



# **A Brief Guide to the City of Zagreb 2016 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 2016 Enacted Budget and to encourage citizens to monitor the budget and communicate with the city authorities. On 15 November 2015, a 2016 budget and projections for 2017–18 were proposed to the City Assembly, which, after a second reading and debate, enacted them on 22 December 2015. The full [2016 Enacted Budget and Projections for 2017–18](#), as well as [A Guide to the City of Zagreb Budget](#) (with general information about the city budget and budget process) can be found on the City's website.

As indicated in the calendar laid down in the [Budget Act](#), the city budget is prepared based on the Government's annual [Economic and Fiscal Policy Guidelines](#) and the [Ministry of Finance's Instructions for Drafting the Budgets of the Units of Local and Regional Self-government](#). According to these documents, the Government expects GDP to grow at an annual rate between 1% and 1.5% in the period 2016–18. The city budget was planned cautiously and restrictively, because, despite the planned GDP growth, account had also to be taken of the specific economic and social characteristics of the City, while complying with the provisions of the Budget Act and [Fiscal Responsibility Act](#).

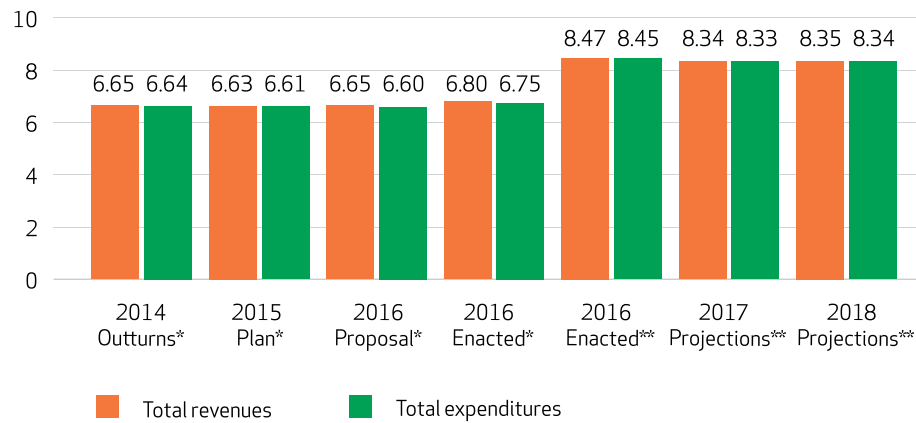
Below is a brief presentation of the revenues, expenditures, financing account and debt in the period 2014–18, including a more detailed analysis of the City of Zagreb's revenues and expenditures in 2016.

## PLANNED REVENUES AND EXPENDITURES

**The City's total 2016 budget revenues are planned in the amount of HRK 8.47bn and total expenditures in the amount of HRK 8.45bn** (graph 1). The significant 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 its own and earmarked revenues of all of the city budget users, as well as expenditures funded from these revenues. So, it is only a matter of methodological change in the scope of the city budget, resulting in an increase



in revenues and expenditures. Taking the same scope of the budget as the scopes in the previous years, **the City's 2016 enacted budget revenues and expenditures only slightly exceed those in 2014 and 2015.**



**Graph 1: The City of Zagreb 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.

Along with the 2016 budget, budget projections for 2017 and 2018 were enacted. As shown by graph 1, budget revenues and expenditures in 2017 and 2018 are planned in slightly lower amounts than in 2016.

The city **budget contains the revenues and expenditures of all 324 budget users**, i.e. institutions founded and majority-financed by the City, which are 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, the Zagreb Public Fire Brigade, Office for Physical Planning, Public Institution Maksimir, Zoological Garden and Sports Facilities Management Institution.

