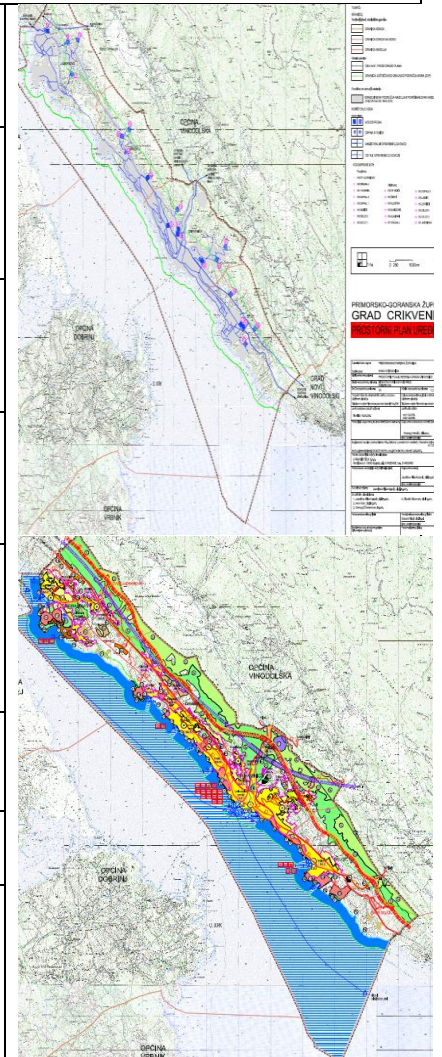


CITY OF CRIKVENICA

1. CITY PROFILE	
Territorial organisation	Four settlements: Crikvenica, Selce, Dramalj and Jadranovo
Demography	Total resident population (2011 census): 11.122 Annual population growth: -0,00137% Rank in the country (in population): 62 Vital index: 53,8 Population density: 397 inhabitants/km ²
Economy	Gross income per capita, 2010 (in euro): 8.778 Net income per capita, 2010 (in euro): 6.086 Activity rate (2011): 11,8 Unemployment rate (% active population): 11,6 National development index : 100-125%
Decentralised functions ant the City level	kindergartens primary education water supply, waste water fire protection
Utility management	City utility (communal) company: 2 Utility company "VODOVOD ŽRNOVNICA (water supply, heating, gas supply, parking etc.) Utility company „Murvica“ (drainage and wastewater treatment, collection and disposal of waste, municipal cemeteries, city market, city park, city beach, city gym, maintenance of public spaces)
Municipal staff	General administration: 38 Technical service unit: 1 Representatives: 3 Part time officers: 2
Urban issues and Challenges	Issues: overbuilt urban spaces Challenges: rehabilitation and improvement of the living conditions of the urban space
Existing project investment plan	Main capital projects and plan for capital investment in the three years: Building a school sports hall 1.2 M € - Capital investment in culture 0,5 M € - Continued investment in the main town square 7 million € - Investment in water and sanitation 1 million € - Construction of a new city cemetery 8 million € - Investment in agro-zone 1 million €.

