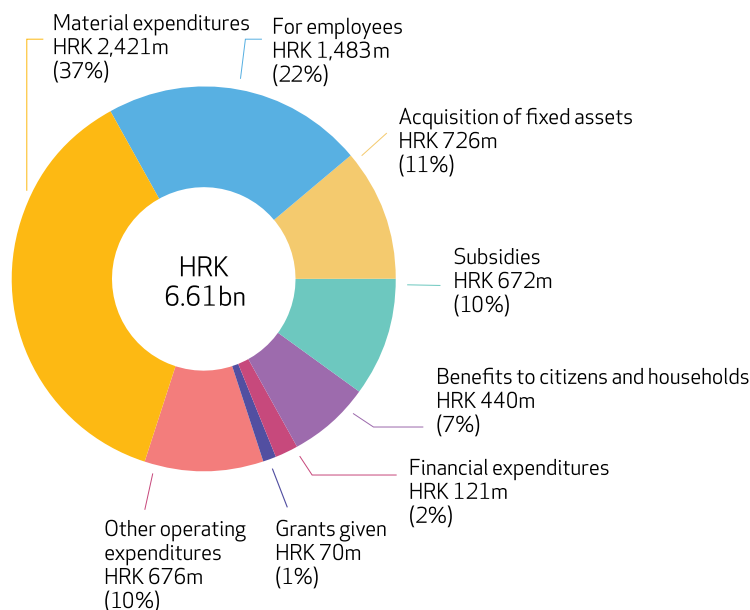


Graph 2: The 2015 City budget revenues

Relative to 2014, **the sharpest fall will be in personal income tax revenues** (HRK 515m or 10.7%), due to changes in income taxation. **The largest increase will be recorded in the sales of fixed assets** (HRK 75m or 65%), i.e. commercial buildings and city apartments. **A substantial increase is also expected in revenues from various types of grants** (HRK 60m or 43%) for programmes and projects co-financed by EU institutions and bodies, as well as for projects co-financed by the Environmental Protection and Energy Efficiency Fund.

PLANNED EXPENDITURES BY TYPE

Total expenditures are expected to reach HRK 6.61bn (graph 3). The fall in revenues has called for the cautious planning and reduction of expenditures, which has resulted in setting the following priorities: a continued slowdown in budget spending and the implementation of austerity measures which will not jeopardize the proper functioning of the City; the maintenance of acquired rights of lower-income citizens; the implementation of investment projects in accordance with restricted budget capacity; and regular settlement of all contractual and credit liabilities.



Graph 3: The 2015 City budget expenditures by type (economic classification)

Material expenditures (HRK 2.4bn) mainly relate to current and investment maintenance of utility infrastructure facilities (e.g. public areas, public lighting, roads, cemeteries and crematoria), as well as materials, energy use and services necessary for the smooth functioning of the City administrative bodies and City budget users.

Expenditures for employees (HRK 1.5bn) include total salaries, social security contributions and compensation of about 11,400 City administration and City budget users' employees. These include, for example: persons employed with preschool education, cultural, sports, health care and social protection institutions, the Public Fire Brigade, Office for Physical Planning, Zoological Garden, etc.

An amount of about HRK 726m is planned **for the acquisition of fixed assets**, mainly roads, utility infrastructure, commercial and residential buildings, other buildings, facilities and equipment.

Other operating expenditures in the amount of HRK 676m mainly include current and capital grants. The most substantial current grants relate to sports (the co-financing of public needs and sports events, and the use of sports facilities), religious and private kindergartens and schools, culture (e.g. libraries, museums and theatres, as well as activities related to music, visual arts and film making), and non-profit making organisations (NGOs,

social and development programmes, etc.). The most substantial capital grants are given for the financing of the wastewater management project; they are also given to Zagreb Electric Tram – ZET (for the repayment of loans taken out for its motor fleet renewal and reconstruction), to the Waste Management Centre, and finally for the co-financing of public sector companies' projects.

