



A Brief Guide to the City of Zagreb 2018 Budget Execution



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The purpose of this brief guide is to provide citizens with basic information on the execution of the City of Zagreb's 2018 budget and to encourage them to monitor the budget and communicate with the City authorities in this respect. The full [Year-End Report on the Execution of the City of Zagreb's 2018 Budget](#) is available on the City's website. There is also the [Guide to the City of Zagreb Budget](#) (containing general information on the City's budget and the budget process) that can be helpful in understanding the report and the City's budget process in general.

The City Assembly on 21 December 2017 enacted the [City of Zagreb 2018 budget](#) with revenues and expenditures totalling HRK 8.8bn and HRK 9.1bn, respectively.

In October 2018, the City Assembly adopted a budget revision, i.e. a [Decision on Amendments to the City of Zagreb 2018 Budget](#), by virtue of which revenues increased by HRK 331.6m (3.8%), i.e. to HRK 9.14bn, and expenditures by HRK 382.8m (4.2%), i.e. to HRK 9.49bn.

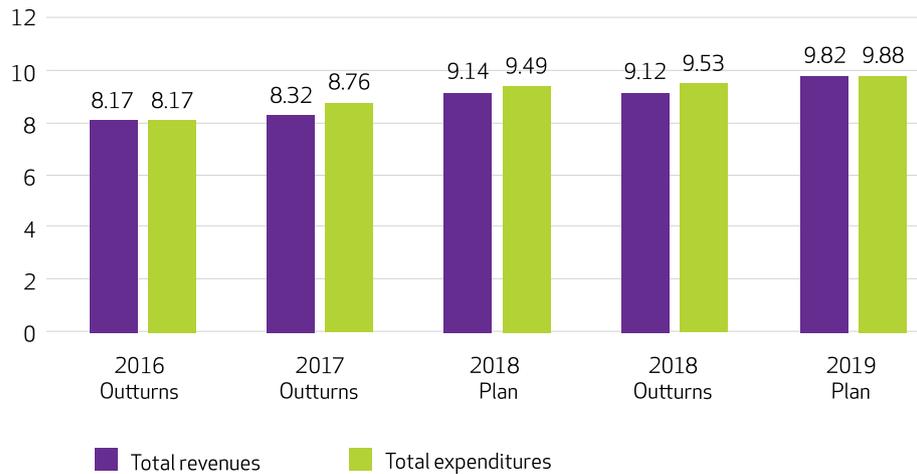
*In order to bring the planned expenditures into line with the **City's administrative bodies'** requirements, [conclusions on the reallocation of funds planned in the City of Zagreb budget](#) were issued by the Mayor on two occasions during 2018, namely on 29 June and 31 December. Specifically, [Article 46 of the Budget Act](#) and the [Decision on the City of Zagreb's 2018 Budget Execution](#) allow for the reallocation of up to 5% of expenditures and outlays under a reduced line item within a year, subject to Mayor's approval. Exceptionally, up to 15% of the funds can be reallocated, provided that this allows for an increase in the national shares in EU co-financed projects. The said reallocations did not affect the total amount of the City's budget. This Guide focuses on a comparison between the budget outturns and the reallocation of funds of 31 December 2018 (hereinafter: the plan).*

Pursuant to amendments to the [Budget Act](#), as from 2016, the City's budget also comprises own and earmarked revenues of all city budget users, as well as expenditures financed from these revenues.

City's administrative bodies offices, institutes and professional services performing activities within the competence of the City.

REVENUE AND EXPENDITURE OUTTURNS

The realised City of Zagreb's 2018 budget revenues and expenditures stood at HRK 9.12bn and HRK 9.53bn, respectively (graph 1). Compared with the plan, realised revenues dropped by HRK 12.5m (0.1%), while expenditures went up by HRK 37.4m (0.4%).



Graph 1: The City of Zagreb budget revenues and expenditures, 2016–19 (in billion HRK)*

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

earmarked revenues

the revenues whose purpose of spending has been predetermined. For example, revenues from utility fees are spent on the City's utility infrastructure maintenance.

The City's budget comprises the **revenues and expenditures of all 328 city 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 healthcare institutions (health centres, polyclinics, hospitals and institutes), preschool, primary and secondary school education institutions, social welfare institutions, the Zagreb Fire Department, the Office for Physical Planning, Public Institution Maksimir, the Zoological Garden, the Sports Facilities Management Institution, etc. Since 2016, the own and earmarked revenues of those entities have also been included in the City's budget planning and reporting process. The purpose of this was to increase transparency and integrity of reporting on all budget and budget users' revenues.