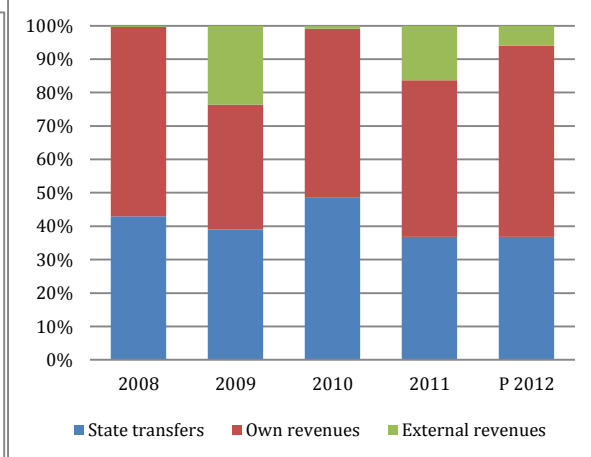
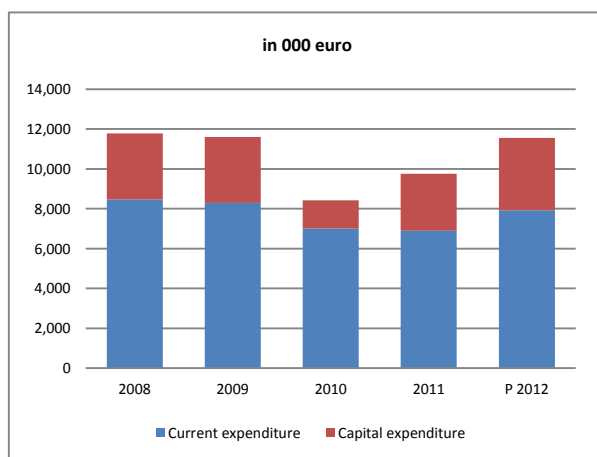


2 FINANCIAL SITUATION						
in 000 euro		2008	2009	2010	2011	P 2012
1	Total current revenue	9.744	8.856	8.370	8.782	9.825
2	Balance N-1 (if surplus)	0	0	0	0	0
3	Current revenue year N	9.744	8.856	8.370	8.782	9.854
4	Operating expenditure	8.472	8.294	7.007	6.902	7.920
5	Operating margin	1.272	562	1.362	1.880	1.905
6	Debt repayment	61	54	63	62	95
7	Net margin	1.211	508	1.299	1.818	1.810
8	Capital expenditure	2.976	3.113	1.462	2.941	3.929
9	Financing	1.765	2.606	163	1.123	2.120
10	- Own capital investment rev.	1.429	120	107	26	995
11	- Investment grants	0	0	0	0	0
12	- Loan	336	2.485	56	1.097	1.124
13	Investment balance	0	0	0	0	0
14	Overall closing balance	61	54	63	62	95

Change:
1 EURO= 7,51734 HRK

Inflation index
2008:6,1
2009:2,4
2010:1,1
2011:2,3
2012:3,4
Source: CSO and Ministry of finance

in 000 euro	2008	2009	2010	2011	P 2012	structure 2008-2012 average	
CURRENT REVENUE	9.702	8.287	8.247	8.529	9.306	84%	Own (local fees) revenue main source of funding.
1 State Transfers	4.779	4.283	4.052	3.739	3.732	39%	Shared (income) taxes represents second dominant source of funding.
- Shared taxes	4.375	3.866	3.657	3.337	3.323	35%	
- Conditional operating transfers	405	417	395	402	408	4%	
2 Own revenue	4.922	4.004	4.195	4.790	5.575	45%	Shared taxes are classified as a state transfers.
- Local taxes & levies	697	611	611	586	600	6%	
- Local fees	3.450	2.674	2.584	3.328	4.011	31%	
- Local asset revenues	775	718	1.000	876	964	8%	
NON-CURRENT REVENUE	1.490	2.739	267	1.766	2.189	16%	State conditional operating transfers account only 5% of total budget revenue
1 State Transfers and grants	28	16	80	55	506	1%	
2 Own revenue	1.429	120	107	26	995	5%	
3 External revenue	34	2.603	80	1.685	688	10%	
- Loans proceeds	19	2.050	38	1.487	675	8%	
- Donation	15	553	42	199	13	2%	
TOTAL REVENUE	11.192	11.026	8.514	10.295	11.495	100%	
1 State transfers	4.807	4.299	4.133	3.794	4.237	40%	
2 Own revenues	6.351	4.124	4.302	4.816	6.570	50%	
3 External revenues	34	2.603	80	1.685	688	10%	
	2008	2009	2010	2011	P 2012	structure 2008-2012 average	
CURRENT EXPENDITURE	8.472	8.294	7.007	6.902	7.920	73%	Capital expenditure 27% of total expenditure . Current expenditure slightly decreased.
1 Payroll (including employees' benefits & misc.)	2.333	2.503	2.318	2.372	2.613	23%	
2 Operating costs	4.443	4.374	3.336	3.289	4.041	37%	
- Compensation of employees	109	116	113	97	124	1%	
- Office supplies	75	76	81	64	85	1%	
- Electricity	191	210	243	248	239	2%	
- Communication (telephone, etc.)	163	195	199	201	237	2%	
- Fuel & gas	12	9	11	15	16	0%	
- other goods	68	71	68	68	60	1%	
- other services	0	0	1.000	1.017	1.265	6%	
- other current expenditure	3.826	3.698	1.623	1.579	2.015	24%	
3 Maintenance costs	1.696	1.417	1.353	1.241	1.265	13%	
CAPITAL INVESTMENT EXPENDITURE	3.305	3.314	1.417	2.849	3.640	27%	
- Civil Works	1.546	3.140	663	1.172	2.754	17%	
- Equipment purchase	99	123	126	113	109	1%	
- Others	1.660	51	629	1.564	778	9%	
TOTAL EXPENDITURE	11.777	11.608	8.425	9.751	11.560	100%	



