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MFM Project

LVIV MUNICIPAL FINANCES PROPOSALS FOR IMPROVEMENT

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Municipal Finance and Management
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MUNICIPAL FINANCE AND MANAGEMENT PROJECT

An important aspect of the transition from a centralized political and economic political system to a pluralistic, democratic form of governance is the devolution of power to the local level, where citizens have a greater prospect of participating in government. Countries of the Newly Independent States (NIS) are at a very early stage in this transition:

- local authorities are still unpracticed in democratic processes;
- local authorities have not been fully empowered to govern; and
- local authorities lack many of the requisites of an effective democratic structure.

The Municipal Finance and Management (MFM) project is helping redress these deficiencies by strengthening those basic institutions of local government that promote openness, participation, and accountability.

The MFM project has three overall objectives:

- (1) Introduce municipalities in the NIS to the best available techniques and systems for municipal management, budgeting, and finance in the context of democratic local governance and a free market economic system.
- (2) Introduce automated management information systems to support this kind of local municipal management and governance.
- (3) Establish and conduct training programs locally and in the United States to orient our counterparts to the techniques and skills needed to make the systems work.

MFM is helping counterpart cities in Russia, Ukraine, Kazakhstan, and Kyrgyzstan in the following ways:

Building Expertise in Financial Management. Open and responsive systems of governance require accurate and credible financial data as a basis for citizen participation in decision making. MFM helps local professionals to develop expertise in sound financial management in the following ways:

- *Improving financial practices.* We are helping City Managers to identify and quantify municipal income, expenditures, and assets in order to produce realistic budgets and objective, auditable financial statements.
- *Access to the facts.* Once a budget reflects full information on revenues and expenditures, city managers can provide the public and all decision-makers with the necessary facts to allocate resources responsibly.
- *Public participation.* MFM encourages public hearings, focus groups, and task forces on municipal issues to widen the base of stakeholders in improving community life.
- *Introducing capital finance.* MFM experts are familiarizing city finance experts with the legal frameworks for issuing and selling municipal bonds and for enforcing covenants, all of which require open financial reporting.

Stronger Local Government and Citizen Empowerment. The MFM project is revolutionizing the approach to municipal-level decision-making, as we help cities make strategic decisions for the first time about their own finances and management. Because budget decisions on the delivery of basic public services profoundly impact the living conditions of city residents, MFM is fostering increased citizen attention to and influence on city spending priorities.

And MFM is not limited to finance and budget. It tackles municipal management in other important ways geared to making the city more responsive to the needs of people. Transportation improvement, capital improvements, local economic stimulation, strategic planning, personnel management, handling citizen complaints, conflict resolution, public relations and performance monitoring--all are areas where MFM is making an impact.

Demonstrating Democracy -- Seeing and Doing. Cities selected for MFM participation are interested in making the transition to democracy and a free market. MFM brings officials from each project city on study tours of US cities, where the practice as well as the theory of participatory government can be demonstrated. Participants observe American democracy and its market economy in action. On return home, these officials continue to advance those precepts through practical applications. MFM provides most project cities with their first experience in competitive purchasing, a practice so novel that in some places it has received television and newspaper coverage. Public hearings on budget, accountability in spending and openness in information sharing are intrinsic to MFM's finance and management.

Information is Power. Under the Soviet system, information was tightly held and controlled by the power elite. MFM cities are changing the old habit of hoarding information with the introduction of computers and computer networks, linking units of government to common databases and transforming the way information is handled.

The Economics of Democracy. For democracy to succeed, local government needs the support of its constituents. This support will not come if economic conditions do not improve; therefore, the MFM program in many cities has an economic development component.

Diffusion and Monitoring of Results. MFM's contributions to democratic and free market transition do not stop at the boundaries of the cities in which it works. In Ukraine, MFM is the key support to the nascent Mayor's Association, which recently sent 25 members to see how U.S. cities organize and lobby for their interests. Moscow, which has a powerful influence on general trends in Russia, sent its entire City Council to the U.S. to see democracy in action. Also in Russia, MFM stimulated the convening of a national conference of cities, and is providing direct support to conference discussions of democratic transition and "reinventing government."