There are also [companies founded by the City](#) to provide public services and perform public interest activities (e.g. Zagreb Holding). However, as such companies are not majority-financed from the City's budget (i.e. they are not budget users), their revenues and expenditures are not shown in the City's budget.

REALIZED REVENUES

Total revenues realised in 2018 stood at HRK 9.12bn (graph 2), over half of which (HRK 4.9bn, i.e. 54%) came from **personal income tax and surtax**. The second largest source of revenues were various **fees and charges** (HRK 1.5bn, i.e. 16%), mostly utility contributions and charges (HRK 913m), parents' participation in preschool education co-financing (HRK 89m), and administrative fees, such as the government stamp duty and local tourist tax (HRK 40m). The third largest source of revenues were **budget users' revenues from the Croatian Health Insurance Fund (CHIF) for health services rendered** (HRK 1,045m, i.e. 11%).

Revenues from the **use of assets** (HRK 481m, i.e. 5%) were mainly revenues from annual public road user charges payable at vehicle registration (HRK 210m), and from the rental of office space, billboards, advertising boxes, terraces, parking places, mobile devices, kiosks, apartments, etc. (HRK 135m). Revenues from **other taxes** – mainly real property transfer tax (HRK 374m) and road motor vehicle tax (HRK 66m) – totalled HRK 466m (5%).

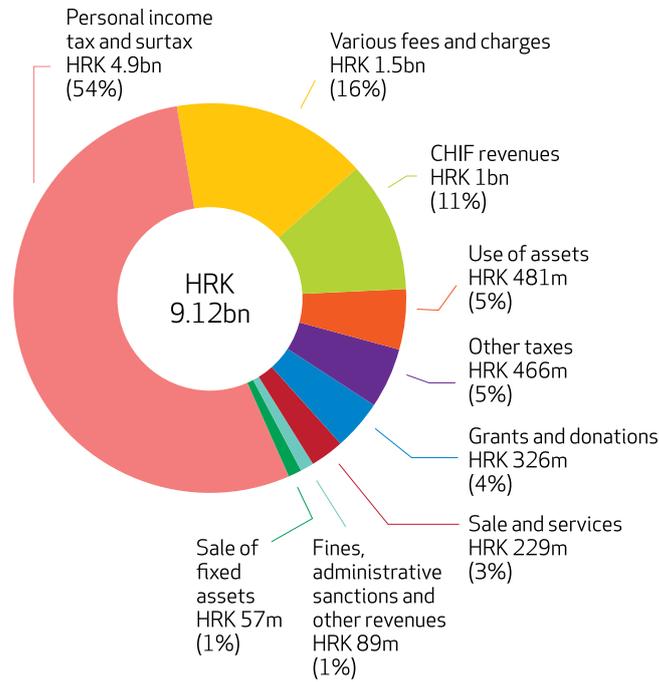
The bulk of **revenues from grants and donations** (HRK 326m, i.e. 4%) related to equalization grants for **decentralized functions** in primary and secondary education (HRK 64m) and state budget grants (HRK 97m) for the co-financing of local public transport of secondary school students, the Arena sports hall rental, rehabilitation of the Sv. Duh Hospital, promotion of SMEs, nutrition in schools and the preparation of technical documentation for landslide repairs. Grants for the compensation of a shortfall in personal income tax revenues amounted to HRK 26.5m and relate to the previous year, while, pursuant to the Act on the Financing of Units of Local and **Regional Self-government**, the City of Zagreb is no longer entitled to these grants. Grants from EU funds stood at HRK 71.3m and were used for the following projects: ZagEE, Teaching Assistants, Competition and Cohesion, Integrated Territorial Investment, the City of Zagreb's Youth Network, etc.



In the course of 2018, every employed person paid an average monthly amount of about HRK 1,085 in personal income tax and surtax into the budget.

decentralised functions responsibility for part of specific public services (primary and secondary education, health care, social welfare and firefighting services) which the state delegates to certain counties, cities and municipalities, providing them, in return, with additional funding.

regional self-government a legal framework within which counties and the City of Zagreb are responsible for specific public services (e.g. primary and secondary education, health care, social security and welfare) and are entitled to their own revenues and own representative and executive bodies.

