

# A Brief Guide to the City of Zagreb 2016 Budget Proposal

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## Other document types / Ostale vrste dokumenata

Publication year / Godina izdavanja: **2015**

Permanent link / Trajna poveznica: <https://urn.nsk.hr/urn:nbn:hr:242:494859>

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Download date / Datum preuzimanja: **2025-03-13**



Repository / Repozitorij:

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# **A Brief Guide to the City of Zagreb 2016 Budget Proposal**



November, 2015

**PUBLISHER**

The City of Zagreb, Trg S. Radića 1, Zagreb

**FOR THE PUBLISHER**

City Office for Finance

**PREPARED BY**

Institute of Public Finance, Zagreb

**LAYOUT AND TYPESETTING**

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NJI<sub>3</sub>

**ISBN** 978-953-7479-51-0



The City's 2016 Budget Proposal is a document of great importance to all citizens of the City of Zagreb: some of them travel by trams subsidised by the City, others send their children to city's kindergartens and schools, and all of them use public lighting and roads.

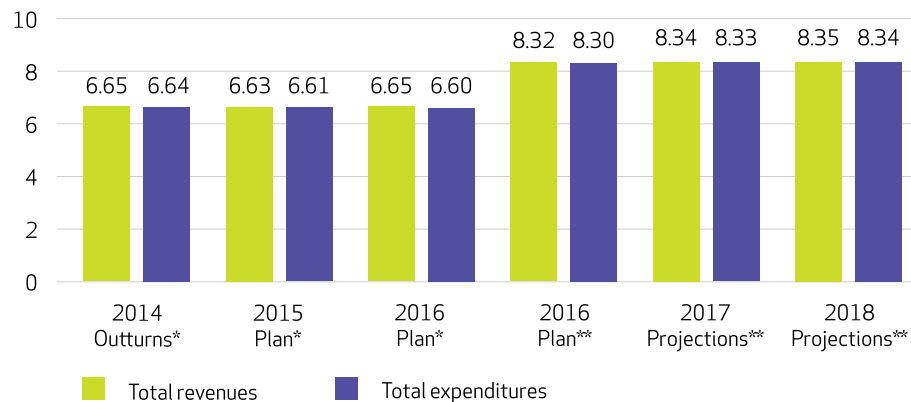
The City's 2016 Budget Proposal is a complex and comprehensive document, showing the City's planned sources of revenues and the way of their spending. This brief guide aims to provide, in the simplest and most concise way, basic information on these issues, thus encouraging citizens to engage in the budget process. Through their participation in that process, citizens can contribute to the efficiency of municipal services. The City's website provides more detailed information on the [2016 Budget Proposal](#), and information on the city budget and budget process can be found in [A Guide to the City of Zagreb Budget](#).

As indicated in the calendar laid down in the [Budget Act](#), the city budget is prepared in line with the Government's annual [Economic and Fiscal Policy Guidelines](#) and [The Ministry of Finance's Instructions for Drafting the Budgets of Units of Local and Regional Self-government](#). According to these documents, the Government expects an increase in GDP from 1% to 1.5% in the period 2016–18, thus City's planned revenues and expenditures in this period will also be in modest rise. The city budget was planned cautiously and restrictively, because, despite the planned GDP growth, account was also taken of the specific economic and social characteristics of the City, as well as the obligation to comply with the Budget Act and Fiscal Responsibility Act.

Below is a brief presentation of the revenues, expenditures, financing account and debt in the period 2014–18, including a more detailed analysis of revenues and expenditures for 2016.

## PLANNED REVENUES AND EXPENDITURES

The City's total 2016 budget revenues are planned in the amount of HRK 8.32bn and total expenditures in the amount of HRK 8.3bn (graph 1). The noticeable increase in revenues and expenditures from the 2015 plan (HRK 6.6bn) is due to the City's [legal obligation](#) to include in the budget own and earmarked revenues of all of the city budget users, as well as the expenditures funded from these revenues. So, there has been a methodological change in the scope of the city budget, resulting in an increase in revenues and expenditures. If the budget had the same coverage as in previous years, **the City's revenues and expenditures are roughly at the levels of 2014 and 2015.**



**Graph 1: The City's budget revenues and expenditures, 2014–18 (in billion HRK)**

\* Excluding own and earmarked revenues of budget users, as well as expenditures funded from these revenues.