MFM has set up a system of performance monitoring for all of its cities which clearly defines results in terms of democratization and progress toward adoption of a free market economy. Through this system, the successes and lessons of MFM will be captured and shared.

Municipal Finance and Management Project

L'VIV MUNICIPAL FINANCES— PROPOSALS FOR IMPROVEMENT

Developed under US AID contract # CCN-0007-C-00-3110-00
by the L'viv Office of the Research Triangle Institute and the
City of L'viv Ukraine

May 20, 1996

Municipal Finance and Management Project

L'VIV MUNICIPAL FINANCES— PROPOSALS FOR IMPROVEMENT

For Discussion and Action

Developed under US AID contract # CCN-0007-C-00-3110-00
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May 20, 1996

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L'viv Municipal Finances—Proposals for Improvement

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Municipal Finance and Management Project

L'VIV MUNICIPAL FINANCES— PROPOSALS FOR IMPROVEMENT

Preface

L'viv Municipal Finances—Proposals for Improvement

PREFACE

The L'viv Municipal Finance and Management Project (MFM) is a product of a coordinated effort between the Governments of Ukraine and the United States. The United States Agency for International Development (USAID), through a 1993 Memorandum of Understanding with Ukraine, subsequently signed a specific Memorandum of Understanding with the City of L'viv on April 20, 1994.

Working within this Memorandum, the Center for International Development of the Research Triangle Institute (RTI) began active work on the MFM project at the end of May 1994. L'viv based RTI staff opened the L'viv office on August 6, 1994.

The scope of the project is set forth in general terms in the two memoranda. Within this general scope, the specific projects to receive major attention were selected by the L'viv City Administration. The condition of L'viv City Finances was one of the major topics. The work on each of the specific projects has had active participation by both L'viv city staff, and staff working for RTI.

Work on the finance project was delayed in view of the concern of the City Administration that changes being discussed by the national government in 1994 would require a particular approach not then known. The work on the Finance Department study was initiated in June 1995 with the appointment of a Task Force. Active work on the study began with Mayor Kuybida convening the Task Force in October 1995.

This report does not represent a finished product, but a part of an ongoing and continual effort on the part of the L'viv City Administration to better utilize the latest ideas, best systems, and available equipment in a way that will raise the level of municipal service to the citizens of L'viv.

The people listed here, and many more, have had an important part to play in developing the report.

City Executive Committee

Vasyl Stepanovych Kuybida -- Mayor, Head of Executive Committee
Vasyl Petrovych Bilous -- Deputy Mayor for City Council
Borys Petrovych Kolos -- Deputy Mayor for Administration
Mikhailo Andriovitch Golobets -- Director, Ecology Institute of Carpathians
Lyubov Volodymirivna Maksymovych -- Chief of Finance Department
Zinovij Mykolayovych Kurylo -- Head of Shevchenkivsky Raion Administration
Oleh Semenovych Manduk -- Director, New World Association
Mikola Illich Melesko -- Secretary of City Administration
Volodymyr Romanovych Olienck -- Head of Frankivsky Raion Administration
Pavlo Andriyovych Prystavsky -- Director General, Iskra Enterprise
Vasyl Ivanovych Repetylo -- Head of Halytsky Raion Administration
Yuri Kyrlyovych Rudavsky -- President of the State University "L'vivska Politechnica"
Oleksander Stepanovych Sendega -- Head of Zaliznychny Raion Administration
Miroslav Petrovich Senik -- Head of Lychkivsky Raion Administration
Bogdan Mikhailovitch Skarada -- Chief of Police Department
Rostyslav Myhaylovych Veretka -- Deputy Head, Trade Union