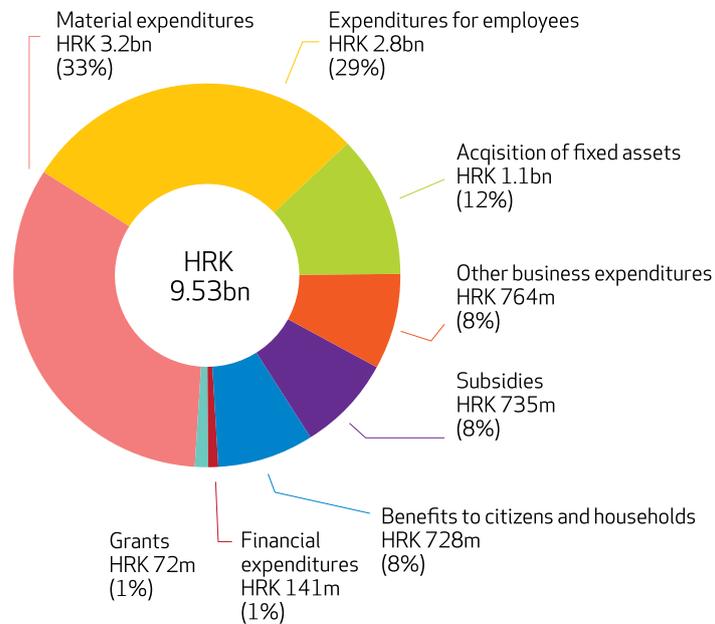


Graph 2: Realized City's budget revenues, 2018*

* Including own and earmarked revenues of budget users.

REALIZED EXPENDITURES BY TYPE

Total expenditures stood at HRK 9.53bn (graph 3), up HRK 37.4m (0.4%) from the plan.



Graph 3: Realized City's budget expenditures by type, 2018 (economic classification)*

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

The bulk of **material expenditures** (HRK 3.2bn) related to the current and investment maintenance of utility infrastructure facilities (e.g. public areas, public lighting, roads, cemeteries and the crematorium), city administration facilities and the City's budget users facilities, as well as leases and rentals, office supplies, energy use and services (such as telephone, postal services, transport and information services) necessary for the smooth operation of the City's administrative bodies and budget users.

Expenditures for employees (HRK 2.8bn) included salaries, social security contributions and other expenses for employees. Out of the total, HRK 1.73bn was spent on about 12,500 employees of administrative bodies, and budget users whose employees are not paid out of own and earmarked revenues (such as kindergartens and museums), and HRK 1.07bn on about 6,500 employees of budget users whose staff are paid out of own and earmarked revenues (e.g. hospitals, polyclinics and health centres). Also included were expenditures for persons involved in EU-funded projects.

Expenditures for the **acquisition of fixed assets** stood at HRK 1.1bn and covered the construction and maintenance of unclassified roads, utility infrastructure, commercial and other construction facilities, energy renovation of buildings within the framework of the ZagEE project, as well as landslide repair and equipment in schools, health care and social welfare institutions, etc.

Other business expenditures (HRK 764m) mainly included current donations and capital grants. Current donations (HRK 455m) were used for the co-financing of sports (HRK 207m), religious and private kindergartens and schools (HRK 95m), culture (e.g. libraries, museums, theatres, as well as music, visual arts and film) and non-profit organizations (associations, social, humanitarian and development programmes, etc.). The bulk of capital grants (HRK 245m) were spent on the settlement of liabilities of the Zagreb Wastewater (HRK 223.7m) for wastewater treatment and sludge disposal, on the public transport company's (ZET) motor fleet renewal and reconstruction (HRK 16.3m) and the Zagreb Waste Management Centre (HRK 4.5m).

Subsidies (HRK 735m) were used for the promotion of manufacturing and services of companies, sole proprietorships, farmers and SMEs. The bulk of the subsidies were allocated for public transport, i.e. ZET (HRK 582.7m), the Arena sports hall rental (HRK 67.7m), the employment of persons with disabilities (HRK 28.6m), the promotion of sole proprietorships, SMEs, farmers and craftsmen (HRK 20.8m), as well as radio and TV programmes, electronic publications (HRK 9.2m) and the Zagreb Innovation Centre (HRK 7.2m).