\*\* Including own and earmarked revenues of budget users, as well as expenditures funded from these revenues.

The 2016 budget proposal is prepared in parallel with making budget projections for 2017 and 2018. As shown in graph 1, budget revenues and expenditures will rise slightly in 2017 and 2018, which will be consistent with GDP growth.

*The city budget contains the revenues and expenditures of all 324 budget users, i.e. institutions founded and majority-financed by the City, and listed in the [Register of Budget and Extra-budgetary Users](#). These include, for example, public health care institutions (health centres, polyclinics, hospitals and institutes), pre-school, primary school and secondary school education institutions, social welfare institutions, fire brigades, the Office for Physical Planning, Public Institution Maksimir, Zoological Garden and Sports Facilities Management Institution.*

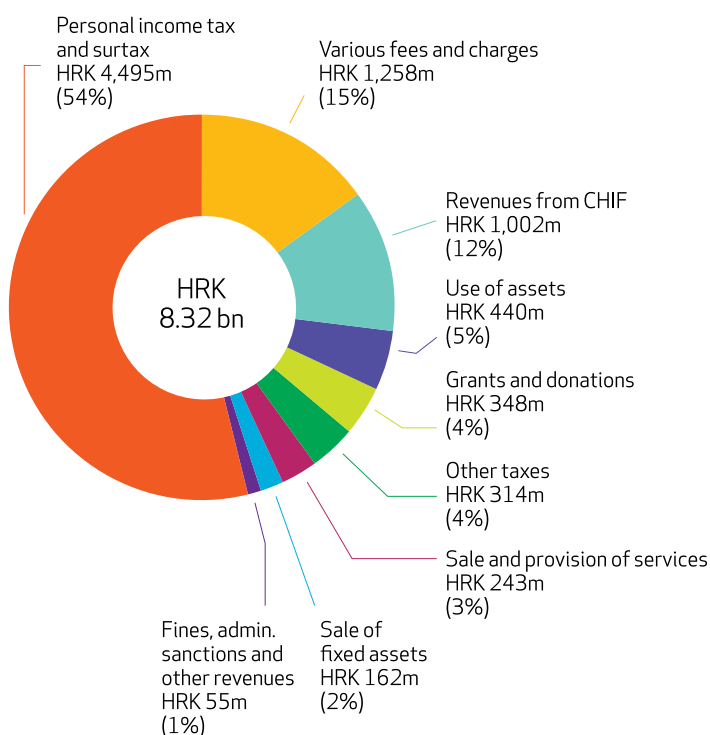
There are also *companies founded by the City* for the provision of public services and performance of public interest activities (e.g. Zagreb Holding). However, as such companies are not majority-financed from the city budget (they are not its users), their revenues and expenditures are not stated in the budget.



Each employed person will pay a monthly average amount of HRK 976 in personal income tax and surtax into the city budget.

## PLANNED REVENUES

**Total revenues planned for 2016 amount to HRK 8.32bn** (graph 2), more than half of which will come from **personal income tax and surtax (HRK 4.5bn)**. The second largest revenues come from various **fees and charges (HRK 1.3bn)**, mainly utility contributions and charges, followed by budget users' revenues from the Croatian Health Insurance Fund (CHIF) for health care services rendered (about HRK 1bn).



**Graph 2: The City's budget revenues, 2016 Plan\***

\* Including own and earmarked revenues of budget users.