MFM Project Advisory Committee

Pavlo Stepanovych Kachur - First Deputy Mayor, Leader of the Committee
Rostyslav Lyubomyrovych Brusak - Deputy in Economic Department
Ihor Borysovych Dovhalyuk - Deputy Chief of Information Department
Borys Petrovych Kolos - Head of Frankivsky District Administration
Andriy Stepanovych Levyk - Chief of Housing Registration and Distribution Department
Lyubov Volodymyrivna Maksymovych - Chief of Finance Department
Ihor Lvovych Parasyuk - Chief of Organizational and International Relation Department
Olexander Andriyovych Terpylyak - Chief of Council Secretariat
Roman Pavlovych Tsyatsyak - Secretary of Zaliznychny District Administration
Bohdan Pavlovych Schevchuk - Chief of Housing Department

Finance Project Task Force

1. Lyubov Volodymyrivna Maksymovych, Director of the Task Force, Head of Finance Department
2. Vira Khodorovska, Deputy Head of Finance Department
3. Ihor Malanchak, Deputy Head of Economic Policy and Resources Department
4. Yaroslav Stetsky, Head of Investment Department
5. Rostyslav Lyubomyrovych Brusak, Deputy Head of Economic Development Department
6. Yaroslav Guzela, Head of Tax Inspection
7. Stepan Vorona, Attorney to the City Administration

Task Force Special Assignments, Heads of Groups:

1. Existing sources of revenues and their development—Vira Khodorovska
2. New revenue sources—Yaroslav Stetsky
3. Expanding power of the local authorities in finance—Ihor Malanchak
4. Installation of the computer network in the finance management structure—Ihor Borysovych Dovgalyuk Head of Computer Support Division
5. Audit development—Mykola Bandra, Head of the Resources Use Control Division
6. Efficient use of the budget funds—Olena Sytnyk, Deputy Head of Finance Department

RTI Staff Involved in Finance Study

The detailed work in assembling the report was largely an effort on the part of staff of the Research Triangle Institute in L'viv, Washington DC, and Research Triangle Park in North Carolina. In addition to ongoing support from a large number of people, the following are mentioned specifically.

David J. Bauer -- Resident Technical Advisor
Halyna Dzjadyk -- Analyst
Ivan Osypovych Fediv -- Consultant
Matthew D. Glasser -- Director of Ukraine Programs
Paul Hoover -- Ukraine Chief of Party
Roman Kernitsky -- Office Assistant
Sheila Keyes -- Washington Resource
George Kupchynsky -- Consultant
Lesja Kuybida -- Legal Analyst
Areta Lutsyshyn -- Analyst
Christopher Morrill -- Consultant
Oksana Mouzychouk -- Systems Analyst
Iryna Nykyforets' -- Tourism/Historical Analyst
Lev Saketa -- Computer Technician
Yuri Sinitsky -- Systems Analyst
Myron Weiner -- Consultant
Vasil Zhovka -- Senior Analyst

Municipal Finance and Management Project

L'VIV MUNICIPAL FINANCES— PROPOSALS FOR IMPROVEMENT

Report Summary

L'viv Municipal Finances—Proposals for Improvement

REPORT SUMMARY

L'viv City Administration, like most parts of the Ukrainian society, has serious financial problems.

The problems of L'viv stem from the fact that:

- > the city is responsible for a worn out physical plant
- > the city has no control over major revenue sources.

What can be done?

> **RELY ON THE PRIVATE SECTOR.** The City should divest itself of many of the city functions that can be as well or better done by private operators. These functions include real estate, water supply, waste water purification, mass transit, refuse disposal, undertaker. Many of the functions retained by the City should be put out for bid by private operators. Private operators will usually be less circumscribed in trying more cost efficient techniques. Calling for bids will allow the City to compare the cost of private operation with the cost of city operation.

> **MAXIMIZE REVENUE USE.** By making the best possible use of existing revenue and of existing revenue sources, through its own efforts the City could increase the revenue flow by at least 30% of the present budget levels.

> **GET BETTER LAWS.** Through the Association of Ukrainian Cities, persuade the national government to adopt home rule laws for cities. Equally important is the adoption of laws that will reduce the obstacles to private economic development. Economic development is the engine that will propel the City to better times.