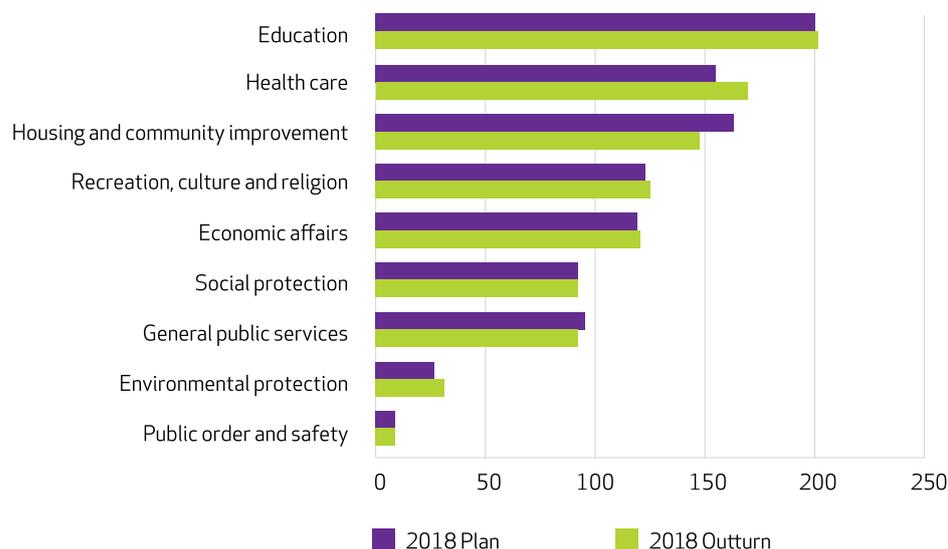


subsidy
a non-repayable sum of money granted to stimulate the production of goods or provision of services.

Benefits to citizens and households totalled HRK 728m, and comprised cash benefits for parent educators (HRK 290.7m), public transport (ZET) and the transport of persons with disabilities (HRK 91.1m), cash assistance for newborns (HRK 77.9m), the purchase of textbooks and school uniforms (HRK 69.2m), pension supplements (HRK 69m), assistance for improving the living standards of pupils and students, and aid to the orphans of fallen and missing homeland war veterans (HRK 34.7m), the co-financing of the local public transport of pupils (HRK 23.6m), nutrition of socially vulnerable persons (HRK 17.8m), housing assistance to households (HRK 13.7m) and various other types of assistance to persons with disabilities, homeland war veterans and victims, as well as scholarships for pupils and students, etc.

REALIZED EXPENDITURES BY PURPOSE

Average monthly budget spending per citizen in 2018 stood at HRK 989 (graph 4). The bulk of this amount was spent on education (HRK 202), followed by health care (HRK 170), housing and community improvement services (HRK 148), and recreation, culture and religion (HRK 125). Compared with the plan, the sharpest decline was seen in expenditures for housing and community improvement services (down HRK 15), whereas the steepest rise occurred in health care expenditures (up HRK 14).



Graph 4: Realized average monthly spending per purpose, per citizen (functional classification, 2018 (in HRK))*

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

Expenditures for education related to preschool education (staff costs in city kindergartens and city kindergarten fee subsidies), primary and secondary education (including a portion of employee salaries, e.g. for extended stay at school, material expenditures and the acquisition of fixed assets).

Expenditures for health care related to health protection, the development and implementation of health protection programmes and strategies, health promotion, addiction prevention and control, providing support for health programmes and projects carried out by associations, and other forms of organised health-oriented activities, as well as the coordination and control of City-owned health care institutions.

Housing and community improvement services related, for the most part, to the city property and public space maintenance (e.g. public lighting, etc.).

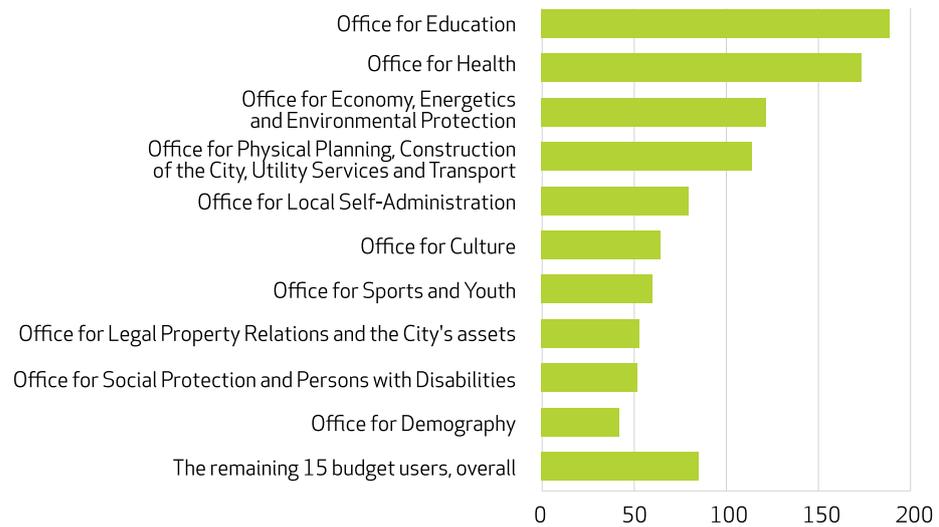
Expenditures for recreation, culture and religion included the funding of cultural institutions, supporting of various cultural programmes and activities, co-financing of sports activities, subsidizing of the Arena sports hall rental fees, etc.