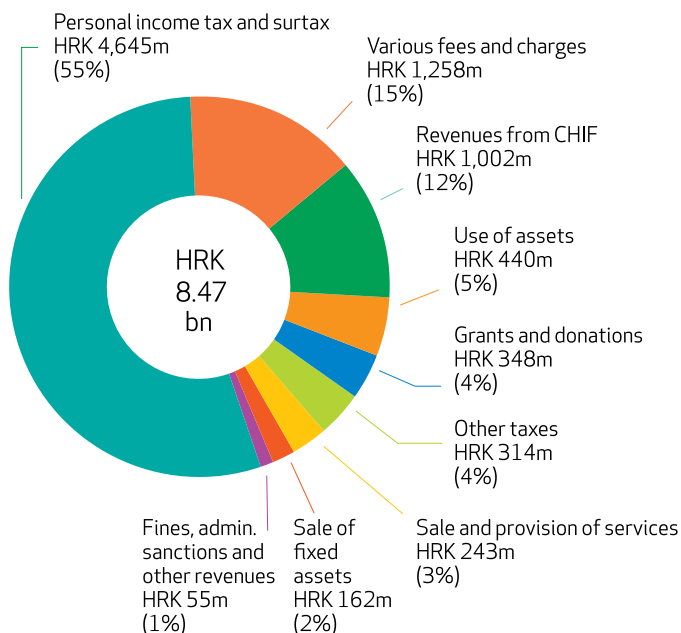
There are also [companies founded by the City](#) for the provision of public services and performance of public interest activities (e.g. Zagreb Holding). However, as such companies are not majority-financed from the city budget (i.e. they are not its users), their revenues and expenditures are not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

## PLANNED REVENUES

**Total revenues planned for 2016 amount to HRK 8.47bn** (graph 2), more than half of which will come from **personal income tax and surtax (HRK 4.6bn)**. The second largest revenues come from various **fees and charges** (HRK 1.3bn), mainly utility contributions and charges (HRK 840m), followed by budget users' revenues received from the Croatian Health Insurance Fund (CHIF) for the health care services rendered (circa HRK 1bn).



Each employed person is expected to pay a monthly average amount of circa one thousand kuna in personal income tax and surtax into the city budget.



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

\* 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, mainly revenues: from the CHIF (HRK 1bn), pursuant to special regulations (HRK 254m) and from the sale of goods and provision of services, such as extended stay at school (HRK 243m). The inclusion of own and earmarked revenues of budget users in the planning and reporting processes certainly is a step forward in improving transparency and completeness of reporting on the city budget.

**City budget revenues, excluding own and earmarked revenues of budget users, exceed those planned for 2015 by 2.6%. The steepest increase (HRK 330m or 7.6%) will be seen in revenues from personal income tax and surtax** as a result of planned favourable macroeconomic trends. **The sharpest decrease (HRK 100m or 38%), is expected in the sale of fixed assets**, i.e. business facilities and city-owned apartments.



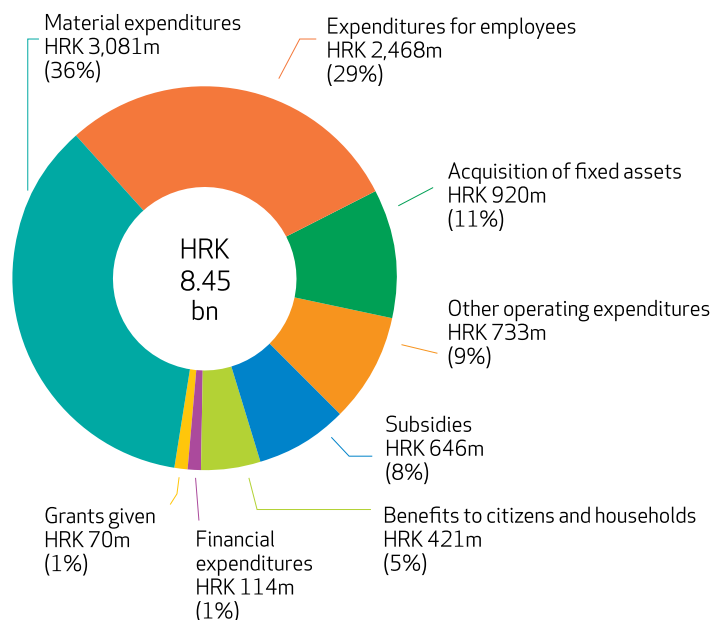
## Differences between the proposed and enacted budgets for 2016

Compared with the budget proposal (see *A Brief Guide to the City of Zagreb 2016 Budget Proposal*), the enacted budget shows an increase in revenues from personal income tax and surtax of HRK 150m. The proposed and enacted revenue increase is attributable to a 0.7% higher projection of GDP growth in 2016 than the initial projection, and the expectation that a new Croatian Government will change actual revenue sharing of the personal income tax to provide more money for units of local and regional self-government to finance decentralised public services.