Subsidies (HRK 672m) are planned for the promotion of production and services of companies, craftsmen, farmers and SMEs. The bulk of them are given for the City's public transport, i.e. to ZET (HRK 531m), and for the rental of the Arena sports hall (HRK 57m).

Compared with 2014, the sharpest cut will be made in expenditures for the acquisition of fixed assets (by HRK 257m or 26%), particularly the construction of unclassified roads, procurement of business premises and other capital investments. Within the "Other expenditures" category, **expenditures for current grants**, i.e. grants to various NGOs, grants for the co-financing of public needs and events, for the use of sports facilities and for supporting elite athletes and culture, will also be reduced considerably (by HRK 156m or 30%).

Differences between the proposed and enacted budgets for 2015

*Compared with the 2015 budget proposal, submitted to the City Assembly on 15 November 2014, in the budget enacted on 22 December 2014, total expenditures were cut by less than 1% (about HRK 17m, i.e. from HRK 6,627bn to HRK 6,610bn), while total revenues remained unchanged (graph 1). Political groups and city representatives submitted 42 amendments and three proposals for amendments to the relevant programmes. The **most significant amendments** accepted relate to **reducing expenditures for employees (HRK 42.6m) and subsidies (HRK 46m)**, mostly those to ZET, and **increasing benefits to citizens and households**, mainly the provision of additional funds for the transportation of pensioners (HRK 50m) and cash assistance for newborns (HRK 4m).*





In accordance with the budget capacity, proposals for **increases in the following expenditures** have been accepted:

- **for the needs of socially vulnerable categories of citizens** (shelters for victims of violence, the Home for Children and Adults – Victims of Domestic Violence and other welfare and humanitarian organisations and legal entities);
- **for children, culture, art and human rights promotion;**
- **for support to farmers and the Public Institution “Maksimir”** (about HRK 2.3m);
- **for homeland war veterans** (about HRK 2m, for medical rehabilitation of disabled homeland war veterans and health prevention of homeland war veterans and disabled veterans);
- **for the project documentation for a Crafts Centre with a Community College** (HRK 2m); and
- **for the development and implementation of projects that will be co-financed from EU programmes and funds** (about HRK 1.5 m).

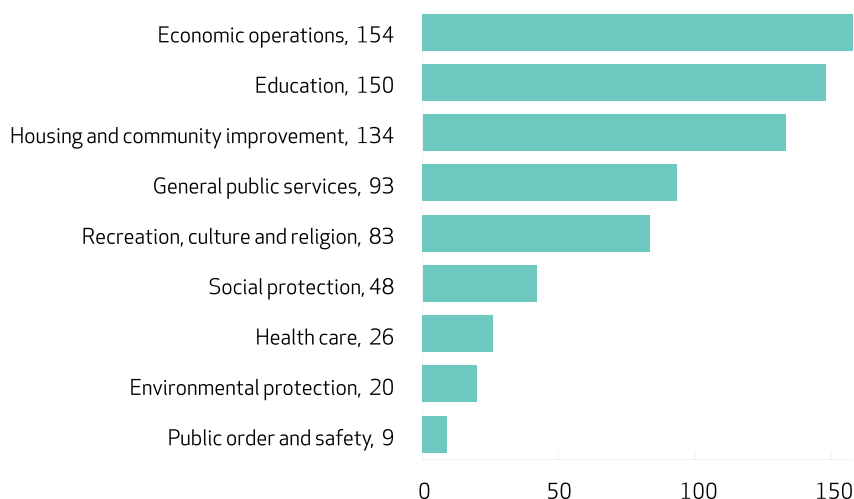
Economic operations generally include public transport and road construction and maintenance, but also, e.g. agriculture, forestry and tourism.

Expenditures for education relate to preschool education (City kindergarten staff costs, kindergarten fee subsidies, etc.) and primary and secondary education (including material expenditures and the acquisition of fixed assets).