Economic affairs generally included municipal public transport, road construction and maintenance, agriculture and tourism.

REALIZED EXPENDITURES BY BUDGET USER

Most of the City's administrative bodies accounted for relatively small shares in total expenditures, while **the three most important City offices** – the Office for Education, the Office for Health and the Office for Economy, Energetics and Environmental Protection jointly spent **approximately one half of the City's budget**, i.e. **a monthly average of HRK 478 per citizen**.





Graph 5: Realized average monthly spending per budget user (organisational classification) per citizen, 2018 (in HRK)*

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

FINANCING ACCOUNT

In 2018, the City's total revenues and expenditures stood at HRK 9.12bn and HRK 9.53bn, respectively. As the funds spent exceeded those collected, there was a budget deficit of HRK 408m (table 1).

financial assets
money, deposits, bonds,
loans, etc.

*In contrast to the terms revenues and expenditures, used in the revenue and expenditure account in relation to business operations and the sale and acquisition 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. 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 represents net financing which should be the amount equal to the surplus/deficit from the revenue and expenditure account.*

In 2018, the City's receipts totalled HRK 633.3m, of which HRK 250m related to a long-term loan for investment project funding and HRK 308m to **factoring** loans received from domestic credit institutions. Concurrently, outlays in the amount of HRK 364.1m were spent on financial assets and debt repayment, the bulk of which related to the repayment of the principals of received credit and loans (HRK 335.3m).

factoring
a financial transaction in which receivables from goods sold or services rendered are sold before maturity.

	2016 Outturns	2017 Outturns	2018 Plan	2018 Outturns	2019 Plan
Revenue and expenditure account					
Total revenues	8,169.7	8,322.3	9,135.1	9,122.6	9,815.5
Total expenditures	8,168.4	8,762.2	9,493.0	9,530.4	9,877.3
Deficit/surplus	1.3	-439.9	-357.9	-407.8	-61.7
Financing account					
Receipts from financial assets and borrowing	221.3	394.8	638.2	633.3	397.7
Outlays for financial assets and loan repayment	282.8	404.0	280.3	364.1	321.0
Net financing	-61.5	-9.2	357.9	269.2	76.6

Table 1: Revenue and expenditure account and financing account, 2016–19 (in million HRK)*

* Including own and earmarked revenues and receipts of budget users, and expenditures and outlays financed from those revenues and receipts.

As shown in tables 1 and 2, the 2018 deficit stood at HRK 407.8m and the difference between the realised deficit (HRK 407.8m) and net financing (HRK 269.2m) in 2018 amounted to HRK 138.6m. The latter amount and the deficit carried over from the previous year (HRK 592.3m), totalling HRK 731m, will have to be covered in the upcoming period.

		2017	2018
1.	Total revenues and receipts	8,717.11	9,755.83
2.	Total expenditures and outlays	9,166.21	9,894.47
3.	Current period's deficit (1-2)	-449.11	-138.64
4.	Deficit carried over from previous year	-143.81	-592.33
5.	Total deficit to be covered in the upcoming period (3+4)	-592.92	-730.97

Table 2: Covering the deficit carried over from previous years, 2017 and 2018 (in million HRK)