## PLANNED EXPENDITURES BY TYPE

**Total expenditures planned for 2016 amount to HRK 8.45bn** (graph 3), with the following main priorities:

- ensuring regular operation of all city services and administrative bodies, with a view to 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 budget capacity; and
- regular settlement of all contractual and credit liabilities.



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

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

The bulk of **material expenditures** (HRK 3.1bn) 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 city budget users.

**Expenditures for employees** (HRK 2.5bn) include total salaries, social security contributions and other expenses for about 11,500 city administration and city budget users' employees. Also included are planned expenditures for persons employed on EU-funded projects.

An amount of about HRK 920m is planned **for the acquisition of fixed assets**, i.e. 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 733m mainly include current donations and capital grants. Current donations (HRK 452m) are given for the co-financing of sports, kindergartens and the fire fighting association, for farmer incentives and for the funding of various NGOs, social and cultural projects and initiatives. The bulk of capital grants (HRK 228m) is given for the tram company ZET's motor fleet renewal, wastewater treatment, the waste management centre and for the co-financing of the public sector companies' projects.

**Subsidies** (HRK 646m) are intended for the promotion of production and services of companies, craftsmen, farmers and SMEs. The lion's share of the funds is given for the City's public transport, i.e. to ZET (HRK 490m), and for the rental of the Arena sports hall (HRK 57m).

**Total enacted city budget expenditures, excluding expenditures funded from own and earmarked revenues of budget users are slightly higher than in 2015** (by 152m or 2.6%). **The largest increase will be in expenditures for services** (HRK 126.4m or 7.2%, especially due to an increase in expenditures for the services provided by city districts) and for current grants (HRK 52m or 12.9%, mainly due to greater support for top athletes). **The sharpest cuts will be made in benefits to citizens and households** (HRK 53m or 11.1%), due to reduced textbook purchase and public transportation costs, while maintaining the acquired welfare rights. Reductions will also be seen **in expenditures for construction facilities** (HRK 47m or 8.5%, especially those for the construction of unclassified roads), and **in capital grants** (HRK 22m or 8.7%).



## Differences between the proposed and enacted budgets for 2016

The City's political groups and city representatives proposed 11 amendments to the 2016 budget proposal, submitted to the City Assembly on 15 November 2015 (see [A Brief Guide to the City of Zagreb 2016 Budget Proposal](#)). Part of them were accepted. In the budget enacted on 22 December 2015, total expenditures went up by HRK 150m, i.e. from HRK 8.3bn to HRK 8.45bn, in line with revenue growth.

**The most significant changes accepted** include the following:

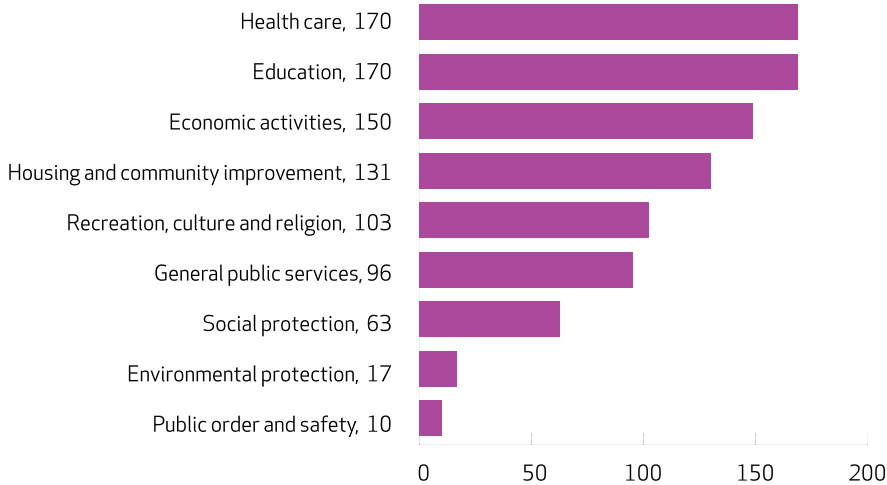
- **an increase in expenditures for city districts (HRK 100m for services and the acquisition of buildings)**, enabling city district councils to initiate small communal actions towards a significant improvement in the living standards across the City;
- **an increase in expenditures (by HRK 26.4m) for capital investments in social service activities** (expenditures for the acquisition of and/or additional investments in buildings), primarily expenditures for the sports hall at the Odra Primary School, a palliative care division in the Psychogeriatric Department of the Vrapče Hospital and the Klaka Sports and Recreation Centre;
- **an increase in current donations (by HRK 31.5m, mostly to support top athletes); and**
- **a decrease in subsidies to ZET (HRK 15m).**