Compared with 2015, the inclusion of own and earmarked revenues of budget users results in an increase in budget revenues of HRK 1.67bn. This mainly relates to revenues: from the CHIF (HRK 1bn), from the sale of construction facilities (HRK 334m), pursuant to special regulations (HRK

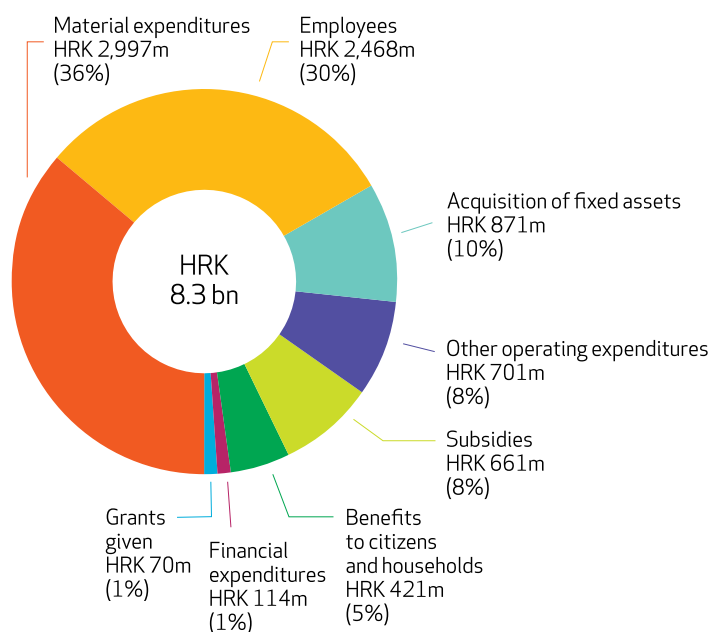
254m) and from the sale of goods and provision of services, such as the extended stay at school (HRK 243m). The inclusion of own and earmarked revenues of budget users in the city planning and reporting processes certainly is a step forward in ensuring the transparency and completeness of reporting on the city budget.

**City budget revenues excluding own and earmarked revenues of budget users** remain at roughly the same level as in 2015. **The sharpest increase will be seen in revenues from personal income tax and surtax** (HRK 180m or 4.2%), as a result of expected favourable macroeconomic trends. **The steepest decrease is planned in the sale of fixed assets** (HRK 100m or 38%), i.e. business facilities and city-owned apartments.

## PLANNED EXPENDITURES BY TYPE

**Total expenditures planned for 2016 amount to HRK 8.3bn** (graph 3), with the following main priorities:

- ensuring regular operation of all city services and administrative bodies, with aim of providing the maximum level of services to citizens;
- ensuring an equal level of acquired rights to lower-income citizens;
- the implementation of investment projects in line with the budget capacity; and
- the regular settlement of all contractual and credit liabilities.



**Graph 3: The City's budget expenditures by type (economic classification), 2016 Plan\***

\* Including expenditures funded from own and earmarked revenues of budget users.

The bulk of **material expenditures** (HRK 3bn) relate to the current and investment maintenance of utility infrastructure facilities (e.g. public spaces, public lighting, roads, cemeteries and the crematorium) and the city administration and city budget users' facilities, as well as to office materials, energy use and services necessary for the smooth functioning of the city administrative bodies and budget users.

**Expenditures for employees** (HRK 2.5bn) include total salaries, social security contributions and other expenses for 11,109 city administration and city budget users' employees. Also included are planned expenditures for persons employed on EU-funded projects.

An amount of about HRK 871m is planned for **the acquisition of fixed assets**, mainly roads, utility infrastructure, commercial and other buildings, as well as equipment in schools, health care, social welfare institutions, etc.

**Other operating expenditures** in the amount of HRK 701m mainly include current and capital grants and donations. Current grants (HRK 421m) are given for the co-financing of sports, kindergartens and the fire fighting association, for farmer incentives and the funding of various NGOs, social and cultural projects and initiatives. Almost the entire amount of capital grants (HRK 228m) is given for the tram company ZET's rolling stock renewal.

**Subsidies** (HRK 661m) are intended 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 505m), and for the rental of the Arena sports hall (HRK 57m).