> **DEVELOP A TOTAL PLAN OF CAPITAL IMPROVEMENTS.** A crude estimate puts the total capital needs of the city at six billion dollars. Creation of a total plan is essential. Once a plan has been developed, no matter how huge the plan is, the City can start chipping away at the needs. It is difficult, but quite possible, 'to eat an elephant.'

Municipal Finance and Management Project

L'VIV MUNICIPAL FINANCES— PROPOSALS FOR IMPROVEMENT

Coverage of the Report

L'VIV MUNICIPAL FINANCES— PROPOSALS FOR IMPROVEMENT

Coverage of the Report

This report covers the financial situation of the City of L'viv. The report has three parts.

First, the report describes the condition of municipal finance for Ukrainian cities today.

Second, the report deals with the areas of financial work essential for a modern municipal government. These are the important areas of public finance:

- A. Capital Needs Budget
- B. Operating Budget
- C. Revenue sources
 - 1. Existing sources
 - 2. Additional sources of money—tax and nontax
 - 3. Reductions in expenses
- D. Borrowing money
- E. Defining and monitoring service levels
- F. Internal and external auditing
- G. Accounting
- H. Purchasing
- I. Organization of the finance operations.

In each of these financial areas, the report describes three things:

- (a) the present system in the City of L'viv
- (b) what the system for the City of L'viv should be, and
- (c) the immediate and long range steps necessary for the City of L'viv to take in order to have a finance system that would be recognized by world class finance professionals as being first rate.

Third, the report summarizes actions

- (a) that should be taken locally, and
- (b) that should be urged upon the national government.

In addition, the report has seven appendices which give some details about matters touched upon in the report:

- Appendix A—Units of L'viv City Government
- Appendix B—Capital Budget—Present and Proposed
- Appendix C—Operating Budget—Present and Proposed
- Appendix D—Estimate of Potential Additional Revenue Available to the City of L'viv.
 - Part I—Using the Revenue Sources Presently Available to Ukraine Cities
 - Part II—Using Some of the Revenue Sources Used by United States Cities
- Appendix E—Example of Bond Issue Possibility—Sykhiv Tram Line
- Appendix F—Request for Bids General Audit Services
- Appendix G—Sources

Throughout the report, to reduce the impact of the changing value of the Ukraine karbovanetsi (Ukk), data is often shown in US dollars.

Municipal Finance and Management Project

**L'VIV MUNICIPAL FINANCES—
PROPOSALS FOR IMPROVEMENT**

**Condition of Municipal Finance in Ukraine
Today**

L'VIV MUNICIPAL FINANCES— PROPOSALS FOR IMPROVEMENT

Part I—Overview

The Condition of Municipal Finance in Ukraine Today

The municipal finance operation is governed by several laws and decrees:

1. The law of Ukraine concerning the budgetary systems. (1991)
2. Law on local self government (1992)
3. National budget of Ukraine (new each year, 1996 is the latest)
4. A 1995 agreement between the Parliament and the President, pending passage of a new constitution
5. Presidential ukases on the rights, responsibilities, and limitations of the local governments.

Unfortunately, the 1992 law does not assign clear responsibilities to the cities. The effect of the other laws is to mix the practices of "former times" with the realities of today.

The overriding finance problem for any Ukraine city is simply stated—municipal finance is controlled by persons who are not responsible to the city voters. Revenue collected by the regional government from city residents comes to the city according to percentages set by the national government and modified by the regional government. Local governments are at the end of the revenue chain.

The philosophy controlling municipal finance in Ukraine today is a heritage of the command economy imposed over the 70 years before 1991 (in former times). The basic idea is admirable—ensure fair treatment of all people in the country by leveling all areas as close to the average as possible; take from all according to ability, return to all according to need. In this theory, if a particular area is economically distressed it should contribute less than the average in taxes and get a larger than average share of the money being distributed.

Though the basic idea is philosophically admirable, such a system has defects.