## PLANNED EXPENDITURES BY PURPOSE

The City's planned average monthly spending per citizen in 2016 is HRK 911 (graph 4). Health care and education receive most of this amount (HRK 170 each), followed by economic activities (HRK 150) and housing and community improvement services (HRK 131).



Graph 4: Average monthly spending per purpose, per citizen (functional classification), 2016 (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, extended stay at school programmes, material expenditures and the acquisition of fixed assets).

**Expenditures for health care** relate to the formulation and implementation of city and other health protection programmes and strategies, health promotion, the prevention and control of addiction, providing support for health programmes and projects of NGOs and for other organised health promotion 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 and tourist activities.

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



Financing account is a part of the budget showing how the budget deficit is financed and how the budget surplus is spent.

## 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, i.e. the granting, taking out and repayment of loans, as well as the issuance, purchase and repayment of securities. *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 Proposal*	2016 Enacted*	2016 Enacted**	2017 Projections**	2018 Projections **
<b>Revenue and expenditure account</b>							
Total revenues	6,649.1	6,628.6	6,648.2	6,798.2	8,467.5	8,337.6	8,347.4
Total expenditures	6,636.1	6,610.0	6,600.9	6,750.9	8,453.1	8,334.1	8,343.1
<b>Surplus</b>	<b>13.1</b>	<b>18.7</b>	<b>47.3</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	201.8	234.7	234.6	234.8
Outlays for financial assets and loan repayment	222.1	240.1	249.1	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>-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, as well as expenditures and outlays funded from these revenues and receipts.

\*\* Including own and earmarked revenues and receipts of budget users, as well as 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 (HRK 218m) relates to new borrowing. Planned outlays for the repayment of existing debt stand at HRK 249.1m.

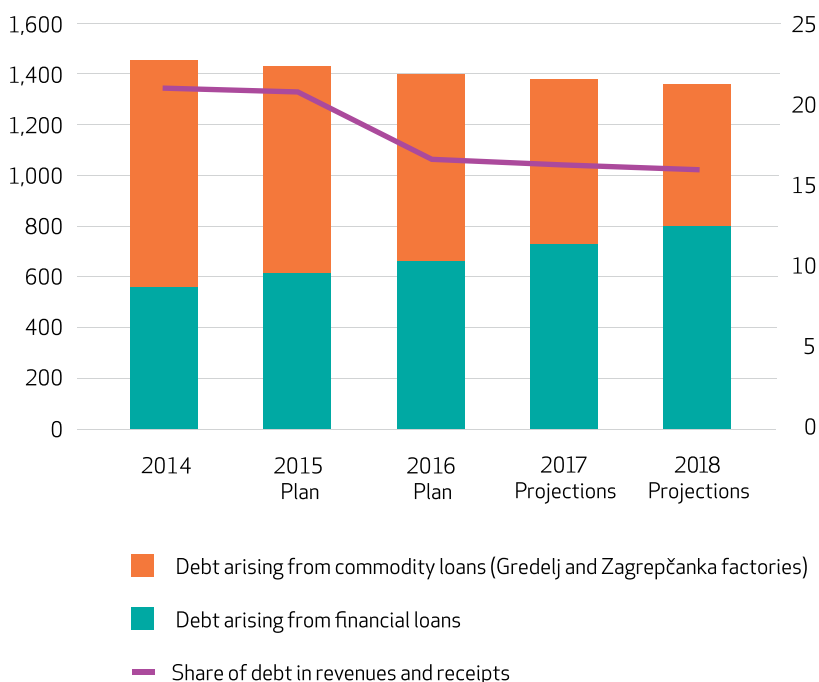
Compared with the 2016 budget proposal (see [A Brief Guide to the 2016 Budget Proposal](#)), total revenues and expenditures presented in the enacted budget rose by HRK 150m, while the financing account remained unchanged.