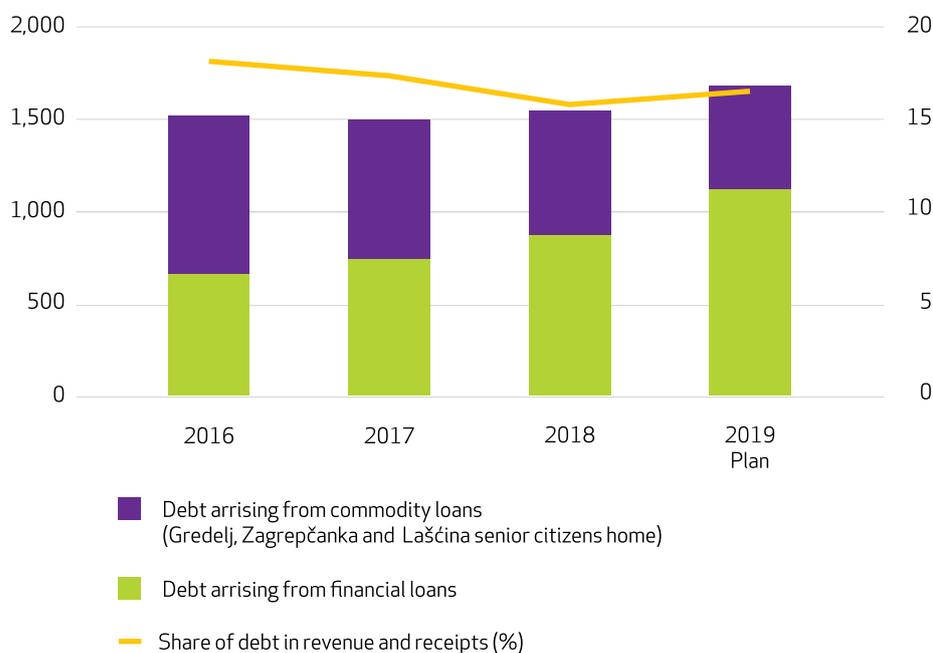


Direct debt is the sum of all budget deficits incurred in the current and in earlier periods, financed by borrowing.

THE CITY'S BUDGET DEBT

The City of Zagreb's direct debt stood at HRK 1.55bn at end-2018 (graph 6). The share of debt in budget revenues and receipts was about 15.9% in 2018, suggesting a relatively low level of indebtedness, which means that the City could easily service its direct debt from regular revenues and receipts. In 2014, the debt rose by about HRK 900m, on account of a loan taken out by the City for the Laščina senior citizens home, and for buying the former Gredelj Rolling Stock Factory and Zagrepčanka from Zagreb Holding. The sale of inoperative properties has been one of the measures under the Financial Restructuring Programme for Zagreb Holding. Since both of the aforementioned former factories are cultural assets, the City has exercised its right of pre-emption with respect to them, taking into account their strategic and development potential. The ten-year loan for the purchase of these assets was booked as "debt arising from commodity loans" as of 2014.

It should be noted that, according to the Budget Act, the City needs to obtain government approval for any long-term borrowing; graph 6 therefore shows planned debt for 2018, while real debt will depend on such approval.



Graph 6: The City's debt (in million HRK, left scale) and the share of debt in budget revenues and receipts (in %, right scale), 2016-2019*

*Debt arising from commodity and financial loans represents only the City's debt, without the debt of budget users; the revenues and receipts include own and earmarked revenues and receipts of budget users.

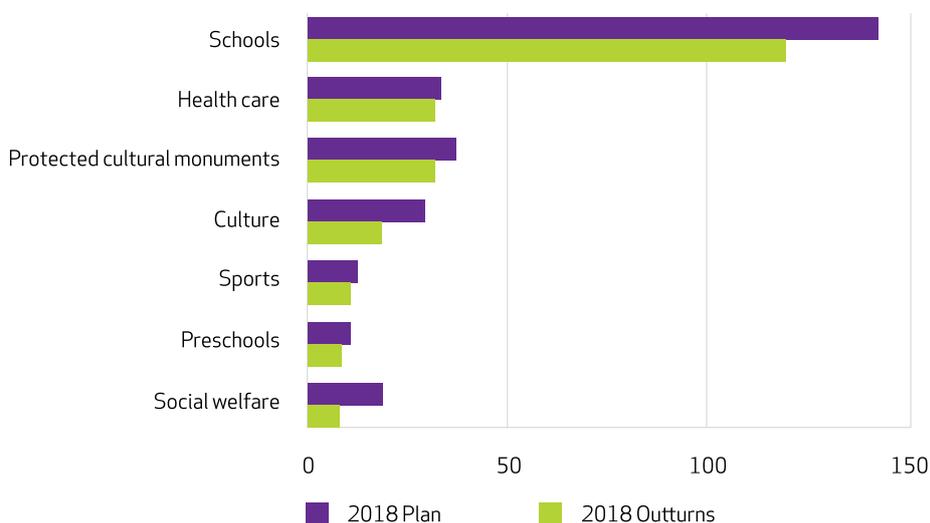
Besides the direct debt shown in graph 6, the City was potentially (through issued guarantees) exposed to an **indirect debt of HRK 2.37bn** (24.3% of

total revenues and receipts in 2018). The largest portion of that amount (HRK 2.3bn) related to a guarantee for the Zagreb Holding bonds issued in mid-2016 to refinance a 2007 debt. The guarantee has been approved by the finance minister.

