

Poland
Credit Analysis

City of Gdansk

Ratings

Foreign Currency Long-Term Rating	BBB+
Local Currency Long-Term Rating	BBB+

Outlooks

Foreign-Currency Long-Term Rating	Stable
Local-Currency Long-Term Rating	Stable

Financial Data

City of Gdansk	31 Dec 08	31 Dec 07
Operating revenue (PLNm)	1,582.7	1,461.6
Debt (PLNm)	409.9	239.6
Operating balance/ operating revenue (%)	14.3	16.3
Debt service/current revenue (%)	4.6	6.1
Debt/current balance (yrs)	1.9	1.0
Operating balance/ interest paid (x)	16.3	20.0
Capital expenditure/ total expenditure (%)	23.3	23.6
Surplus (deficit) before debt variation/ total revenue (excluding new debt; %)	-6.4	0.7
Current balance/ capital expenditure (PLNm)	50.3	57.1

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Related Research

- *International Rating Methodology for Local and Regional Governments (July 2008)*
- *Institutional Framework for Polish Subnationals (February 2008)*
- *Revenue Bonds in Poland (October 2008)*

Rating Rationale

- The ratings reflect the City of Gdansk's satisfactory, albeit decreasing, operating performance and liquidity, and moderate debt and payback ratios. The ratings factor in the city's wealthy and diversified local economy, which may mitigate the negative impact of the economic slowdown on the budget. The ratings also take into account the expected deterioration in the city's budgetary performance in 2010-2011, very strong pressure on partly debt-financed capital expenditure, weakening debt coverage ratios and a projected increase of indirect risk.
- Gdansk has a wealthy and diversified local economy, as indicated by per capita GDP 43% above the national average and an unemployment rate of 2.5% at end-2008. Value-added sectors such as IT, financial services, research and scientific centres including several universities, and manufacturing may support the local economy's recovery in the medium term and fuel the city's budget.
- Gdansk's budgetary performance remained solid in 2006-2008, sustained by a developing tax base. In 2008 the operating balance represented 14.3% of operating revenue compared with 8.3% in 2005. Fitch expects the operating balance to decline to below PLN130m in 2009 and the operating margin to come down to about 8.2%-9%. High pressure on operating expenditure will continue in 2010 due to upcoming local elections, and the growing costs of education and public transport. Fitch considers it crucial for the city to maintain the operating margin significantly above 8% in 2010-2013 due to the projected growth of debt.
- Gdansk's financing requirements are very high. Annual capex may total about PLN1bn in 2010-2013. Despite being partly financed by the EU, investment projects will need co-financing from the city. Even if some less important projects are postponed the pressure on debt will be strong. Fitch expects new debt to total about PLN1.6m in 2009-2013. The restored operating performance could protect debt and debt-coverage ratios.
- Low indirect risk will increase. At end-2008 guaranteed debt totalled PLN2.1m and public companies' debt was PLN183m. Some investments will be undertaken by municipal companies or special-purpose vehicles (SPVs) being established by the city. However, these will require capital injections or guarantees for their debt from the city. Consequently, Fitch expects Gdansk's indirect risk to increase to about PLN1bn during 2009-2013.

Key Rating Drivers

- A rating downgrade could result from a further deterioration of operating performance and strong rise of Gdansk's debt, resulting in an operating balance insufficient for debt service, a debt repayment ratio exceeding the average maturity of the city's debt, and high and growing indirect risk.
- A rating upgrade could result from restored operating performance and debt coverage remaining modest, combined with the reduction of capex and Gdansk's moderate direct and indirect risk.

Profile

Gdansk is located on the Gulf of Gdansk and is home to about 455,600 people. Gdansk and the neighbouring cities of Gdynia and Sopot form a large conurbation of 743,000 inhabitants.

Administration

Political Stability

Following the most recent local elections in November 2006, only two parties are represented on the city council. Of the 34 seats on the council, 20 went to the Civic Platform Party (Platforma Obywatelska, PO) and 13 to the Law and Justice Party (Prawo i Sprawiedliwosc), which are both broadly centre right. One member is independent. The city councillors and the president are elected in a public vote for four-year terms. The next local elections will be held in 2010.