## PLANNED CITY BUDGET DEBT

**The City's direct debt in the period 2014–16 hovers around HRK 1.4bn** (graph 5), with an expected 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.



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

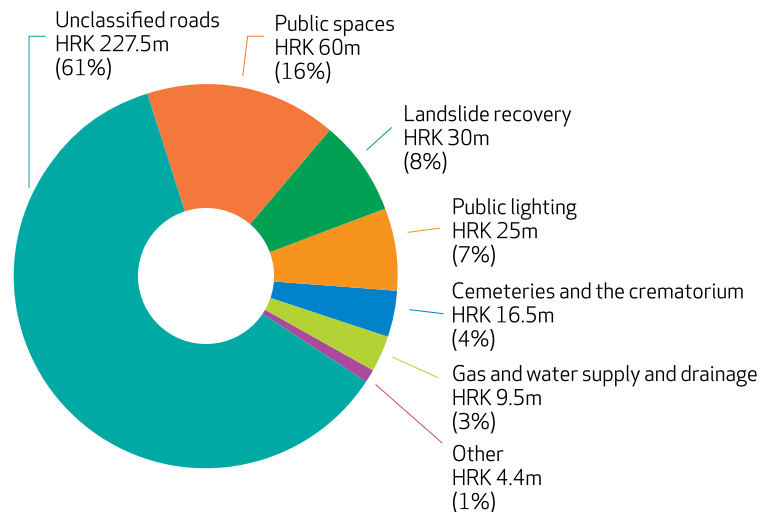


**Graph 5: The City of Zagreb's debt (in million HRK, left-hand scale) and the share of debt in budget revenues and receipts (in %, right-hand scale), 2014–18\***

\* As of 2016, revenues and receipts also include own and earmarked revenues and receipts of budget users.

## DEVELOPMENT PROGRAMMES – MAJOR INVESTMENTS

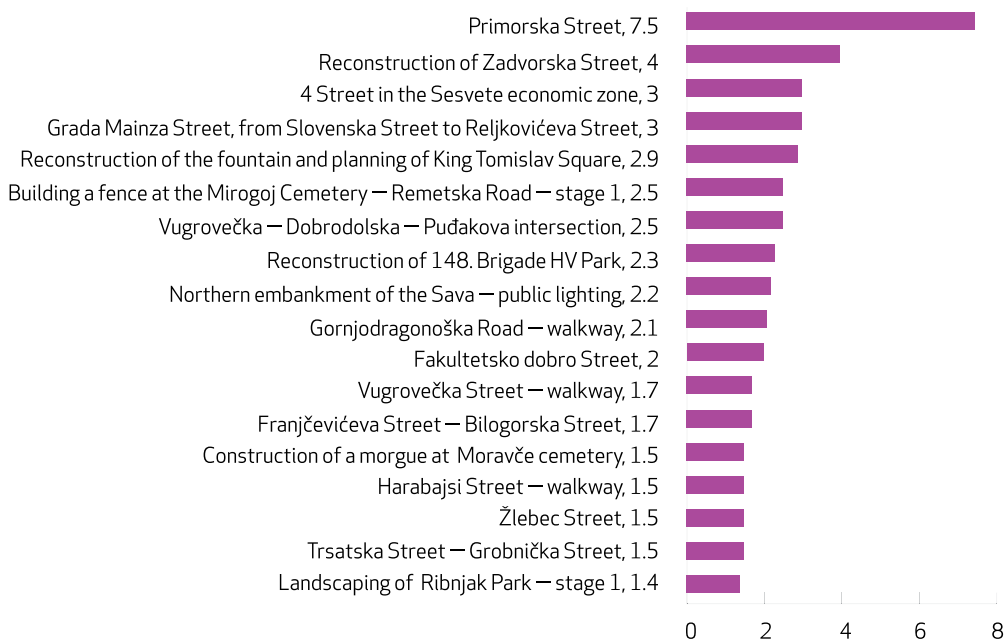
The enacted amount for the construction of utility infrastructure facilities and equipment is **HRK 372.9m** (graph 6). A good supply of utility services improves the quality of life and attractiveness of the city space for business and social activities. Therefore, this investment is an essential prerequisite for achieving the City's general spatial development goals.



