

## 1. City Profile

**Territorial organization:** The city of Subotica is the second most populous city in the Autonomous Province of Vojvodina (after Novi Sad) and one of 23 Serbian cities with a metropolitan organization made up of an inner city and 18 suburban settlements (see Law on Territorial Organization of December 28, 2007).

**Population:** 141,554 (2011 census); Annual growth: -0.4%. Total area: 1,007 km<sup>2</sup> (100,700 ha). Density: 140/km<sup>2</sup> (1.4/ha).

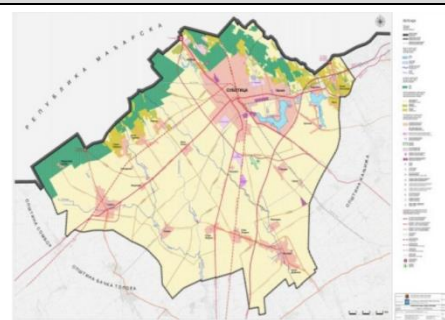
**Economy:** Business entities: 5,179 (excluding entrepreneurs). Labor force: 99,226 or 70% of the population. Unemployed: 11% (registered 2012). Located close to the border with Hungary, the city holds a strategic position and is the most important administrative, industrial, trade, traffic, and cultural center in the northern Bačka region; and Lake Palić is the tourist-recreational center of an even larger territory. Key economic sectors: agriculture, food production and processing, the electronics industry, the metal and chemical processing industry, and the service sector. Tourism represents an enormous potential, which has been confirmed in the tourism development strategy of the Republic of Serbia (RS).

**Utilities management:** The City of Subotica has created 11 public utility companies in waste management, heating, water supply & sewerage, funeral services, marketplaces, sanitation, public transport, and road maintenance, and eight public enterprises.

**Municipal staff:** 1,095 of which 678 in city administration and 417 in preschool education.

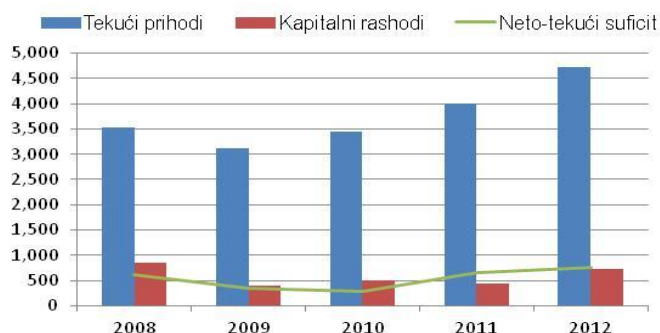
**Existing Project Investment Plan:** The city adopted a three-year capital expenditure plan based on the Development Strategy, the Master Plan, the Spatial Plan, and a detailed regulation plan. A number of capital projects are open to different forms of partnership and investments. These include industrial business parks, greenfield and brownfield investments, solid waste management (regional facility), facilities for potable water processing, natural gas distribution, central parking and garages, and so forth.

**Urban issues and challenges:** Development of an integrated system of public transport including for suburban settlements. Upgrading environmental facilities. Tourism development based on Palić lake and the potential to be a cultural heritage site.



## 2. Financial Situation

Opis	Milion RSD					Milion EUR	
	2008 Izvršenje	2009 Izvršenje	2010 Izvršenje	2011 Izvršenje	2012 Izvršenje	2012 Izvršenje	Rast 2008-12
Tekući prihodi	3,528	3,113	3,438	3,995	4,712	41.5	8.2%
Suficit u godini N-1	350	182	262	389	404	3.6	12.2%
<b>Ukupni tekući prihodi godine N</b>	<b>3,179</b>	<b>2,931</b>	<b>3,176</b>	<b>3,605</b>	<b>4,308</b>	<b>38.0</b>	<b>8.4%</b>
<b>Tekući rashodi</b>	<b>2,865</b>	<b>2,687</b>	<b>3,035</b>	<b>3,200</b>	<b>3,800</b>	<b>33.5</b>	<b>7.7%</b>
Tekući suficit	663	426	403	794	913	8.0	17.7%
Otplata duga (glavnica i kamata)	45	72	113	134	162	1.4	39.5%
<b>Neto-tekući suficit</b>	<b>619</b>	<b>354</b>	<b>290</b>	<b>661</b>	<b>750</b>	<b>6.6</b>	<b>20.1%</b>
<b>Kapitalni rashodi</b>	<b>855</b>	<b>398</b>	<b>498</b>	<b>445</b>	<b>719</b>	<b>6.3</b>	<b>5.7%</b>
Finansiranje							
Kapitalni prihodi	260	176	237	158	193	1.7	-2.2%
Kapitalni transferi i donacije	131	108	46	52	65	0.6	-9.4%
Primanja od zaduživanja	327	357	381	116	96	0.8	-17.7%
Ukupno stanje - suficit	482	597	456	542	386	3.4	-2.4%
<b>Kumulativno stanje</b>	<b>482</b>	<b>1,079</b>	<b>1,535</b>	<b>2,077</b>	<b>2,463</b>	<b>21.7</b>	