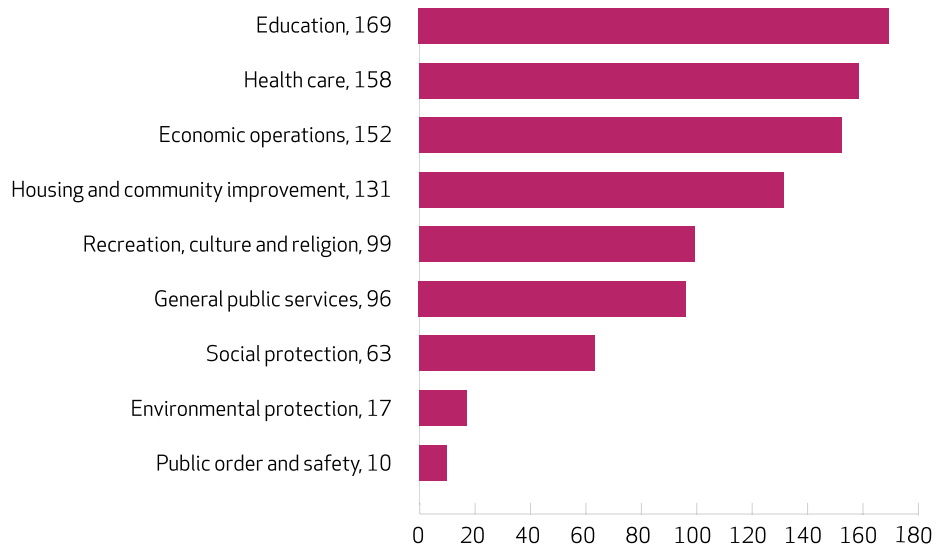
**Total city budget expenditures, excluding expenditures funded from own and earmarked revenues of budget users**, are planned to remain at roughly the same level as in 2015. **The sharpest cuts will be made in expenditures for the acquisition of fixed assets** (HRK 60m or 8%), notably the construction of unclassified roads. **Benefits to citizens and households** will also decline (HRK 53m or 11%), due to reduced textbook purchase and public transportation costs, while maintaining the acquired welfare rights. However, staff costs and expenses for services are planned to go up (HRK 59m or 4% and HRK 47.5m or 2.7%, respectively).





## PLANNED EXPENDITURES BY PURPOSE

The City's planned average monthly spending per citizen in 2016 is HRK 895 (graph 4). Most of this amount will be spent on education (HRK 169), followed by health care (HRK 158), economic operations (HRK 152) and housing and community improvement services (HRK 131).



Graph 4: Average monthly spending per purpose, per citizen (functional classification), 2016 Plan (in HRK)\*

\* Including expenditures funded from own and earmarked revenues of budget users.



**Expenditures for education** relate to preschool education (e.g. staff costs in city kindergartens and kindergarten fee subsidies), as well as primary and secondary education (including part of employee salaries for example extended stay at school programmes, material expenditures and the acquisition of fixed assets).

**Expenditures for health care** relate to health, medical services and health protection, the development and implementation of city and other health protection programmes and strategies, health promotion, the prevention and control of addiction, providing support to health programmes and projects of NGOs and other organised health activities, as well as the coordination and supervision of the City-owned health care institutions.

**Economic activities** generally include public city transport and road construction and maintenance, but also agriculture, forestry and tourist activities.

**Housing and community improvement services** relate, for the most part, to the City's property and public space maintenance (e.g. public lighting).

## FINANCING ACCOUNT

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, when referring to financial assets and the granting, taking out and repayment of loans. *Receipts* are monetary inflows, e.g. from borrowing, whereas *outlays* are monetary outflows of the same kinds. The difference between the receipts and outlays represents *net financing*, i.e. the amount equal to the surplus/deficit from the revenue and expenditure account.

	2014 Outturns*	2015 Plan*	2016 Plan*	2016 Plan**	2017 Projections**	2018 Projections**
<b>Revenue and expenditure account</b>						
Total revenues	6,649.1	6,628.6	6,648.2	8,317.5	8,337.6	8,347.4
Total expenditures	6,636.1	6,610.0	6,600.9	8,303.1	8,334.1	8,343.1
<b>Surplus</b>	<b>13.1</b>	<b>18.7</b>	<b>47.3</b>	<b>14.4</b>	<b>3.4</b>	<b>4.2</b>
<b>Financing account</b>						
Receipts from financial assets and borrowing	197.6	221.4	201.8	234.7	234.6	234.8
Outlays for financial assets and loan repayment	222.1	240.1	249.1	249.1	238.1	239.1
<b>Net financing</b>	<b>-24.5</b>	<b>-18.7</b>	<b>-47.3</b>	<b>-14.4</b>	<b>-3.4</b>	<b>-4.2</b>

**Table 1: Revenue and expenditure account and financing account, 2014–18 (in million HRK)**

\* Excluding own and earmarked revenues and receipts of budget users, and expenditures and outlays funded from these revenues and receipts.