- > First, it suffocates initiative—no matter how hard a person or a city tries, it does not reap any rewards.
- > Second, it requires administrators with perfect judgement and honesty. Human beings do not have perfect judgement, even if they are not corrupt.
- > Third, it requires the nationalization of the usual linchpins of the economy—banks, industries, commerce, land—thereby stifling entrepreneurs within a tightly circumscribed private sector.

A second way the system attempts to even out perceived regional inequities in resources is through subsidies paid directly from the national government to the regions, and from regions to cities. These subsidies can be provided for a special purpose or for general leveling. As with regulating revenues, amounts of these subsidies vary from year to year, and from region to region.

In addition to regulating revenues and subsidies, cities have "fixed" or own-source revenues. These are called "fixed" revenues because the percentage of collections retained by local governments is fixed at 100%, whereas regulating revenues and subsidies are not fixed in rate or amount. However, even for these revenues, the tax rate and tax base are determined by the central government. There is very little local discretion. Municipal fixed revenues are tracked by region finance officials as part of their overall budget responsibilities. Such revenues may be included in the general budget, or may be dealt with separately.

Region level plans for revenues and expenditures at the municipal level illustrate the vertical integration of the budget administrative structure. Cities are autonomous entities only in the sense that they are often ignored. Finance officials at each level are subordinated to the Ukraine Ministry of Finance. This puts city finance officials in an awkward position. The authority of the city council and city administration, or the regional and national officials over the actions of the city finance officials is informal, unclear, and unpredictable.

Regional government budgets are negotiated with the national government and then local government budgets are negotiated with the region. This operates as a disincentive to efficiency and makes it difficult to plan for even a year at a time.

It is obvious that city officials trying to do the best for their city will seek to find ways to provide for funds outside of the budget process wherever possible. To the extent they are successful in doing this, the city can avoid regional government scrutiny. Unfortunately, this will also mean that the city council may be denied proper legislative scrutiny of city finances. Extra budgetary funds thus give cities some degree of autonomy, which is good. However, the bad aspects are that extra budgetary funds are not subject to proper voter scrutiny, may not reflect citizen preferences, and are subject to being tainted by scandal with no more reason than that they are undercover.

This report recommends a series of steps that should be taken—some are improvements in the internal operation of the City which will have an indirect beneficial impact on the citizens—these steps should be taken immediately. Others, particularly in the revenue area, have a direct impact on citizens. Because of the generally depressed economic condition of the area, these steps to raise revenue should be taken gradually, using the rule of maximum revenue return with minimum economic impact.

The financial condition of the city government is tied to the ability of people to pay for city services which is tied to the quality of the city economy which is tied to the financial condition of the city government—a circle of influence which must be adjusted gradually, and in all parts of the circle at the same time. Improvement in any part of the circle will help all other parts of the circle. Lagging performance in any part of the circle will drag the other parts down.

Electric generation	1 plant@	\$5.0	5.0 P
Electric distribution	1500 km lines@	\$0.1	150.0 P
Solid Waste Disposal	1 plant		10.0 P
Equipment not included above	.total		5.0 P
Streets	2000 km@	\$0.1	200.0 G
Equipment not included above	.total		2.0 G
Housing			
Existing repairs	160,000 units@	\$0.1	1600.0 P
Finish construction	13,000 units@	\$0.1	130.0 P
New	85,000 units@	\$0.02	1700.0 P
Commercial Buildings			
Production	200 plants@	\$1.0	200.0 P
Customer service	40,000 units@	\$0.01	400.0 P
Public			
City offices	25 buildings@	\$0.5	12.5 G
Cultural			
Museums	25 buildings@	\$0.1	2.5 G
Historic monuments	3000 buildings@	\$0.1	300.0 G
Transport			
Tram vehicles	160 vehicles@	\$0.3	48.0 P
Tram track	75 km@	\$0.3	22.5 P
Trolley bus vehicles	200 vehicles@	\$0.07	14.0 P
Autobus system	400 vehicles@	\$0.03	12.0 P
Rail Station	1 depot@	\$50.0	50.0 P/G
Rail line to Poland	70 km@	\$1.3	90.0 P/G
Airport Terminal	2 buildings		50.0 P
Airport Runways	3 km		50.0 G
Education			
Schools	100 buildings@	\$0.5	50.0 G
Pre school	20 buildings@	\$0.3	6.0 G
Higher education	70 buildings@	\$0.1	35.0 G
Health Care			
Hospitals	10 buildings@	\$0.5	5.0 P
Polyclinics	10 buildings@	\$0.5	5.0 P
Parks, open space	3000 hectares@	\$0.01	30.0 G
POSSIBLE TOTAL			\$5,963.7
Private			5,135.7
Government			688.0
Private/government partnership			140.0