DEVELOPMENT PROGRAMMES – MAJOR INVESTMENTS

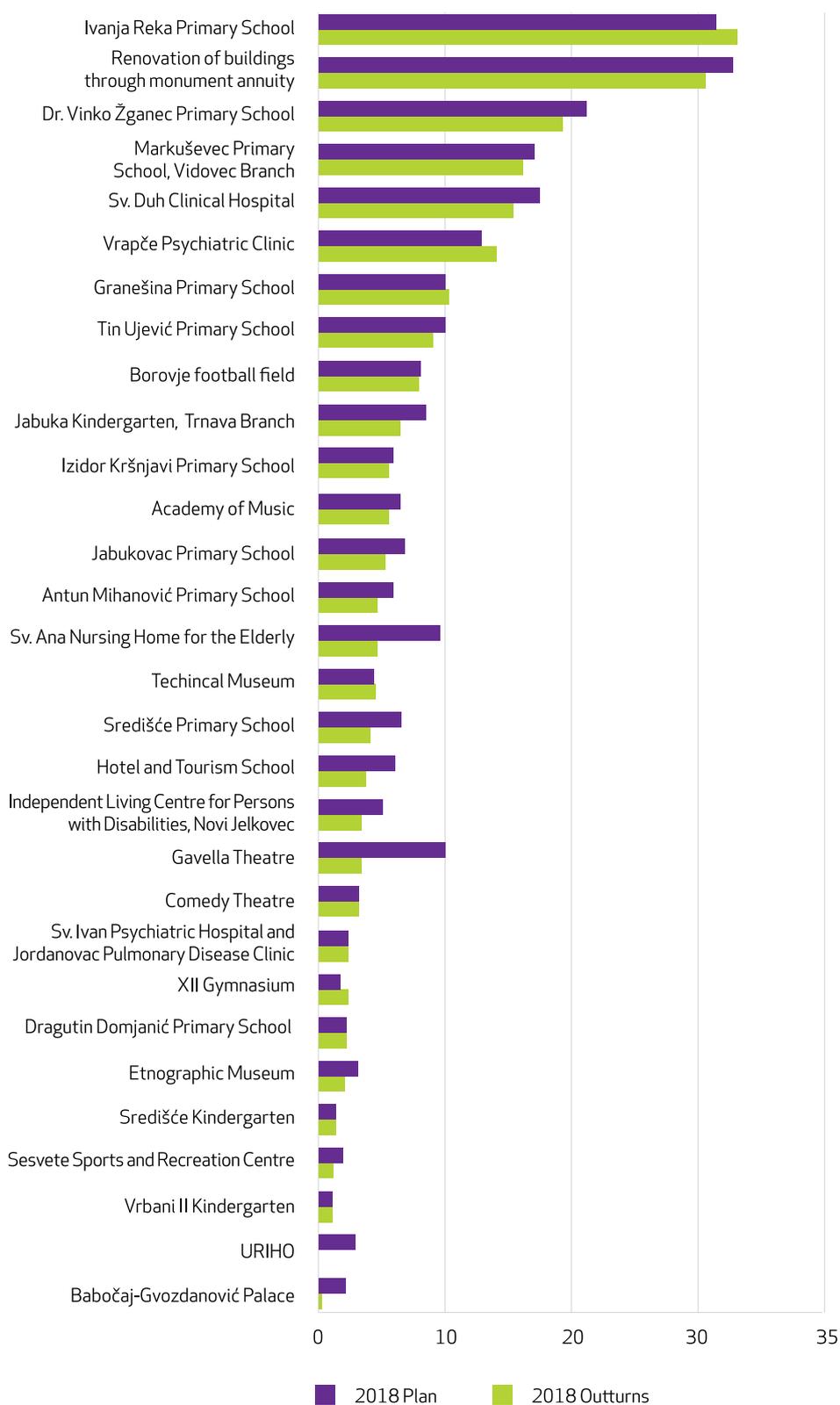
The amount spent for the acquisition of fixed assets totalled HRK 1.1bn in 2018, the lion’s share relating to capital investments in social service facilities (HRK 229m) and the construction of utility infrastructure facilities and equipment (HRK 436.6m). Another HRK 55.4m was spent for the energy renovation of buildings within the ZagEE project.

Capital investments in social service facilities were planned in a total amount of HRK 287.6m. However, only HRK 229m was spent in 2018, down 20.4% from the plan (graph 7). Compared with the plan, investments in school facilities saw the sharpest fall (HRK 23.1m), followed by investments in social welfare (HRK 11.1m) and culture (HRK 11m). However, comparing to 2017, in 2018 total capital investments in social services facilities rose by HRK 109m, and investments in school facilities by HRK 85m.