**Exchange:** 1 RSD = 0.00881 EUR / 1 EUR = 113.47 RSD (Dec. 2012)

**Inflation index:** 2008: +6.8%; 2009: +6.6%; 2010: +10.3%; 2011: +7%; 2012: +12.2%

• **2012 actual budget of the City of Subotica is about EUR44 million.**

• Current revenues and operating expenditures increased at about +7.5% annually during the period, which is close to the inflation index.

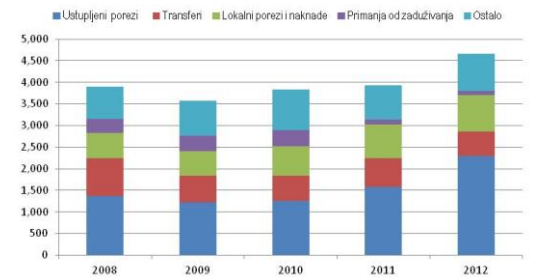
• **Current expenditure** was financed entirely from current revenue and the realized operating margin was between 0.4 and 0.9 billion RSD, which was used for debt repayment and capital investments.

• Actual expenditures on **capital investments** were lower than the resources available to fund them which were composed of net operating surplus (32% on average), capital revenue (26%), capital transfers (10%), and withdrawn loans (32%).

• Between 2008 and 2012 the City of Subotica produced **significant budget surpluses** that varied from RSD386 to 597 million (11% of total revenue on average) despite the substantial reduction in current transfers from the Republic's budget in the early years of the recession.

### 3. Historical Analysis: Revenues & Expenditures

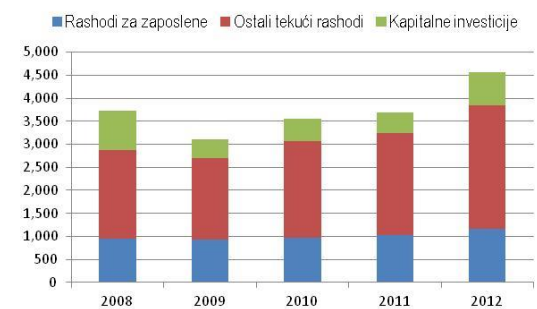
Opis	Milion RSD					Milion EUR	Rast 2008-12
	2008 Izvršenje	2009 Izvršenje	2010 Izvršenje	2011 Izvršenje	2012 Izvršenje	2012 Izvršenje	
<b>TEKUĆI PRIHODI</b>	<b>3,179</b>	<b>2,931</b>	<b>3,176</b>	<b>3,605</b>	<b>4,308</b>	<b>38.0</b>	<b>8.4%</b>
Ustupljeni prihodi od Republike	2,120	1,742	1,816	2,218	2,859	25.2	9.4%
Ustupljeni porezi i naknade	1,376	1,223	1,255	1,571	2,285	20.1	15.5%
Nenamenski transferi	729	495	530	620	548	4.8	-4.9%
Namenski transferi	15	25	32	26	26	0.2	17.6%
<b>Sopstveni prihodi</b>	<b>1,058</b>	<b>1,189</b>	<b>1,360</b>	<b>1,388</b>	<b>1,449</b>	<b>12.8</b>	<b>8.3%</b>
Lokalni porezi	349	369	448	511	572	5.0	13.3%
Lokalne takse i naknade	227	200	221	263	272	2.4	5.3%
Lokalni prihodi od imovine	277	369	486	400	366	3.2	9.7%
Lokalni mešoviti prihodi	205	251	205	213	239	2.1	5.0%
<b>KAPITALNI PRIHODI I PRIMANJA</b>	<b>719</b>	<b>641</b>	<b>664</b>	<b>326</b>	<b>354</b>	<b>3.1</b>	<b>-12.4%</b>



Until 2011, current revenue made up on average 87%, and capital revenues and proceeds from borrowing made up 13% of the total budget.

In 2012, the share of current revenues increased to 93% because the City portion of the Republic's salary tax was increased from 40% to 80% and borrowing was reduced. The most significant current revenue is shared taxes (41%). Transfers from the State and Province are 17%. Local taxes and fees account for 18% of total current revenue. The highest shared revenue is the personal income tax (PIT) with an average share of 38% of current revenue. Local property tax, with an average share of only 8%, has the potential to be increased in the future. Unconditional state transfers were highly volatile and decreased 5% a year on average, while own-source local revenue recorded an average annual growth of 8%. Shared PIT recorded the highest annual growth at 16% on average and made up for reduced transfers.