Proposed. The years of neglect of the infrastructure have left a terrible legacy. To cope with this will require a program of capital needs. Such a program is called a capital budget. A capital budget is essential to rational financial planning and rational development. The program should be redone on an annual basis taking into account actual work completed, and the changing needs of the citizens of the city. The capital budget should cover all the aspects of city government. It should extend over the number of years required to complete the last capital project envisioned.

Municipal Finance and Management Project

L'VIV MUNICIPAL FINANCES— PROPOSALS FOR IMPROVEMENT

Financial Activities Essential for a Modern City Government

Department are reviewed by the City Administration, The Administration defends the proposals before the officials of the region. The Region then decides how much money raised by the national government taxes shall be passed on to the city. Finally, the City Council approves the allocation of regulating revenue to the City functions

A summary version of the general city budget is shown in Appendix C. Also shown is a summary statement of the expenses of the Water/Sewer operation. The Water/Sewer enterprise is not included in the general city accounts. This is true as well for Communal Transportation, Emergency Medical Service, Housing Maintenance, Housing Management (Zheks), Housing Office (ZEO), Open Space and Parks, Refuse Disposal, Street Lighting, Street Maintenance, Tram and Trolley Service, and Undertaker. In December 1995, the central computer service for the city was added to the list of enterprises.

Regional government consideration of the City budget proposal of 44 trillion Ukk has resulted in setting the regulating tax percentages at a level to return 14 trillion Ukk, or US\$73.7 million.

The relative emphasis in the expenditures for the general city administration over the first four years of independence is shown below. (Expenses for the various city enterprises are not included.)

<u>Budget Category</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Social Protection	\$ 7.1/25%	\$16.0/48%	\$13.1/39%	40.9/44%
Socio/Cultural Institut	10.5/37	10.3/31	16.1/48	39.1/42
Road maintenance			0.0/0	0.1/0
Housing Communal	1.6/6	1.6/5	3.3/10	4.5/5
Trams/Trolleys/Buses			0.1/0	2.2/2
Economy Other				0.4/0
Law Enforcement	0.2/1	0.3/1	0.4/1	0.6/1
Administration	0.2/1	0.5/1	0.6/2	1.4/2
Capital Investments	6.3/23	4.5/13	0.0/0	4.2/4
Other	2.1/7	4.9/1	0.1/0	0.3/0
Total	\$28.0/100%	\$38.1/100%	\$33.7/100%	\$94.2/100%
Exchange rate: \$1 =	289 Ukk	9493 Ukk	60,553 Ukk	161,479 Ukk

The drastic reduction in Capital Investments shows how difficult it will be to finance the capital needs. An all funds expenditure table, based on partially available information, show an even smaller portion on capital projects and maintenance of the physical plant. (It is probable that a combined funds budget would reach \$200,000,000)

It is obvious that the social sphere is absorbing a large and increasing share of the available general fund revenue, while investment in the physical structure of the city is diminishing.