The city's president, Pawel Adamowicz, was re-elected for a third term in November 2006, receiving more than 60% of the votes cast. He is a member of the PO and also the deputy party chairman in the Pomorskie Region (Pomorskie voivodship). The president, as a member of PO, has an absolute majority in the city council, which guarantees political stability and continuity.

Political Priorities

In 2004, the city's authorities set out their strategic objectives until 2015 in a document called Strategia Rozwoju Gdanska do roku 2015 (the Gdansk Development Strategy until 2015). This strategy focuses on the economic development of Gdansk, increasing its attractiveness and competitiveness, and improvement of the quality of services provided to inhabitants and of the local infrastructure. The strategy is supported by operational plans for each objective and the Wieloletni Plan Inwestycyjny (WPI; Multiyear Investment Plan), which includes investment projects, their time schedule and sources of financing. In 2009 the city's authorities continued to implement the strategy. The largest investments are made in such areas as:

- Transport (roads and public transportation),
- Water and wastewater,
- Solid waste infrastructure,
- Housing; and
- Sport, education, culture, and tourism.

Several of these projects are being or will be undertaken together with neighbouring cities, giving the benefits of scale and increasing the economic, cultural and educational integration of these cities.

The city is also aiming to facilitate the development of new technology (biotechnology) and innovation, and the maritime sector (including construction of deep container terminals) and the logistics industry.

A large number of the city's investments will benefit from capital transfers from the EU. The city is also aware that it has to maintain high self-financing capability in order to be able to co-finance the EU investment projects.

Economy

Wealthy Local and Diversified Economy

Gdansk is the capital of Pomorskie Region, located on the southern coast of the Baltic Sea. Gdansk, Gdynia and Sopot form a large conurbation with more than 743,000 residents and more than 100,000 companies. In 2007 (the latest data available), the GDP of the conurbation¹ accounted for 2.8% of national GDP and 49% of gross regional product. GDP per capita was 143% of the national average.

Gdansk's economy is diversified. Above 99% of companies are SMEs employing fewer than 50 employees, of which 30% are in finance, 24% in commerce, 12% in industry

¹ Gross city product for Gdansk is not published

and 10% in construction. The services sector has a large weighting in the local economy compared with the national average (73% compared with 65%), and is mainly concentrated on public administration, financial business services (eg banks and insurance), real estate, IT, healthcare institutions (including nine hospitals) and commerce. The services sector employs about 72% of the local workforce. The industrial sector (including construction) is also well developed, accounting for more than 26% of gross value added.

The manufacturing sector is also important, as there several large companies, of which the largest are the Lotos Group SA refinery, with annual output of PLN13bn in 2008, and Energa, with about PLN5.5bn. There are also several smaller companies operating in sectors such as textiles (LPP), food (Arla Foods) and automobile (ThyssenKrupp Krause). In 2008 the industrial sector employed about 37,500 people.

Thanks to its location and well-educated inhabitants, Gdansk is an attractive place for multinational companies from the electronics, IT, and bio- and other innovative technologies sectors. Branches of companies such as Intel Technology Poland, AT&T Polska, Ericsson, Lufthansa Systems Poland, Compuware (IT programming), Zen Sar Technology (IT), Young Digital Planet, and Moeller Electric and ProLogis Gdansk (in the distribution and logistics sector) are located in Gdansk. The number of multinational institutions starting activities in Gdansk is growing dynamically. In 2008-2009 several new companies (including Acxiom, IBM, Fineos, Arla Foods, Sii Ltd, AIG/Lincoln Polska, Panattoni Europe) opened branches in the city.

The largest and most significant investment in the northern seaport area is the construction of the 40-hectare deepwater container terminal, DCT Gdansk SA, at a total cost of EUR190m. The target total annual capacity of the terminal is 1 million tonne-equivalent units. This should be completed in 2009-2010.

There is also Pomeranian special economic zone (PSSE) and Technological Park located in Gdansk. Many foreign companies from the IT, metallurgy, automotive and bio-technology sectors have established their operations in the area.