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<b>TEKUĆI RASHODI</b>	<b>2,865</b>	<b>2,687</b>	<b>3,035</b>	<b>3,200</b>	<b>3,800</b>	<b>33.5</b>	<b>7.7%</b>
Rashodi za zaposlene	958	939	964	1,032	1,158	10.2	5.0%
Rashodi za zaposlene	1,075	976	1,175	1,193	1,263	11.1	4.6%
Tekuće subvencije, dotacije i transferi	682	592	750	789	1,162	10.2	16.5%
Ostali tekući rashodi	149	180	146	186	217	1.9	11.5%
<b>OTPLATA DUGA</b>	<b>45</b>	<b>72</b>	<b>113</b>	<b>134</b>	<b>162</b>	<b>1.4</b>	<b>39.5%</b>
<b>KAPITALNI RASHODI</b>	<b>855</b>	<b>398</b>	<b>498</b>	<b>445</b>	<b>719</b>	<b>6.3</b>	<b>5.7%</b>



The share of current expenses for payroll (26%) and goods & services (31%) were relatively stable accounting for 57% of budget expenditure. Current transfers and subsidies jumped from 18% to 25% due to increased social transfers to citizens and subsidies to public companies during the recession. Capital expenditures were reduced from 23% (2008) to 12% (2011) and 16% (2012) because of budget expenditure reallocations for social transfers and subsidies, slowdown of investments, and accumulation of budget surpluses to protect against unpredicted fiscal and economic developments.

### 4. Ratio Analysis

Kriterijum/Indikator	Reper	2008	2009	2010	2011	2012
<b>1. Kreditna sposobnost</b>						
Tekući suficit pre kamata / Tekući prihodi	> 0.3	0.21	0.15	0.13	0.22	0.21
Neto tekući suficit (nakon otplate duga) / Tekući prihodi	> 0.2	0.19	0.12	0.09	0.18	0.17
<b>2. Zaduženost</b>						
Stanje duga / Tekući suficit	< 10 god	0.6	2.0	2.7	1.4	1.1
Otplata duga / Ukupni tekući prihodi	< 10 %	1%	2%	4%	4%	4%
<b>3. Fiskalna autonomija</b>						
Sopstveni porezi i nenamenski transferi / Ukupni tekući prihodi	> 80 %	94%	91%	94%	94%	94%
<b>4. Kapitalna ulaganja</b>						
Kapitalni rashodi / Tekući prihodi	> 40 %	27%	14%	16%	12%	17%
<b>5. Nivo usluga</b>						
Troškovi održavanja / Tekući rashodi	> 30 %	7%	5%	5%	6%	6%
<b>6 Ostalo</b>						
Izdaci za zaposlene / Tekući rashodi	> 40 %	33%	35%	31%	32%	30%
Ostvareni prihodi / Planirani prihodi	> 95 %	93%	98%	92%	99%	88%
Neizmirene obaveze / Neto gotovina na kraju godine	> 1	2.9	2.3	1.4	1.7	1.7
Ukupna finansijska imovina / Ukupne finansijske obaveze	1.02	0.91	0.92	0.93	0.93	0.92

- **The Operating margin** is relatively stable and indicates an acceptable level of credit worthiness.

- **Indebtedness** increased significantly but is under control and leaves room for future loans.

- **Fiscal autonomy** is high even though fiscal regulation is still unpredictable.

- **Ratio indicators** confirm a low risk of debt default, but also indicate the need to improve management of revenues and expenditures in order to expand and accelerate investment activities and to enhance the City's creditworthiness in the near term.

### 5. Financial projections / Investment programming

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

### 6. Municipal Finance Improvement Plan

The MFSA confirmed the following priorities presented in the Strategy for 2013-2022: (i) Introduction of sustainability as a criterion of public procurement; timeframe: 2013; financing: City budget, Province transfers. (ii) Introduction of a comprehensive register of projects in the city; timeframe: 2013-2014; financing: City budget, transfers from Province. (iii) Improving human resource management; timeframe: 2013-2022; financing: City budget, transfers from Province, funds

from the EU and international donors. (iv) Development of interdisciplinary mechanisms and their implementation by the stakeholders responsible for city development; timeframe: 2013-2022; financing: City budget, budget beneficiaries and public companies. (v) Put program budgeting into effect; timeframe: 2014; financing: City budget, transfers from Province, funds from budget beneficiaries and public companies. (vi) Introduction of a quality-management system [OK?] in the operation of the city administration; timeframe: 2015; financing: City budget, transfers from Province

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