Housing and community improvement services basically relate to the maintenance of City property and public areas (e.g. public lighting).

PLANNED EXPENDITURES BY PURPOSE

The City’s planned average monthly spending per citizen in 2015 will be about HRK 718 (graph 4). Most of this amount will be spent on economic operations (HRK 154), education (HRK 150) and housing and community improvement services (HRK 134).



Graph 4: Average monthly spending per purpose, per citizen (functional classification), 2015 (in HRK)

FINANCING ACCOUNT

In 2015, the City plans a total of HRK 221.4m in receipts, the bulk of this amount (HRK 220m) coming from new borrowing. Planned outlays for current debt repayment stand at HRK 240.05m.

	2014 Plan	2015 Proposal	2015 Enacted	Projections	
				2016	2017
Revenue and expenditure account					
Total revenues	7,099.30	6,628.60	6,628.60	6,648.50	6,678.60
Total expenditures	7,067.78	6,626.95	6,609.95	6,629.95	6,646.95
Surplus	31.52	1.65	18.65	18.55	31.65
Financing account					
Receipts from financial assets and borrowing	200.70	221.40	221.40	221.50	201.40
Outlays for financial assets and loan repayment	232.22	223.05	240.05	240.05	233.05
Net financing	-31.52	-1.65	-18.65	-18.55	-31.65

Table 1: The Zagreb budget revenue and expenditure account and financing account, 2014-17 (in million HRK)

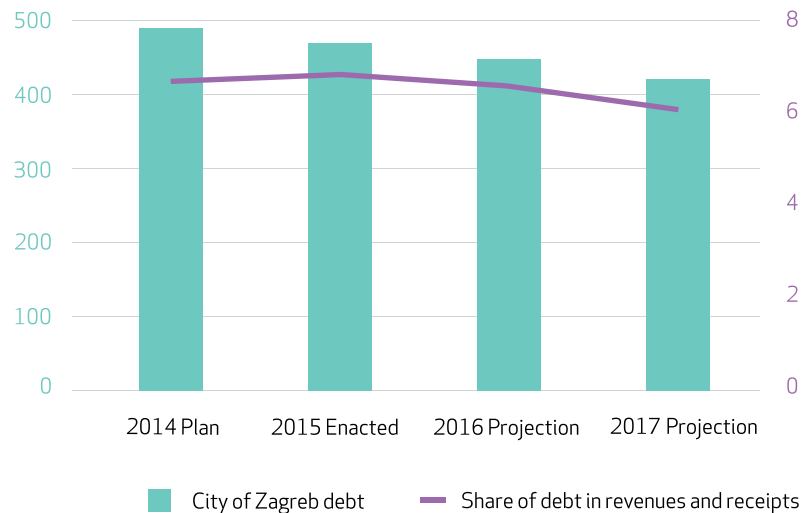
As a result of a decrease in total expenditures in the 2015 enacted budget by HRK 17m relative to the budget proposal, the surplus of revenues over expenditures increased from the planned HRK 1.65m to HRK 18.65m. The saved amount of HRK 17m will be spent on the debt repayment. More specifically, the City of Zagreb and the Institution for Vocational Rehabilitation and Employment of Persons with Disabilities (URIHO) entered into a purchase agreement under which the City acquired land for the construction of the Kajzerica Kindergarten and the Kajzerica Primary School. Half of the loan for the land purchase (HRK 17m) is to be repaid during 2015, which further increases outlays for loan repayment, whereas the other half of the loan is planned for repayment in 2016.



In contrast to the terms *revenues* and *expenditures*, used in the revenue and expenditure account when it comes to business operations and the purchase of fixed assets, the terms *receipts* and *outlays* are used in the financing account and relate to financial assets and the granting, taking out and repayment of loans. Receipts are monetary inflows, e.g. repaid principals of granted loans, proceeds from the sale of shares and bonds and funds from borrowing, whereas outlays are monetary outflows of the same kinds. The difference between receipts and outlays constitutes the *net financing*, i.e. the amount that should equal the surplus/deficit referred to in the revenue and expenditure account.