\*\* Including own and earmarked revenues and receipts of budget users, and expenditures and outlays funded from these revenues and receipts.

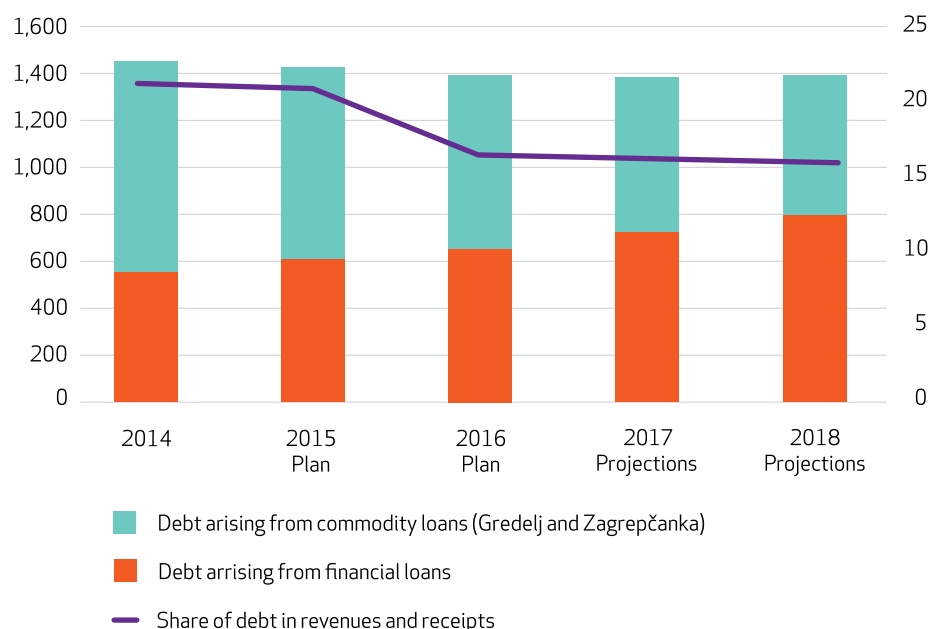
Including own and earmarked revenues and receipts of budget users, receipts are planned in the amount of HRK 234.7m, the bulk of which relates to new borrowing. Planned outlays for the existing debt repayment stand at HRK 249.1m.



Direct debt is a sum of all budget deficits, incurred in the current and in earlier periods, financed by borrowing.

## PLANNED CITY BUDGET DEBT

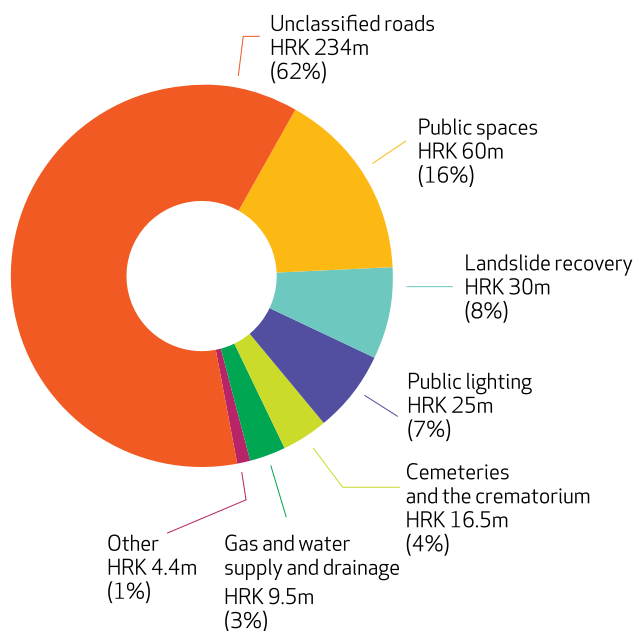
**The City's direct debt hovers around HRK 1.4bn in the period 2014–16** (graph 5), suggesting a slight downward trend in 2017 and 2018. The share of debt in budget revenues and receipts is expected to stand at about 21% at the end of 2015, but falling to 16.4% in 2016, as a result of the inclusion of own and earmarked revenues and receipts of budget users. This suggests a relatively low level of the City's indebtedness, so that the City can easily service its direct debt from regular revenues and receipts. It is worth noting, however, that, according to the Budget Act, any long-term borrowing by the City requires the Government's approval. Therefore, graph 5 shows the planned level of debt, while the actual debt depends on that approval.