Poland's second-largest oil refinery, Lotos, is investing about PLN13bn in the construction of new technological lines, which will boost its oil production to above 10 million tonnes per year from the current 6 million tonnes. Construction should be completed by 2010.

The city has historic and architectural monuments, a benign climate and proximity to the coast, and so is a popular tourist destination. Gdansk hosts more than 1 million tourists a year.

An Important Higher Education and Research Centre

Gdansk is a major national educational, cultural and scientific centre, with 14 universities and high schools. These include six public universities, the Technical University, Gdansk's and the Medical Universities. There are about 5,000 academic staff and 78,600 university students in total.

Gdansk's strong economy is also reflected in the high demand for skilled labour and a very low unemployment rate, which at end-2008 was only 2.5%. Due to the economic downturn unemployment increased to 4.2% in October 2009, but remained low.

Demographics

In 2008 Gdansk, with 455,600 residents, was the largest city in Pomorskie Region. The city's population has been continuously falling, by an annual average of above 800 people, since 2000 due to negative natural growth and net migration. Inhabitants at retirement age account for 18.5% of the total, exceeding the national and regional averages of 16.2% and 14.8%, respectively.

Finances and Performance

Revenue

Tax-Based Revenue

Most of Gdansk's operating revenue is derived from taxes, which account for 56% of operating revenue collected in 2008. Modifiable taxes represented about 28% of tax revenue, giving the city some flexibility in moderating its direct tax revenue. The city sets rates for four direct taxes and four categories of fees; these, however, cannot exceed limits established by the Ministry of Finance (MoF) every year. Since 2005 Gdansk's main local tax rates have been kept at the same level as the MoF's limits. In particular, property tax rates for houses and commercial premises have been set at the highest permitted level. Not-for-profit organisations and healthcare entities pay preferential rates. Some tax relief on local levies is offered to potential investors that create new jobs – especially new investors in the SSE.

Uncollected local tax revenue due to lower tax rates totalled about PLN10m in 2008, of which about PLN5m related to the property tax and PLN4.6m to the vehicle tax paid mainly by logistic firms.

The property tax, which is the most important modifiable tax, represents more than 74% of revenue from local taxes and fees. The household and business tax bases are well developed and stronger than the national average, as indicated by the dynamic growth of revenue from local taxes – by 8% annually in 2006-2008.

The concentration of property tax payers is high. The 10 largest property taxpayers accounted for about PLN93.6m or 46% of attributed property tax (up from 34% in 2006). The largest taxpayer is the oil refinery Grupa Lotos S.A., which is implementing a huge PLN13bn investment plan over 2006-2012. This will increase the size of Lotos's premises and its workforce, which will be positive for Gdansk's tax revenue.

Accumulated overdue property tax totalled PLN27m at end-2008 (down from PLN42.3m in 2006), of which PLN14m related to companies going bankrupt and is unlikely to be recovered.

Revenue from income taxes was hit by the economic slowdown. The shared taxes, personal and corporate income taxes (PIT and CIT) represent 36% of operating revenue, totalling PLN582.8m in 2008. For 2009 the city initially projected PLN619m from income taxes, in line with the MoF estimates based on the projected 3.5% increase of the national economy. However, during the year the city cut its projections by about PLN88m to a more realistic PLN543m, which is lower than the 2008 result.

Breakdown of Taxes

(PLNm)	2006	2007	2008	2009P
PIT	366.0	465.7	506.5	493.3
CIT	58.0	59.2	76.3	50.1
Property tax	202.5	208.9	231.6	231.9
Other local taxes	68.8	71.8	83.2	83.6
Total tax revenue	695.3	818.0	897.6	858.9

P - pre-closing results

Source: Fitch own calculations based on the city of Gdansk's budgets

According to Gdansk's projections its tax revenue may total PLN858.9m in 2009. Future growth of local tax revenue will mainly depend on the expansion of the tax base and on the continuation of the city's tax policy, which is aimed at maintaining local tax rates close to MoF limits.

Current Transfers

Current transfers represent 28% of operating revenue. About 72% of this item consists of the general subsidy, 94% of which is directed at education. The other current transfers include: the state grants for “central government-delegated tasks” (22% of current transfers, about PLN97m in 2008), “Gdansk’s own tasks co-financed from the state budget” (PLN72m) and current grants from the EU Human Resources Programme for social projects (PLN2.8m).