THE PLANNED CITY BUDGET DEBT

The direct debt will slow down slightly and fall to HRK 471m at end-2015 (graph 5). The share of debt in budget revenues and receipts is smaller than 7%, suggesting that the City's debt level is low and that it can easily service its direct debt from its regular revenues and receipts. As, pursuant to the [Budget Act](#), the City's long-term borrowing is subject to approval by Government, graph 5 shows the planned level of debt, while its actual amount depends on the Government's approval.



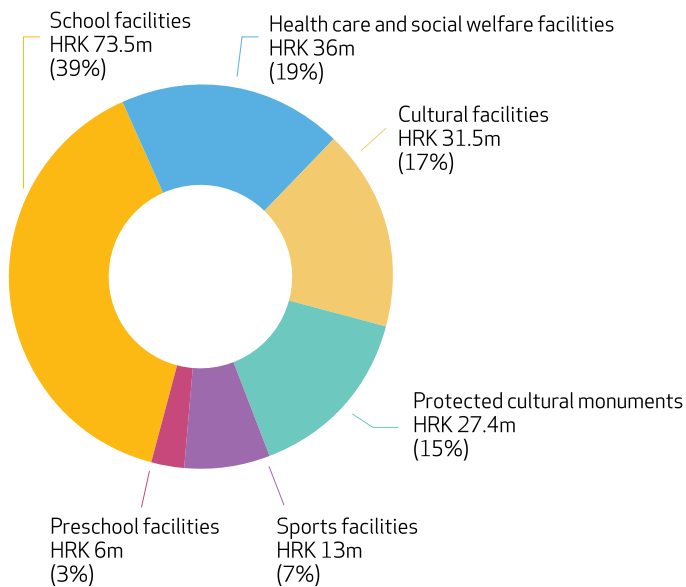
Graph 5: The City's debt (in million HRK, left scale) and the share of debt in budget revenues and receipts (in %, right scale), 2014-17

DEVELOPMENT PROGRAMMES – MAJOR INVESTMENTS

Major investments include: capital investments in social service facilities, capital investments in the construction of utility infrastructure facilities and equipment and the *Zagreb – Energy Efficient City (ZagEE)* project.

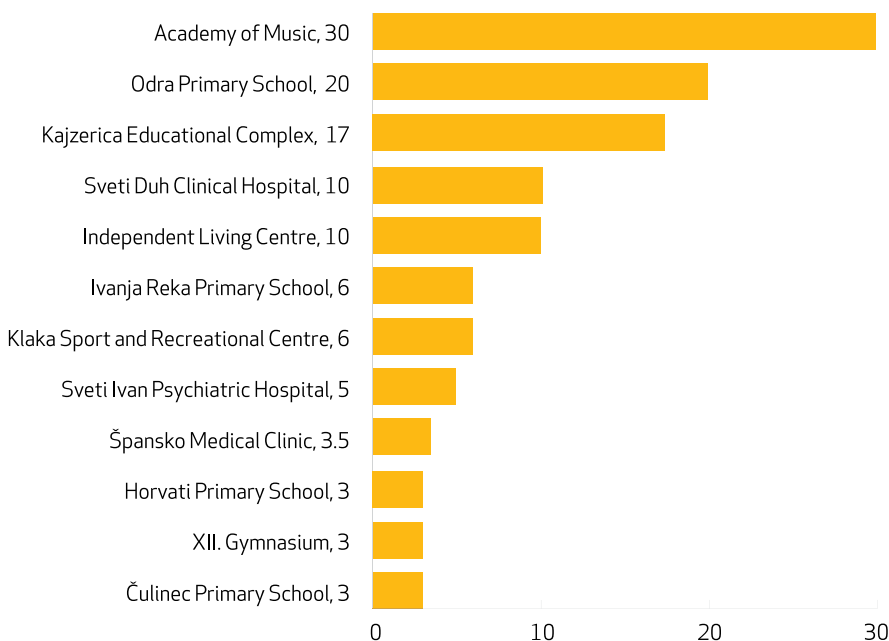
Capital investments in social service facilities

Capital investments in social service facilities planned for 2015 **stand at HRK 187.4m** (graph 6).