4 RATIO ANALYSIS

Indicator	Objective	benchmark	City index			
			2008	2009	2010	2011
1. Credit worthiness						
Operating Savings before interests / Current actual revenue	The LG has the capacity to borrow and to invest	> 0,3	0,13	0,06	0,16	0,2
Net Operating Surplus (after debt service including capital repayment) / Current actual revenue	The LG has the capacity to borrow more	> 0,2	0,05	0	0,11	0,2
Cash (end of the year) / current liabilities (divided by 365 days)	The LG ability to meet its short-term obligations	90 days	174	25	40	183
2. Indebtedness						
Debt outstanding / operating surplus (capacity to clear its debt)	The LG capacity to clear its debt with operating surplus	< 10 years	1,5	3,9	0,7	1,6
Debt service / Total current revenue	The annual debt burden is correct regarding current revenue	< 10 %	5,6	8	4,1	4,7
3. Fiscal autonomy						
Own tax receipts + unconditional grants / Current actual revenue	The LG has the ability to increase its revenue	> 80 %	7,2	6,9	7,3	6,7
Tax pressure (Tax receipts/Tax potential)		< 70 %	95	93	98	90
4. Capital investment effort						
Capital investment expenditure / Current actual revenue	The LG favours development expenses	> 40 %	30,5	35,2	17,5	33,5
Capital investment expenditure delegated by State / Total investment expenditure	The LG functions are still weak	> 50 %	0	0	0	0
5. Level of service						
Maintenance works expenditure / Operating expenditures	The LG has important non-current assets to maintain and make it a priority	> 30 %	20	17,1	19,3	18
6. Other						
Total number of municipal employees / population	The LG has limited room for financing maintenance & capital investment	> 25 employees for 1000 inhabitants	4	4	4	4
Salaries & wages / Operating actual expense		> 40 %				
Actual revenue / Estimated revenue	The LG has a good visibility and Budget is reliable	> 95 %	95,1	86	90,2	85,1
Arrears amount / net cash (end of the year)	The LG accumulate short term debt and reduces its credibility towards contractors	> 1		4,9	5,5	185

5. FINANCIAL PROJECTIONS/INVESTMENT PROGRAMING

Need to consolidate urban development vision and municipal finance system. Main assumption for projections are the historical analysis and the assumption behind the budget circular from the central government budget

6 CITY FINANCE IMPROVEMENT PLAN

Improve financial situation of the municipality: Replace conditional grants with unconditional grants or Shared Taxes, Introduce property tax, Give more flexibility on the local tax policy and Improve coordination with tax administration in local tax collection.

Improve financial management of the municipality: Improve forecast reliability, Improve cost analysis of main (larger) expenditure, Improve expenditure control, Improve Budget execution (e.g. Program contract based on performance indicators).