National transfers are expected by Fitch to grow by an average of about 7%-8% in 2009-2011, mainly due to a growing educational subsidy. Fitch does not expect any dramatic impact from the economic slowdown on national transfers as their amount does not depend on the discretion of the national government but is defined by law. The educational subsidy, for example, is determined using a special formula (including factors such as number of students, inflation, and the average increase of salaries in the national economy). For 2009 the city budgeted PLN468m of current transfers and Fitch does not expect the actual result to be lower than that.

Prospects

The 2009 operating revenue may be lower than in 2008 as the fall in income tax will not be compensated for by revenue from other sources. Fitch expects 2010 also to be difficult for local budgets. The negative impact of the economic downturn on income taxes should be mitigated by Gdansk’s strong and expanding tax base and the continuation of the city’s tax policy. For 2010 Fitch expects the operating revenue to stabilise at the 2009 level or to increase slightly above inflation (2%-3%). Operating revenue should recover from 2010.

Current Expenditure

Operating expenditure increased sharply by about 11% in 2008, substantially exceeding the growth of operating revenue (about 8%). The main contributors to this dramatic rise were public safety (up by 106%), sport (61%), municipal housing (35%) and education (10%), which together accounted for about 50% of total growth.

The structure of the city’s operating expenditure leads to some rigidity. Staff costs represented 41% of operating expenditure in 2008. Their increase resulted from state government decisions to increase teachers’ and administrative staff salaries. Teachers’ salaries were again raised in 2009, by 5% in January and by another 5% in September. Moreover, local governments are also obliged to keep teachers’ salaries for each professional position at or above the level set by the MoF under a special formula. All these elements create strong pressure on operating costs in education, especially given that the educational subsidy does not grow in line with operating spending in the sector or increasing staff costs.

In Gdansk the educational subsidy financed only about 55% of operating costs in education (or 78% of salaries) in 2008. The remainder, including kindergartens, which are the city’s own responsibility, are financed from Gdansk’s own resources. The city’s restructuring programme has had some small positive results, as the city closed some schools or some classes and standardised the ratio of teachers and administrative staff per pupil. Overstaffing in education and dramatically growing teacher’s salaries increase Gdansk’s share of sector financing. Fitch does not expect any significant changes to be implemented by the city in education in 2010.

The other large items of operating spending are public transport (17%), social care (13%) and public administration (8%). Social care is partly financed from state grants – about 50% in 2008. Public transport includes such responsibilities as road construction and maintenance, lighting and cleaning, and bus and tram transport. In 2008 operating expenditure in the sector totalled PLN229m, of which about PLN180m was spent on public transport, representing 78% of operating expenditure in the sector. About 60% was financed by revenue from ticket sales. The city, together with the transport company Zakład Komunikacji Miejskiej (ZKM), plans to modernise its transport infrastructure and renew the bus and tram fleet.

Prospects

The city has some flexibility to limit its operating spending as there are several one-off items (eg spending on the promotion of the city). However, according to the 2009 amended budget, operating spending may total PLN1,450m (PLN93m higher than in 2008), partly due to growing spending on education and public transport and some investment projects that generate operating costs after completion (eg sport facilities). Fitch expects current expenditure to grow in 2010-2011 due to the factors discussed above. Furthermore, the economic crisis may weaken the financial position of companies and cause unemployment to increase, negatively affecting income tax revenue and to some extent some local taxes.

Capital Revenue and Expenditure

According to Gdansk's WPI the city's capex may total PLN5.2bn in 2009-2013. The city's main areas of investment are roads and public transport, which will absorb more than 40% of capex, and sport facilities and culture (more than 20%). Investment projects included in the WPI are of strategic importance to the city. Some of them relate to 2012 European Football Championships, part of which will be held in the city, and have to be implemented and completed by 2012; others (about 12 at end-September 2009) will be co-financed by the EU. There are also several smaller projects of lesser importance that may be postponed or not implemented if the city does not receive financing from the EU.