Proposed. The operating budget should be a document freely available to all members of City Council, all the offices of the city government, the mass media, and to interested citizens. The budget should reflect the operating philosophy of the city government in that it shows the relative emphasis put upon each of the responsibilities of the city government, and the changes in emphasis being made in the current year from the previous years. The budget document should, as well, predict the kinds of activities and changes that may be anticipated in future years. In addition, reports based on the adopted budget will serve as management tools for the City Administration during the course of the year, and will serve as early warning indicators of changes in the pace of income and expenses.

The budget should include all revenues and expenditures for functions that are part of the municipal services. To make this possible, the national legislation should be changed in order to eliminate the counterproductive situation (initiative being punished) described in Part I above.

On occasion, subsidies are passed on from the national government through the regional government to a city.

The city does use the fixed revenue source. Of the permitted sources, there are only two that are potentially significant, and the city is not using the Hotel/Motel tax as fully as it should.

The percentage of regulating taxes collected by the national government ranges between 30% and 60% of the total payable under the law. In part this seems to be due to confusion of the current law; in part it is a *de facto* recognition that a small business can not survive, much less make a profit unless it finds some way of getting around at least a portion of the tax laws. The tax evading economy in Ukraine is basically a market economy that avoids governmental regulation. As a result of its illegal status, however, the underground economy may degenerate into a form of organized crime, often like that of the West, but modified by the fact that it operates within a framework permeated by a highly bureaucratic and ritualistic economic culture. This economy often involves production, import and export, contraband, and black markets, all operating outside the law. This economy operates mainly in foodstuffs, consumer goods, imported items, precious metals and stones, hard currency and drugs. The illegal operations are often large enough, and regular enough, to require the participation of government officials and control agents. Because of the size of the uncollected revenue cities (as well as the nation) receive much less than a strict reading of the laws would indicate should be collected.

Proposed. \$167,260,000 in additional revenue would be available to the city if all the possibilities became real. The specific estimates are shown in Appendix D. The total potential additional revenue is estimated as follows:

> Increase the collection rate on regulating revenues by 50%	\$21,300,000
> Collect to the fullest extent possible from the revenue sources now available to the city	32,310,000
> Extend the range of revenue sources useable by the city	105,750,000
> Reduce expenditures through better procedures	8,600,000

Some details on these sources of additional revenue are outlined below. As noted above, it would be unwise to attempt to collect all these potential avenues of additional revenue at the same time. Any tax program has to take into account the fairness of the revenue source, the state of the economy, and the overall condition of the financial picture for the City. The City Administration should select the sources in priority order, according to the amount of revenue, the administrative costs of collection, and the relative fairness of the revenue for the citizens. A fourth important factor to be considered is the capacity of the productive strength of the local economy to be tapped for taxes. In 1995 the estimated local industrial production was \$465,000,000. The City budget was roughly 15% of that amount. There must be a reasonable relation between economic activity and taxation.

1. Regulating Revenue and Subsidies

Present. Originally, there were four regulating revenues

- > value added tax
- > the tax on enterprise profits
- > the income tax
- > excise taxes.

Payments for purchase of land rights have recently become *de facto* regulating revenues, since the national government is now taking 30% of receipts from land reform

For each of the four regulating revenues, the national government forecasts a total amount to be collected, and a percentage to be retained by each regional government is established. Similarly, the regional government establishes the amount to be allocated to the city, and the city allocates

function with city forces. There should be a basis of comparison between private and public execution of any given function. An example of a potential saving of \$450,000 that might be achieved through analysis of current costs and calling for competitive bids is noted in Appendix D. The relative cost of all City functions should be verified by periodically weighing costs for work done by city forces against the costs for private contractors.

6) **Privatization.** The City should shed those functions that are either of a nature that:

- > will be done as well or better under a private operator, or
- > have an impact outside the city limits and therefore might be done by a private or quasi governmental organization.

There are some functions that should be examined immediately for privatization, either in whole or in part, or for turning over to a agency based on a region. These are Transportation, Emergency Service, Housing Maintenance, Housing Management (Zheks), Refuse Disposal, Street Lighting, Street Maintenance, Tram and Trolley Service, Undertaker, Water/sewer, and Health Care.