Graph 5: The City's debt (in million HRK, left-hand scale) and the share of debt in budget revenues and receipts (in %, right-hand scale), 2014–18

## DEVELOPMENT PROGRAMMES – MAJOR INVESTMENTS

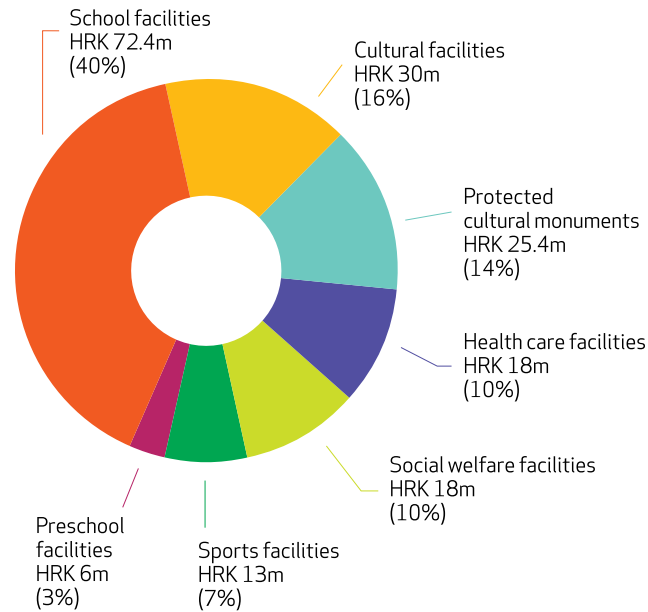
The amount planned for the construction of utility infrastructure facilities and equipment is **HRK 379.4m** (graph 6). A good supply of utility services improves the quality of life and attractiveness of the city space for business and social activities. Consequently, this investment is an essential prerequisite for achieving the general spatial development goals of the City.



Graph 6: Capital investments in the construction of utility infrastructure facilities and equipment, 2016 Plan

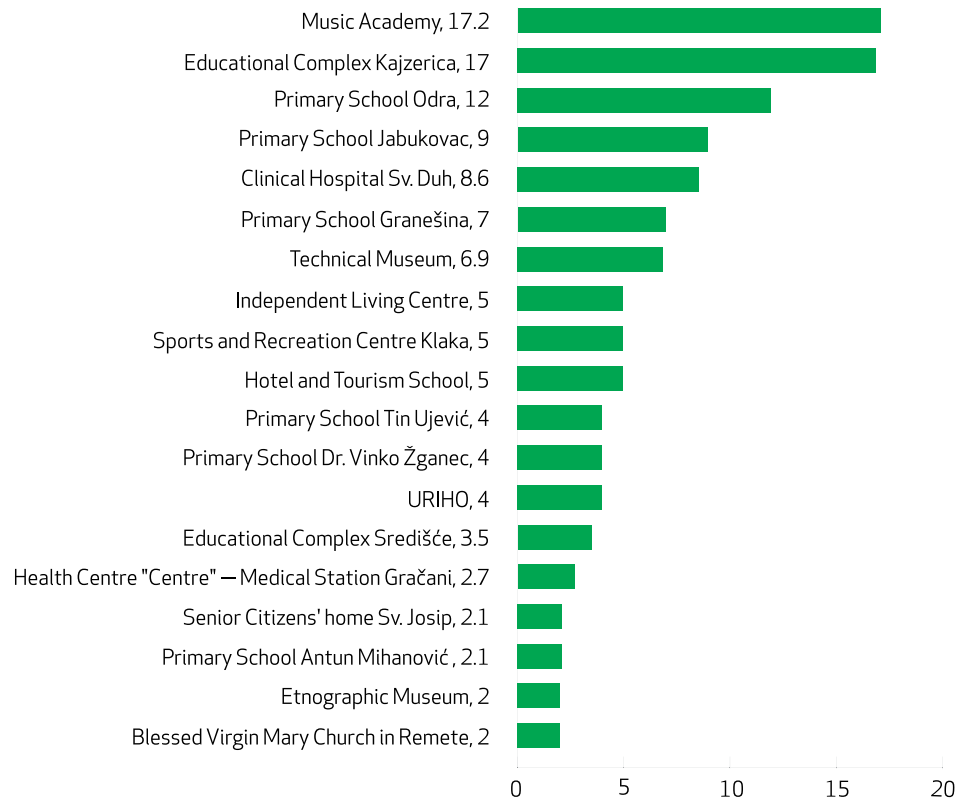
Most of the planned investments in utility infrastructure and equipment relate to unclassified roads, with the aim of increasing the quality and safety of services and ensuring the transport network integrity. Depending on the project, funds will be used for technical documentation development, funding different stages of construction, reconstruction works, etc.