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

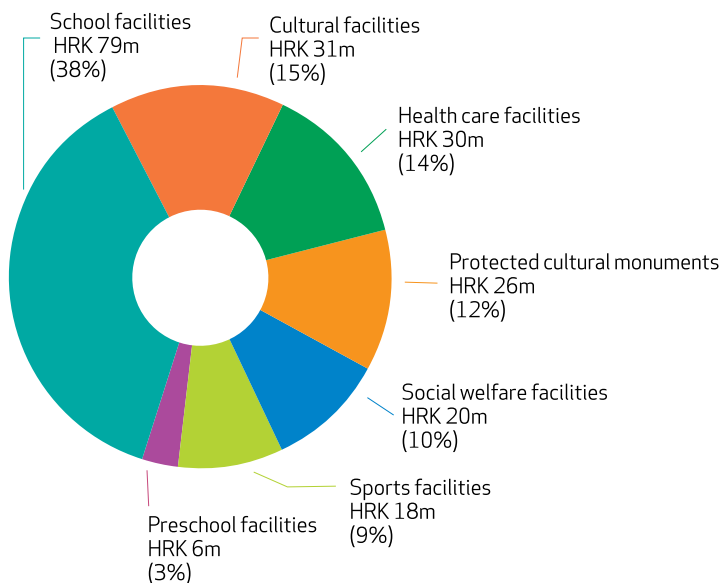
The most significant investments in utility infrastructure and equipment relate to unclassified roads and are aimed at increasing the quality, safety and level of services, and ensuring the transport network integrity. Some of the key planned investments in utility infrastructure and equipment are shown in graph 7. Depending on the project, funds will be used for the development of technical documentation, supervision or funding of different stages of construction and reconstruction.





**Graph 7: Some of the key planned capital investments in the construction of utility infrastructure facilities and equipment, 2016 (in million HRK)**

**Capital investments in social service activities** in 2016 are planned in the amount of **HRK 209m** (graph 8).



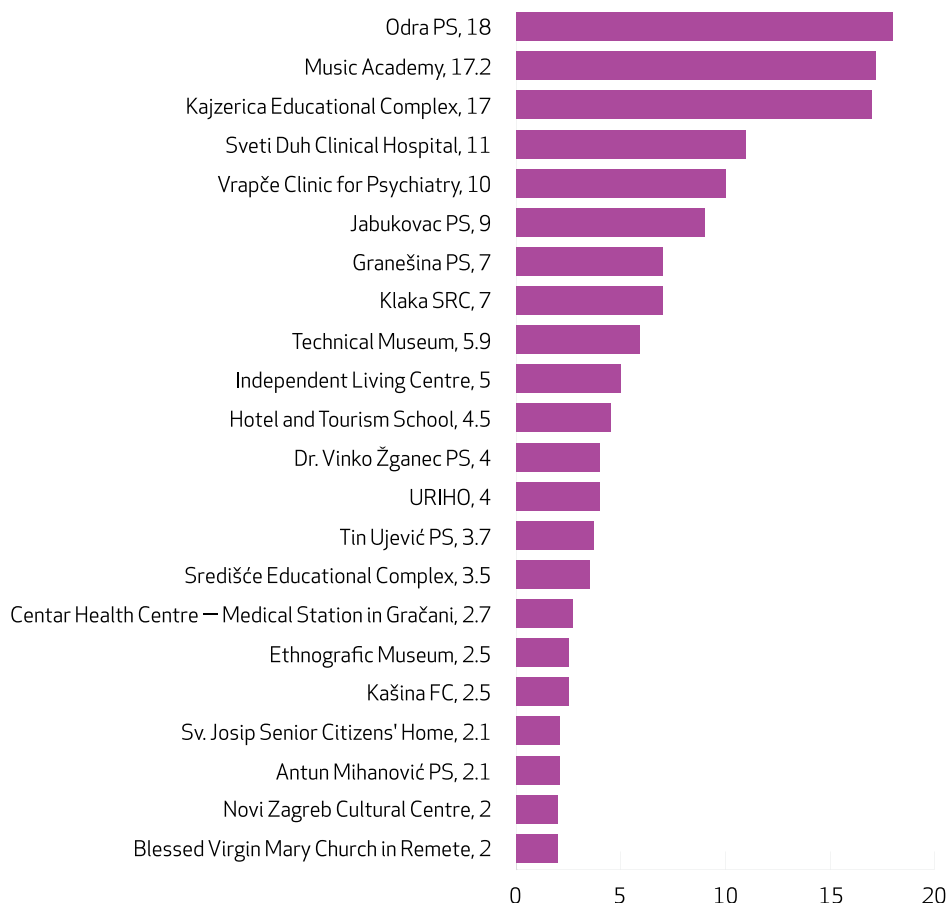
**Graph 8: Capital investments in social service facilities, 2016**