However, even excluding less important investments Fitch considers that Gdansk will face very strong pressure on its budget in 2010-2013 as its capex may represent more than 40% of total expenditure. Although the city's administration relies on capital transfers from the EU, Fitch estimates that the city's share in financing its capex may be more than 50%, which will require the city to incur debt and dispose of assets.

Off-Budget Capital Expenditure

Several investments will be undertaken by municipal companies. The largest is the construction of a PLN600m water and wastewater network by Gdanska Infrastruktura Wodociagowo-Kanalizacyjna, a company set up to carry out this project, to which the city made a PLN675m in-kind contribution for the water and sewerage network. This enables the city to exclude from its budget any future direct debt increase. About 29% of the project will be financed from the company's own sources (including a PLN47m loan from the European Bank for Reconstruction and Development), with the remaining 71% coming from the EU's Cohesion Fund.

A project to purchase new trams will be carried out by ZKM Gdansk. This will be co-financed from EU sources. ZKM's expenditure on the project may total PLN257m. A PLN370m solid waste management project will be carried by Zaklad Utylizacyjny (a municipal company). This will be financed via the EU and bonds and/or loans.

Several companies, such as Gdanskie Inwestycje Komunalne EURO 2012 and Biuro Inwestycji Euro Gdansk 2012 Sp. z o.o. (BIEG2012), both 100% owned by the city, will be responsible for implementing several investment projects with total costs above PLN3bn. Both will organise the process of investment, eg arranging public tenders for construction works and other services, and will supervise the construction process. Both companies are financially weak as they are types of SPV and their operational risk will encumber the city's budget.

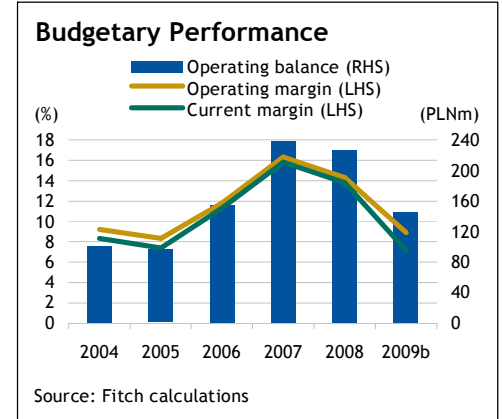
Budgetary Performance

Due to the very good results in 2006-2008, with the operating margin averaging 14%, Gdansk's self-financing capacity improved significantly. The city is focused on debt repayment, which decreased to PLN240m in 2007 from PLN430m in 2004. This enabled the city to maintain good debt and debt coverage ratios. Debt to current balance decreased to 1.9 years in 2008 from about five years in 2004. Debt servicing consumed only about 32% of the operating balance, while in 2005 this figure was

97%. Simultaneously, Gdansk intensified the implementation of its investment projects. In 2008 capex grew to PLN430m (about 23% of total expenditure) from PLN136m in 2005; this was 75% financed from the current balance and capital revenue.

The situation has changed in 2009 due to the economic downturn and cuts in PIT rates to 18% and 32%, down from 19%, 30% and 40%, and operating expenditure growth outperforming the growth of operating revenue. For 2009 revenue from income taxes may decline by about PLN40m compared with 2008.

This will not be compensated for by the state government. Local governments, including Gdansk, will also face stronger pressure on operating expenditure due to rises in teachers' salaries, which in Fitch's view will not be fully compensated for by the educational subsidy from the state. Fitch does not consider there to be any programme that would consistently reduce the costs of this sector to reflect the decreasing number of students, especially employment. Several other items financed from the city's own revenue, such as public transport and higher demand for social services, will create pressure on operating expenditure. In 2008-2009 education was responsible for about 37% of the operating expenditure increase.



Prospects

Fitch expects the operating balance to decline to below PLN130m in 2009 and the operating margin to come down to about 8.2%-9%. High pressure on operating expenditure will continue in 2010 due to upcoming local elections, growing costs in education and public transport. Despite these negative developments Fitch considers it crucial for the city to keep the operating margin significantly above 8% in 2010-2013 due to the projected growth of capex until 2013, which will need to be partly debt financed. Indirect risk may also increase as several investments will be carried out by municipal companies. This may require guarantees from the city or capital injections.