**Capital investments in social service facilities** are planned in the amount of **HRK 183m** (graph 7).



**Graph 7: Capital investments in social service facilities, 2016 Plan**

Graph 8 shows some of the most important investments planned to be made in social service facilities. Depending on the project, the investments relate to the costs of project documentation development, obtaining construction documents, the conversion of premises, renovation, improvement, construction and furnishing, and the resolution of property relationships.



**Graph 8: Some of the most important planned capital investments in social service facilities, 2016 (in million HRK)**

## SIGNIFICANT PROJECTS OF THE CITY OF ZAGREB IN 2016

In addition to the aforementioned major investments in the construction of utility infrastructure facilities and equipment and social service facilities, substantial budget funds are invested each year in other projects implemented independently by the City and co-financed by government or the EU. Among the significant projects planned for 2016, the following two should be singled out:

**Zagreb Energy Efficient City – ZagEE**, a comprehensive programme of energy efficient renovation of selected buildings owned by the City, modernisation of public lighting and installation of renewable energy sources. The total value of the planned investments in the period 2013–17 is HRK 238.8m. In 2016, HRK 68m will be spent for the completion of contracted construction works and initiated public procurement processes for the energy efficient renovation of buildings and modernisation of public lighting, as well as for the initiation of further public procurement procedures and contracting of works.

**Modernisation of the Zagreb Zoological Garden**, a multi-stage programme of improving the quality of tourist offer by constructing new enclosures for animals and increasing the quality of services to visitors. Of the total planned amount for 2016 of HRK 20m, 95% will be provided from the European Regional Development Fund. It is worth noting that the Zoological Garden is the most visited tourist site in the City and the sixth most visited site in Croatia.



The strategic development goals of the City of Zagreb are set forth in Zagrebplan – City of Zagreb Development Strategy for the Period Ending 2020.



## WHAT YOU CAN DO?

The City Assembly will soon discuss the 2016 City Budget Proposal to be adopted by 31 December 2015 at the latest (we are talking about a significant amount of HRK 8.3bn of revenues and expenditures). During 2016, every employed person is expected to pay an average monthly amount of HRK 976 in personal income tax and surtax tax into the budget. The average monthly amount spent per citizen will be HRK 895. Therefore, all citizens should be very much interested in how these funds are collected and spent. With the help of this brief guide and the [Guide to the City of Zagreb Budget](#), you can also get involved and try to influence the final city budget and the services you expect from the City. You can do this indirectly, through the [local committees](#) and [city districts](#), or directly, by submitting your suggestions and comments to the [representatives in the City Assembly](#).



## USEFUL WEBSITES

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

[City of Zagreb – Finances](#) – City budget

[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](#) – An archive of the budgets of all municipalities, cities and counties

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

[Institute of Public Finance](#) – Transparency of the budgets of the counties, cities and municipalities

## PREVIOUSLY PUBLISHED GUIDES

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

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

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

[A Brief Guide to the City of Zagreb 2014 Budget Execution](#)

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