Compared with the budget proposal (see [A Brief Guide to the City of Zagreb 2016 Budget Proposal](#)), under the 2016 enacted budget, **investments in social service facilities go up by HRK 26.4m**, and mainly relate to:

- health care facilities (up HRK 11.9m, mostly for the reconstruction and extension of the Palliative Care Division in the Psychogeriatric Department of the Vrapče Hospital, and the Sveti Duh Hospital's roof repair);
- school facilities (up HRK 6.6m, the funds will be used for the start of construction of a sports hall at the Odra Primary School (PS), carrying out a public architectural and urban planning tender procedure for the Podbrežje PS, resolution of property relationships and development of project documentation for the Dragutin Kušlan and Bukovac PSs, the start of construction of a Markuševac PS, etc.);
- sports facilities (up HRK 5m, to be spent for the development of project documentation, the repair and remodelling of existing facilities and the athletic track at the Klaka Sports and Recreation Centre, as well as the development of project documentation and repair of the Kašina Football Club playground); and
- social welfare facilities (up HRK 2m, to be spent on the development of project documentation and remodelling of the Dubrava Senior Citizens' Home and Duga-Zagreb Home for Children and Adults – Domestic Abuse Victims).

Graph 9 shows some of the most important investments planned to be made in social service facilities in 2016. Depending on the project, the investments relate to the costs of development of project documentation, obtaining construction documents, conversion of premises, renovation, improvement, construction and furnishing, and resolution of property relationships.



Graph 9: Some of the key planned capital investments in social service facilities, 2016 (in million HRK)

## MAJOR CITY OF ZAGREB'S PROJECTS 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 significant projects implemented independently by the City and co-financed by government or the EU. Among the major 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 energy inefficient public-use buildings owned by the City, modernisation of part of the public lighting system, and implementation of renewable energy sources. The total value of planned investments over the period 2013–17 is HRK 238.8m. In 2016,



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

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](#), which includes improving the quality of tourist offer in multiple stages, by constructing new enclosures for animals and raising the quality of visitor services. Of the total amount of HRK 20m, planned for 2016, 95% will be provided from the European Regional Development Fund. The Zoological Garden is known as the most visited tourist site in the City and the sixth most visited attraction in Croatia.

## WHAT YOU CAN DO?

At its session of 22 December, the City Assembly, as the citizens' representative body, adopted the City of Zagreb 2016 budget in a substantial amount of HRK 8.5bn. During 2016, every employed person is expected to pay an average monthly amount of HRK 1,008 in personal income tax and surtax into the budget. The average monthly amount spent per citizen will be HRK 911. It is highly 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 analyse the implementation of the budget (e.g. during the discussion and adoption of mid-year and year-end reports on budget execution or the adoption of budget revisions, if any). You can also compare the business performance of the City of Zagreb with that of other cities and municipalities. This would improve 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

[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 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](#)

[A Brief Guide to the City of Zagreb 2016 Budget Proposal](#)