Graph 6: Capital investments in social service facilities, 2015

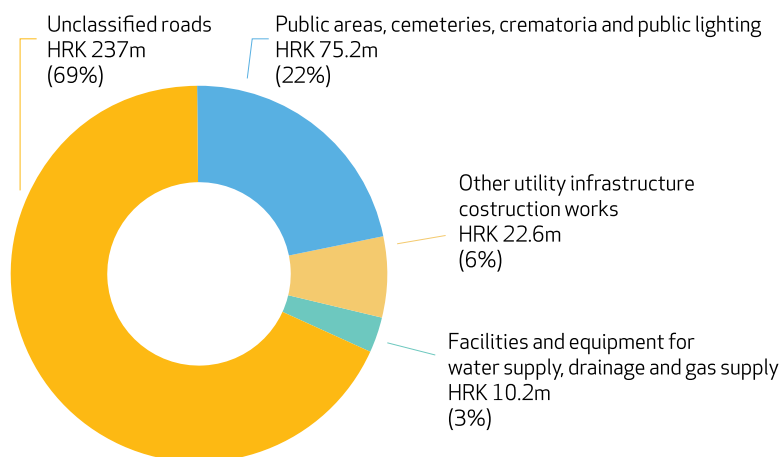
Some of the key investments in social service facilities planned for 2015 are shown in graph 7. Depending on the project, investments cover the costs of project documentation development, the conversion of premises, adaptation and construction and the resolution of property relationships.



Graph 7: Some of the major investments in social service facilities, planned for 2015 (in million HRK)

Capital investments in the construction of utility infrastructure facilities and equipment

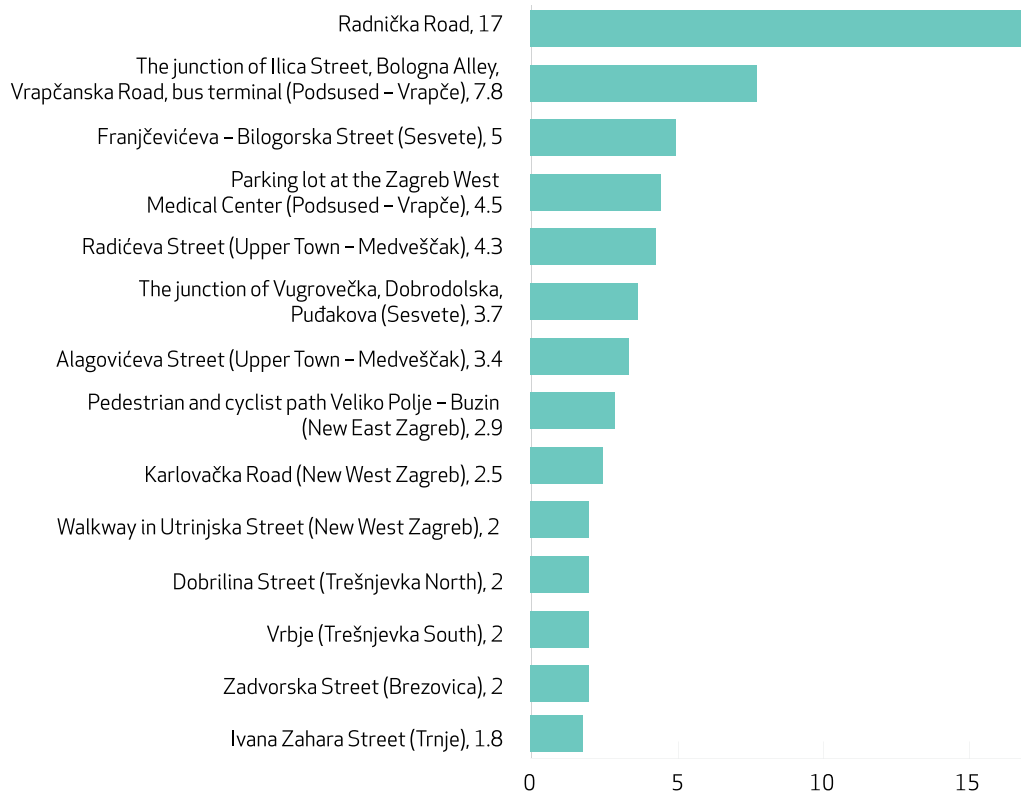
The amount for the construction of utility infrastructure facilities and equipment planned for 2015 is HRK 345m (graph 8).