Debt, Contingent Liabilities and Liquidity

Direct Debt

The debt stock almost doubled to PLN410m at end-2008 after falling in 2004-2007. However, debt ratios remained moderate; debt represented 26% and debt service 4.6% of current revenue. A further increase in debt is projected for 2009. The pre-closing data shows debt stock totalling PLN724.5m, equivalent to about 46% of current revenue at end-2009.

At end-2008, about 90% of the debt portfolio consisted of loans in Polish zloty, while the remainder was loans denominated in euro.

The city's direct debt was almost all at floating rates linked to various indices (three- and six-month WIBOR or three- and six-month EURIBOR). The average maturity of debt is about 10 years. Of the total debt, PLN17.5m was subsidised loans from the National and Regional Environment Protection and Water Management Funds (NFOSiGW and WFOSiGW) and other financial institutions, which carry very low interest rates and entail grace periods of one to six years. The interest rates for NFOSiGW and WFOSiGW loans are 0.6x or 0.1x of the promissory notes rediscount rate but should not be lower than 3% or 4%.

Modest Debt Burden

Total debt service (direct debt repayment plus interest) is still modest compared with current revenue, at 3.4% in 2009, although it is expected to increase to above 8% in 2011. In 2009 the city may spend about PLN54m on debt servicing, about 42% of operating balance.

Breakdown of Debt

	(PLNm)		(%)	
	2008	2007	2008	2007
Bank credits	402.4	221.8	99.2	92.6
Subsidised loans	17.5	17.8	0.8	7.4
Total debt	409.9	239.6	100.0	100.0
Floating interest rate (%)	96.5		96.5	93.8
Foreign-currency debt (%)	10.0		10.0	21.8

Source: City of Gdansk

Debt Prospects

Direct debt is expected to increase significantly in the coming years, mainly due to the co-financing of EU programmes in the programming period 2007-2013 and investments related to the 2012 European Football Championships. The city will face strong pressure to increase debt as its projected capex may be more than PLN5bn in 2009-2013. According to Fitch's estimates Gdansk's new debt may total about PLN1.6bn in 2009-2013, of which PLN342m will be incurred in 2009. In 2009 the city was negotiating long-term financing from the European Investment Bank and the Council of Europe Development Bank.

Contingent Liabilities

Guarantees

At end-2008, guarantees issued by the city to companies' debt were immaterial, totalling PLN2.1m. They related to a 10-year loan drawn by Towarzystwo Budownictwa Spolecznego Motlawa Sp. z o.o. (Motlawa Housing Association), which is responsible for the construction of apartments for families with medium income. The loan is repaid from rental income.

However, the city has issued several guarantees to companies which are or will be implementing investment programmes. Fitch expects indirect risk from guarantees to increase in 2010-2013. To some extent the demand for guarantees may be mitigated by capital injections made by the city to some of its companies, which would strengthen their financial position and let them receive financing without guarantees from the city.

In 2009 the largest guarantee of PLN300m was issued to Zakład Utylizacyjny Sp. z o.o. (ZU), responsible for solid waste management. ZU will implement a PLN330m investment programme, which will be financed from EU funds of EUR52m, a loan from NFOSiGW of PLN100m and PLN30m from the company's own sources. The city's guarantee relates to the bond programme. The guarantee expires on 30 September 2010.

The city has also guaranteed the PLN31.5m loan to be incurred by Gdanska Infrastruktura Spoleczna Sp. z o.o. for the construction of an apartment building. The guarantee will expire at end-2009 when the building is completed and from that point the collateral for this issue will be tenants' rents.

Instead, a guarantee for a bond issue of PLN385m to BIEG2012, the company established by the city in 2008 for the construction of the Baltic Arena stadium for the 2012 European Football Championships. The city is negotiating a support agreement with the company, according to which Gdansk would make capital injections into it. However, the financial model for this project has not yet been decided.

Liquidity

Cash inflows and outflows enabled Gdansk to generate positive monthly cash balances during 2005-2008. Cash at year-end exceeded annual debt repayment. The city did not resort to liquidity facilities at its bank in 2005-2008.

