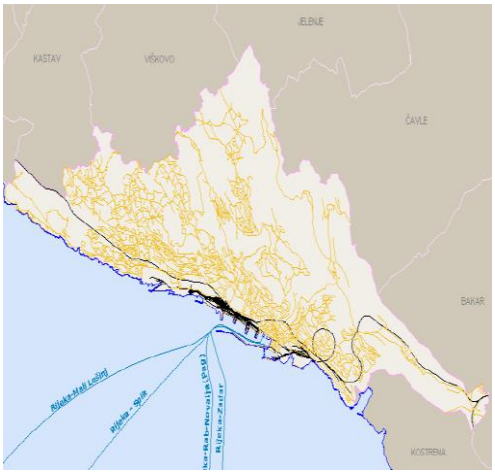
CITY OF RIJEKA

1 City profile

1 Territorial organization	
Number of sub-municipalities	12
Number of local boards	34
Area of the municipality and agglomeration in square kilometre	44 km2
2 Demography	
Total resident population (2011 census)	128.735
Annual population growth	-1,17%
Rank in the country (in population)	3
Vital index (live births per 100 deaths)	62,7
Population density	2.923 inhabitants/km2
3 Economy	
GDP per head (country level) - in Euro	10.697
Gross wages in 2010 (in euro)	10.270
Net wages in 2010 (in euro)	7.037
Unemployment rate (% active population) in 2012	16,1
4 Utilities management	
Number of utility companies owned by the city : 5	Employees
Autorelej - city transport	641
Čistoća - Refuse collection and waste management	430
Energo - Urban heating, gas supply, public lighting	147
Kozala - city cemetery maintenance and building	119
Rijeka Promet - maintenance of local roads, parking and public garage	118
Total	1.455
5 Municipal staff	No
Total	439
General administration	163
Education	12
Social services	13
Technical service units	43
Housing (utility system)	121
Entrepreneurship	16
Culture	28
Sport and technical culture	9
Environmental protection (including waste disposal)	34



6 Capital investment plan (selected capital projects)

Project name	Timeframe	Total costs (in 000 euro)
Preparing location for the City investments	2012-2014	1.920.532
Preparing location for the City investments – Transport infrastructure	2012-2015	3.691.365
Property legal preparation for Housing incentives	2012-2016	2.138.527
Access roads PC Policentro with infrastructure	2012-2017	2.101.996
Tunnel connection to the road D-404	2012-2018	405.946
Investments in roads - Rijeka Promet	2012-2019	4.677.573
Municipal infrastructure and connections for housing construction on Drenova	2012-2020	1.339.475
Central building The cemetery Drenova – loan repayment	2012-2021	1.720.113
Construction of ŽCGO "MARIŠĆINA"	2012-2022	2.144.086
Arrangement of parks and other public areas	2012-2023	1.813.321
Solar energy in the City	2012-2024	385.165
IT Infrastructure	2012-2025	1.621.201

2 Financial situation

In 000 euro	2008	2009	2010	2011	P 2012	Average annual growth	% structure
1 Total current revenue	98.777	92.873	91.928	82.965	87.975	-2,7	**82%**
2 Balance N-1 (if surplus)	216	133	0	0	0		0%
3 Current revenue year N	98.561	92.741	91.928	82.965	87.975	-2,6	82%
4 Operating expenditure	91.251	90.606	93.321	80.027	81.199	-2,6	79%
5 Operating margin	7.526	2.267	-1.393	2.938	6.776	-102,9	3%

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

6 Debt repayment	4.296	3.532	4.845	8.051	11.590	32,4	6%
7 Net margin	3.229	-1.265	-6.239	-5.113	-4.813	57,5	-3%
8 Capital expenditures	**28.014**	**11.957**	**19.625**	**22.000**	**17.731**	**-0,1**	**18%**
Total expenditure	**126.791**	**104.830**	**111.553**	**104.965**	**105.707**		**100%**
9 Financing requirements	24.785	13.222	25.863	27.113	22.545	9,2	
10- Own capital revenues	5.429	4.303	5.833	4.533	12.267	40,8	
11 - Investment grants	2.452	2.286	1.287	1.017	5.109	82,7	
12- Loans	17.038	0	12.199	14.981	5.169	-35,7	
12.1 - Surplus/deficit in current (N) year	-135	6.633	6.544	6.583	0		
13 Investment balance	0	0	0	0	0		
14 Overall closing balance	4.296	3.532	4.845	8.051	11.590	32,4	