Graph 8: Capital investments in the construction of utility infrastructure facilities and equipment in 2015

Some of the major investments in utility infrastructure facilities and equipment planned for 2015 relate to unclassified roads (graph 9). Depending on the project, funds will be used for the production of technical documentation, funding of different construction and reconstruction phases, as well as for the construction of rainwater drainage facilities.





Graph 9: Some of the major investments in unclassified roads, planned for 2015 (in million HRK)

The Zagreb – Energy Efficient City (ZagEE) project

In 2015, a considerable amount of HRK 82.1m is planned to be spent on the [Zagreb – Energy Efficient City ZagEE](#) project, a comprehensive set of measures for the energy efficiency renovation of insufficiently energy efficient public buildings owned by the City, modernisation of a part of the public lighting system and installation of renewable energy sources. The total investment planned for the period 2013–17, for the refurbishment of 87 buildings and modernisation of public lighting by introducing 3,000 SSL lamps with time control system is estimated at HRK 238.8m. In 2015 alone, energy renovation will be implemented in twenty kindergartens, a number of elderly care homes and several primary schools and gymnasiums.

WHAT CAN YOU DO?

At its session of 22 December 2014, the City Assembly, as the citizens' representative body, adopted the City of Zagreb 2015 budget with revenues totalling HRK 6.63bn. Every employed person is expected to pay an average monthly amount of HRK 920 into the budget, and the average monthly amount spent per citizen will be HRK 718. It is very important how these funds will be collected and spent, and this concerns all of us. With the help of this brief guide and the [Guide to the City of Zagreb Budget](#), you can monitor the budget execution (e.g. during the discussion and adoption of mid-year and year-end reports on budget execution or the adoption of budget revisions). You can also compare the City of Zagreb's business results with those of other cities and municipalities. This may contribute to your understanding of the overall situation in the City and country as a whole, and perhaps encourage you to help us find better solutions!



USEFUL WEBSITES

[City of Zagreb](#) – The official website of the City of Zagreb

[City of Zagreb – Finances](#) – City budget and reports on its execution

[City Office for Finance](#) – Contacts, competence and activities

[City offices, institutes and professional services](#) – Detailed data, contacts, competence and activities

[City Assembly](#) – Organisation, competence, working bodies and regulations

[City districts](#) – Basic information, territorial boundaries, bodies and powers

[Local committees](#) – Territorial boundaries, seats and powers

[Zagreb Holding](#) – Organisation, services, topical issues and contacts

[Official Journal of the City of Zagreb](#) – All City regulations

[Ministry of Finance – local budgets](#) – The budgets of all municipalities, cities and counties

[Budget Act](#) – Budget-related acts and regulations

PREVIOUSLY PUBLISHED GUIDES

[A Guide to the City of Zagreb Budget](#)

[A Brief Guide to the City of Zagreb 2015 Budget Proposal](#)