In 2009 the city's liquidity decreased and in April-June 2009 Gdansk reported cash deficits. However, these were financed from a stand-by liquidity credit line of PLN50m. Weakening liquidity is also reflected in lower interest from deposits, which in 2009 may total PLN2.4m, down from an average of PLN6.6m in 2006-2008.

Key Financial Figures on Corporate Exposure (PLNm)

Company	2008			Net income		Long-term debt	
	City's stake (%)	Equity	Total assets	2008	2007	2008	2007
Gdanska Infrastruktura Wodociagowo-Kanalizacyjna (water and sewerage utility)	100.0	691.3	917.9	0.4	0.4	47.6	18.8
Zaklad Komunikacji Miejskiej w Gdansk (public transport)	100.0	68.8	169.5	9.0	0.1	0.0	0.0
Gdanskie Towarzystwo Budownictwa Spolecznego (Gdańsk Housing Association)	100.0	58.2	203.9	0.2	0.7	82.8	73.2
Towarzystwo Budownictwa Spolecznego - Motlawa (Motlawa Housing Association)	100.0	60.6	108.0	0.8	0.3	24.3	26.0
Zaklad Utylizacyjny (solid waste treatment)	100.0	8.6	60.7	10.9	7.4	0.0	0.0
Gdanska Infrastruktura Spoleczna (municipal housing)	100.0	21.3	52.4	0.1	-0.2	28.0	0.0
Biuro Inwestycji Euro Gdansk2012 (implementing investment projects for EURO2012)	100.0	2.0	2.9	0.1	n.a.	0.0	n.a.
Gdanskie Inwestycje Komunalne EURO2012 (Gdansk Municipal Investments)	100.0	2.0	1.9	-0.3	0.0	0.0	0.0
Gdanska Agencja Rozwoju Gospodarczego (agency for economic development)	100.0	59.0	Established in Dec 2008			0.0	0.0
Gdanskie Melioracje (drainage)	60.0	0.2	5.2	0.3	0.6	0.0	0.0
Wielofunkcyjna Hala Sportowo-Widowiskowa Gdansk-Sopot (sports facility)	50.0	0.4	0.2	-0.01	-0.01	0.0	0.0
Total						182.7	118.0

Source: City of Gdansk

Appendix A

City of Gdansk

(PLNm)	Actual				
	2004	2005	2006	2007	2008
Taxes	540.6	594.3	691.4	818.0	895.9
Transfers received	333.7	360.9	376.0	396.7	438.2
Charges, fines and other operating revenue	210.9	204.5	241.2	246.9	248.6
Operating revenue	1,085.2	1,159.7	1,308.6	1,461.6	1,582.7
Operating expenditure	-985.2	-1,063.3	-1,154.2	-1,223.5	-1,356.5
Operating balance	100.0	96.4	154.4	238.1	226.2
Financial revenue	12.4	11.2	7.3	6.1	6.4
Interest paid	-21.2	-20.5	-13.0	-11.9	-13.9
Current balance	91.2	87.1	148.7	232.3	218.7
Capital revenue	198.1	81.2	133.3	185.7	107.1
Capital expenditure	-141.5	-135.7	-251.8	-406.6	-434.4
Capital balance	56.6	-54.5	-118.5	-220.9	-327.3
Surplus (deficit) before debt variation	147.8	32.6	30.2	11.4	-108.6
Debt repayments	-59.0	-73.4	-76.4	-77.7	-59.3
New borrowing	5.6	1.5	1.6	51.0	223.9
Net debt movement	-53.4	-71.9	-74.8	-26.7	164.6
Overall results	94.4	-39.3	-44.6	-15.3	56.0
Debt stock					
Short-term	0.0	0.0	0.0	0.0	0.0
Long-term	430.1	348.9	271.8	239.6	409.9
Direct debt	430.1	348.9	271.8	239.6	409.9
+ Other Fitch classified debt	0.0	0.0	25.3	33.2	12.2
Direct risk	430.1	348.9	297.1	272.8	422.1
- Cash, liquid deposits, sinking fund or pre-financing	130.4	91.8	72.1	64.2	64.2
Net direct risk	204.2	163.6	167.5	208.6	357.9
Guarantees and other contingent liabilities	3.8	3.5	3.0	2.6	2.1
Net indirect risk (public-sector entities exc. gteed amount)	73.7	78.8	101.6	117.9	180.6
Net overall risk	281.7	245.9	272.1	329.1	540.6
Memo (%)					
Debt in foreign currency	38.9	36.0	33.3	21.8	9.7
Issued debt	0.0	0.0	0.0	0.0	0.0
Fixed-interest-rate debt	3.6	4.5	5.6	6.2	3.5