3 Historical analysis

In 000 euro	2008	2009	2010	2011	p 2012	% structure av. 2008-2012
CURRENT REVENUE	**98.730**	**92.793**	**91.832**	**82.865**	**87.933**	83%
1State Transfers	**45.538**	**41.909**	**38.142**	**37.140**	**40.669**	37%
- Shared taxes	43.312	39.712	35.545	34.843	38.694	35%
- Conditional operating transfers	2.226	2.197	2.597	2.297	1.975	2%
2 Own revenue	**52.977**	**50.751**	**53.690**	**45.724**	**47.264**	46%
- Local taxes & levies	5.561	5.189	4.828	7.550	8.541	6%
- Local fees	25.739	19.318	20.652	20.889	19.800	19%
- Local asset revenues	21.677	26.244	28.211	17.285	18.923	20%
3 Other revenue	**216**	**133**	**0**	**0**	**0**	0%
NON-CURRENT REVENUE	**24.966**	**6.669**	**19.415**	**20.631**	**22.587**	17%
1 State Transfers and grants	**1.844**	**1.854**	**1.270**	**944**	**2.900**	2%
- Conditional operating transfers	1.844	1.854	1.270	944	2.900	
2 Own revenue	**5.429**	**4.303**	**5.833**	**4.533**	**12.267**	6%
- Asset sales	5.429	4.303	5.833	4.533	12.267	
3 External revenue	**17.693**	**512**	**12.312**	**15.155**	**7.420**	10%
- Loans proceeds	9.615	0	12.199	14.981	5.169	8%
- Municipal bonds	7.423	0	0	0	0	0%
- Donation	655	512	112	174	2.252	1%
TOTAL REVENUE	**123.696**	**99.462**	**111.247**	**103.496**	**110.520**	**100,0**
1 State transfers	47.382	43.763	39.413	38.084	43.569	38,8
2 Own revenues	58.405	55.055	59.523	50.257	59.531	51,7
3 External revenues	17.693	512	12.312	15.155	7.420	9,4
4 Surplus Y-1	216	133	0	0	0	0,1

Shared (income) taxes and own revenues represents dominant source of funding.

Shared taxes are classified as a state transfers.

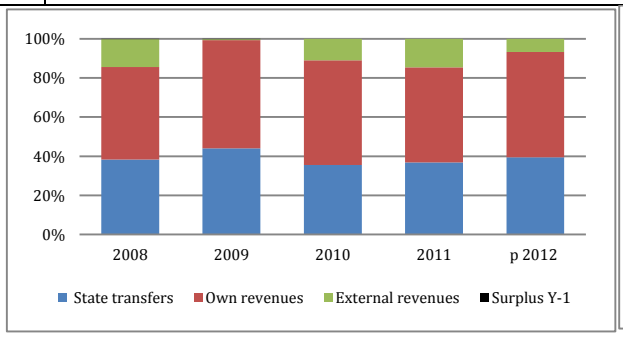
State conditional operating transfers acount only 2% of total budget revenue

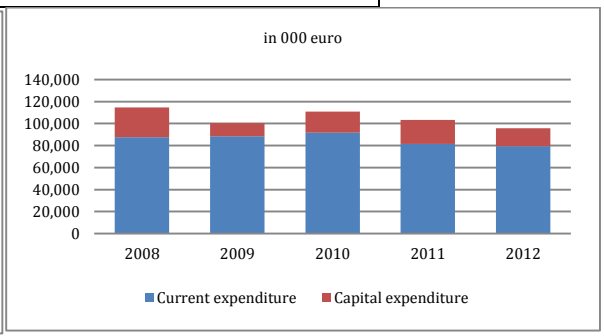
	2008	2009	2010	2011	p 2012	% structure av. 2008-2012
CURRENT EXPENDITURE	**92.789**	**91.979**	**95.722**	**83.069**	**84.449**	**100%**
Payroll (including employees benefits & misc.)	**27.882**	**28.501**	**26.715**	**25.813**	**25.691**	30%
- Wages	21.791	22.784	21.476	20.926	20.700	24%
- Other expenses for employees	2.062	1.523	1.264	973	1.093	2%
- social contributions	4.028	4.194	3.974	3.913	3.898	4%
Compensation of employees and people outside the employment relationship	**1.055**	**929**	**883**	**858**	**837**	**1%**
Expenditures for materials and energy	**3.381**	**3.568**	**3.408**	**3.100**	**3.186**	**4%**
- Office supplies and other material expenses	640	597	637	488	441	1%
- Energy (Fuel and gas)	2.284	2.364	2.449	2.295	2.465	3%
- Other expenses for materials	457	607	322	317	280	0%
Expenditures for Services	**25.132**	**25.973**	**23.716**	**23.705**	**22.873**	**27%**
- Telephone, mail and transportation	961	889	794	838	759	1%
- Current and capital maintenance	11.918	12.052	9.900	8.723	8.732	11%
- Utility services	3.943	3.623	3.609	4.404	4.438	4%
- Rents and lease	1.430	1.649	2.269	2.384	2.222	2%
- Other expenses for services	6.880	7.759	7.144	7.356	6.721	8%
Other unspecified operating expenses	**2.618**	**2.577**	**8.862**	**1.648**	**1.548**	**4%**

Capital expenditure 20% of total expenditure .