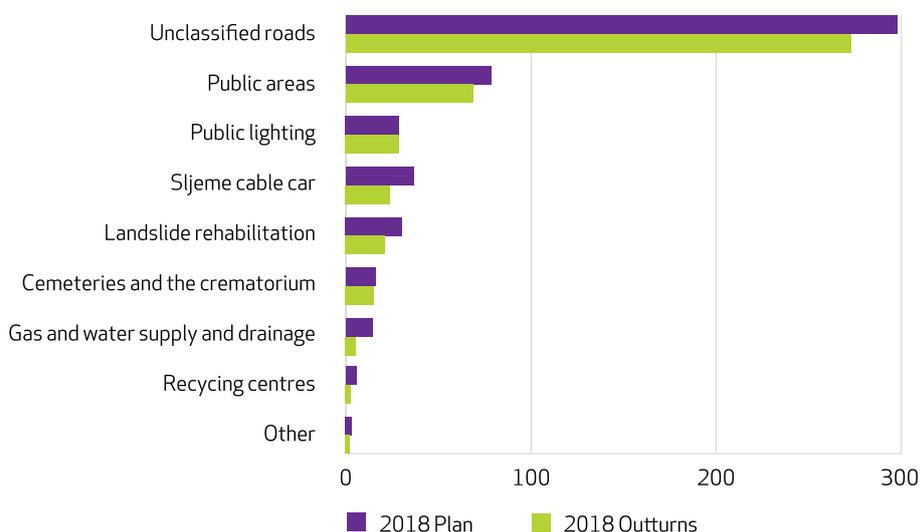
Graph 7: Capital investments in social service facilities, 2018 (in million HRK)

Graph 8 shows some of the key investments in social service facilities in 2018. Depending on the project, the investments cover the costs of project documentation development, conversion of premises, repairs, alterations and construction, and the costs of property relationships settlement.



Graph 8: Some of the key investments in social service facilities, 2018 (in million HRK)

The amount planned for the construction of utility infrastructure facilities and equipment in 2018 was HRK 509.5m, while the actual amount spent was HRK 436.6m, down 14.3% from the amount (graph 9). Compared with the plan, the biggest falls in investment were seen in unclassified roads (HRK 25.1m), Sljeme cable car (HRK 13m) and public areas (HRK 10.9m). However, the amount spent for the construction and maintenance of unclassified roads in 2018 went up by HRK 136m relative to 2017.



Graph 9: Capital investments in the construction of utility infrastructure facilities and equipment, 2018 (in million HRK)

Depending on the project, funds for the construction of utility infrastructure facilities and equipment were used for the preparation of technical documentation, the funding of different phases of construction, and the adaptation or reconstruction of unclassified roads, public areas, public lighting, etc.

Some of the major projects completed in 2018 included the following: the renovation of the children’s playground in Siget, renovation of the Veterans Park in Trnovčica, arranging of the spaces surrounding the Home of Croatian Association of Fine Artists at the Žrtava fašizma square, a monument to dr. Franjo Tuđman at the crossing of Vukovarska street and the Hrvatske bratske zajednice avenue, reconstruction of the Lovre Matačića square in Sesvete, completion of the 3rd and 4th phases of construction of Radnička street, construction of noise barriers along Slavonska avenue near Vrbik, extraordinary maintenance of Preradovićeva street, construction of roads and parking lots with storm drains and public lighting

within the educational complex Središće, construction of the Mirogoj cemetery fence along Remetska street, improvement of access roads to and sewers in the Mirogoj and Miroševac cemeteries, modernization of suspended street lighting in Zagreb Lower Town (Dalmatinska, Medulićeva and Kačićeva streets) and of the public lighting of a part of the Zagreb avenue, public lighting of the underpass near the National and University Library, and landslide repairs in the following streets: Ivanov put, Sv. Barbara, Sljemenska cesta, Vidovec 190, Vidovec 215, Novi Goljak, Zatišje, Orešje, Lipnica, Blaguška and Pantovčak.

HOW CAN YOU PARTICIPATE IN THE BUDGET PROCESS?

The City Assembly, as the citizens' representative body, will soon discuss the 2018 budget outturns (HRK 9.12bn in revenues and HRK 9.53bn in expenditures). Every employed person paid an average monthly amount of about HRK 1,085 in personal income tax and surtax into the budget, while the average monthly amount per citizen spent by the City was HRK 989. With the help of the data presented in this brief guide and the [Guide to the City of Zagreb Budget](#), you can examine the planned and realised budget amounts, contribute to the Assembly's discussions and help improve the efficiency of the City's budget funds collection and utilisation, in accordance with citizens' wishes and budget capacity.



USEFUL WEBSITES

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

[City of Zagreb – Finances](#) – City budget, City credit rating, forms

[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, bodies and powers

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

[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

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