Source: City of Gdansk

Appendix B

City of Gdansk

	Actual				
	2004	2005	2006	2007	2008
Fiscal performance ratios (%)					
Operating balance/operating revenue	9.21	8.31	11.80	16.3	14.3
Current balance/current revenue ^a	8.31	7.44	11.30	15.8	13.8
Surplus (deficit) before debt variation/total revenue ^b	11.40	2.60	2.08	0.7	-6.4
Overall results/total revenue	7.28	-3.14	-3.08	-0.9	3.3
Operating revenue growth (annual change)	24.85	6.87	12.84	11.69	8.29
Operating expenditure growth (annual change)	23.61	7.93	8.55	6.00	10.87
Current balance growth (annual change)	79.15	-4.45	70.72	56.22	-5.85
Debt ratios					
Direct debt growth (annual % change)	-16.49	-18.88	-22.10	-11.85	71.08
Interest paid/operating revenue (%)	1.96	1.77	0.99	0.18	0.9
Operating balance/interest paid (x)	4.7	4.7	11.8	20.0	16.3
Direct debt servicing/current revenue (%)	7.31	8.02	6.79	6.10	4.6
Direct debt servicing/operating balance (%)	80.20	97.41	57.90	37.63	32.4
Direct debt/current revenue (%)	39.19	29.80	20.66	16.32	25.8
Direct risk/current revenue (%)	39.19	29.80	22.58	18.59	26.6
Net overall risk/current revenue (%)	25.66	21.00	20.68	22.42	34.0
Direct debt/current balance (yrs)	4.72	4.01	1.83	1.0	1.9
Direct risk/current balance (yrs)	4.72	4.01	2.00	1.2	1.9
Direct debt/GDP (%)	2.7	2.0	1.5	n.a.	n.a.
Direct debt per capita (PLN)	937	760	592	526	899
Revenue ratios					
Operating revenue/budget operating revenue (%)	n.m.	n.m.	103.77	108.18	109.46
Tax revenue/operating revenue (%)	49.82	51.25	52.84	56.00	56.6
Modifiable tax revenue/total tax revenue (%)	35.29	32.73	30.66	27.07	27.5
Current transfers received/operating revenue (%)	30.75	31.12	28.73	27.14	27.7
Operating revenue/total revenue ^a (%)	83.75	92.62	90.30	88.40	93.3
Total revenue ^a per capita (PLN)	2,822	2,727	3,157	3,628	3,722
Expenditure ratios					
Operating expenditure/budget operating expenditure (%)	n.m.	n.m.	96.65	97.37	100.97
Staff expenditure/operating expenditure (%)	44.84	44.06	42.60	42.41	40.9
Current transfer made/operating expenditure (%)	7.84	6.72	7.66	8.63	10.1
Capital expenditure/budget capital expenditure (%)	n.m.	n.m.	77.43	107.88	100.79
Capital expenditure/total expenditure (%)	11.72	10.50	16.84	23.64	23.3
Capital expenditure/local GDP (%)	0.9	0.8	1.4	n.a.	n.a.
Total expenditure per capita (PLN)	2,629	2,816	3,257	3,774	4,090
Capital expenditure financing (%)					
Current balance/capital expenditure	64.42	64.19	59.05	57.13	50.3
Capital revenue/capital expenditure	140.00	59.84	52.94	45.67	24.7
Net debt movement/capital expenditure	-37.72	-52.98	-29.71	-6.57	37.9

n.a.: not available

n.m.: not meaningful

^a Includes financial revenue

^b Excluding new borrowing

Source: City of Gdansk

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