Current expenditure decreased.

Interest rates for securities and loans received	**1.538**	**1.373**	**2.401**	**3.041**	**3.250**	**3%**
Banking services and other unspecified financial expenses	**360**	**371**	**1.897**	**2.429**	**2.205**	**2%**
Subsidies	**4.958**	**4.494**	**3.970**	**3.836**	**3.871**	**5%**
Compensations to citizens and households	**4.264**	**4.771**	**5.241**	**5.230**	**4.480**	**5%**
Grants and donations	**19.732**	**17.949**	**17.355**	**12.514**	**16.013**	**19%**
loans given expenditure	**1.705**	**948**	**944**	**870**	**122**	**1%**
expenditure for shares and equities	**164**	**527**	**331**	**24**	**374**	**0%**





4 Ratio analysis

Indicator	Objective	benchmark	2008	2009	2010	2011
Credit worthiness						
Operating Savings before interests[1]/ Current actual revenue	The LG has the capacity to borrow and to invest	> 0,3	7,6	2,4	-	3,5
Net Operating Surplus[1] (after debt service including capital repayment)/ Current actual revenue	The LG has the capacity to borrow more	> 0,2	3,3	-	-	-
Cash (end of the year) / current liabilities (divided by 365 days)[2]	The LG ability to meet its short-term obligations	90 day	789	172	55	16
Indebtedness						
Debt outstanding / operating surplus[1] (capacity to clear its debt)	The LG capacity to clear its debt with operating surplus	< 10 year	4,1	16,5	-	23,4
Debt service / Total current revenue	The annual debt burden is correct regarding current revenue	< 10 %	4,3	3,8	5,3	9,7
Fiscal autonomy						
Own tax receipts[3] + unconditional grants / Current actual revenue	The LG has the ability to increase its revenue	> 80 %	5,6	5,6	5,3	9,1
Tax pressure (Tax receipts/Tax potential)[4]		< 70 %	99%	99%	99%	99%
Capital investment effort						
Capital investment expenditure / Current actual revenue	The LG favours development expenses	> 40 %	37,1	21,8	30,8	33,4
Capital investment expenditure delegated by State / Total investment expenditure	The LG functions are still weak	> 50 %	6,7	11,3	4,5	3,7
Level of service						
Maintenance works expenditure / Operating expenditures	The LG has important non-current assets to maintain and make it a priority	> 30 %	12,8	13,1	10,3	10,5
Other						
Total number of municipal employees / population	The LG has limited room for financing maintenance & capital investment	> 25 employees for 1000 inhabitants	3,3	3,3	3,4	3,4
Salaries & wages[5] / Operating actual expense		> 40 %	10,0	10,5	9,8	10,4
Actual revenue / Estimated revenue	The LG has a good visibility and Budget is reliable	> 95 %	84,0	82,4	85,3	82,3
Arrears amount / net cash (end of the year)	The LG accumulate short term debt and reduces its credibility towards contractors	> 1	0,46	2,12	6,6	22,62

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 Finance Improvement Action Plan

Improve financial situation of the municipality

The competence of the central government

Increase fiscal autonomy change conditional user fees with unconditional revenue, introduction of property tax instead of utility charges (contributions) Give more flexibility on the local tax policy, increase the local government share in income tax.

Increase LGU borrowing flexibility, increase in borrowing rates for all local government units from the current 2.5% of operating revenues.

Operations that are planned and implemented at local level

Increase fiscal autonomy and local tax collection, Reconsider the rate of taxes and fees, analysis of existing rates of tax and non-tax revenue

Fostering Entrepreneurship Project subsidies (implementation of aid scheme to entrepreneurs), Issuance of permits for construction (organizational and technical improvements).

Improve financial management of the municipality

Credibility of the budget- Improve forecast reliability, greater caution in planning

Policy-based budgeting - Improve cost analysis of main expenditure increased monitoring and analysis

Improve Budget execution - Introduce city treasury, drafting terms of reference for IT support, making maps of business processes, Office for financial management and control