Necessary Steps. The reduction of expenses is entirely within the power of the City Administration to do.

The Personnel Department should take the lead in developing training and standards of performance for the various classes of positions within the city service (item #1 above). This training, done at all levels of the 11,500 person City work force, should be provided in-house, through the management staff of the city, and through training centers outside the city service.

The work involved in items #2 through #4 above should be the mission of a special group of analysts reporting to the Deputy Mayor of the Executive Committee. Item #5 is within the area of responsibility of the Organization and Information Support Department. Alternatively, the City could engage outside consultants to start this process. Item #6 can be done at the discretion of the City. Active study of the process is underway for Water/Waste Water, and Solid Waste.

D. Borrowing money

Present. At the present time there is no established process for Ukrainian cities to borrow money over a multiyear period. The city administration has made an effort to do capital projects from the operating budget, but with the heavy burden of overcoming the effect of 70 years of deferred maintenance, it is impossible for the city to rebuild its physical plant on a pay as you go basis.

Proposed. A priority effort must be made to shed the capital load to the private sector

For required city needs, the following should be observed. Borrowed money to provide operating funds should have a repayment period no longer than six months. Such borrowing should be done cautiously and infrequently, and only in anticipation of revenue that is sure to come within the fiscal year. At the present general fund budget level, this would be \$7,000,000, enough to support a debt load of \$35,000,000. To deal with a one billion dollar debt load would require an annual budget 30 times larger than the present budget.

On the other hand, the City of L'viv must put itself into the position of being able to borrow money for capital improvements on an annual basis for at least the next 100 years. The schedule for borrowing money must stay within the ability of the city to pay interest and repay principal. Annual debt service requirements should not exceed 10% of the annual operating budget. To do this, the city should set a first time goal of borrowing no more than ten million dollars. This will permit the City staff to gain experience in entering the credit markets. It will also begin the process of developing general contractors who will be able to do capable work. Subsequently, at one year intervals, the City could float additional bonds to an acceptable level.

Case in hand—Water '98

The city, through the appointment of Task Force Water '98 on 11/30/94 and the unanimously favorable action by its Executive Committee on 11/24/95, has embarked on a program of improvement of its water and sewer service. The World Bank has taken positive steps, through contracts with consulting firms, to develop a program and structure that will justify a loan program for improving the Water/Waste Water system. The scheduled conclusion to the preparatory process is August 1997. It is expected that the World Bank would identify the underwriter, rely on the recommendations of its designated experts, and prepare the necessary legal documents.

As of today, there are several participants involved with this project. There is the L'viv City Administration through the Water '98 Task Force, the Municipal Utility Engineering Department, and the Water/Waste Water Enterprise; the World Bank with two consultants—COWI, and Booz Allen and Hamilton; USAID with three consultants—RTI, PADCO, and CH2M-Hill. These participants are developing solutions for the difficult problems, with the most important being the organizational/legal form for the water/waste water service, the extent to which the income can be raised for the service, and the steps that can be taken to improve the physical plant for the service.

The City will have to choose the course of action it wants to follow from among the various options being raised by the consultants. The program finally financed will have to balance the needs for improved public service, better technical operation, and environmental concerns.

Case in hand—Sykhiv Tram Line

One of the last major civic projects of the former Soviet Union in L'viv was the construction of a complex of apartment buildings for 120,000 people 6.7 kilometers from the nearest established tram line. The implementation of the plans for this development stopped short of the construction of good transit facilities to serve the residents. The existing bus service is inadequate, slow, and environmentally damaging. On its own initiative, the City wants to correct this deficiency in the mass transit system by adding to its steel rail tram system. A statement of the parameters of the project is included as Appendix E

In contrast to the situation with Water '98, the borrowing that would be required by this project would have to come from the initiative of the city. The RTI/MFM project made preliminary explorations of the interest and capability of the L'viv banks to underwrite the project. As a result of the conversations with four banks, it appears that the following must be recognized and the necessary action taken.

Problem #1. In the mind of the banks, the city government is bankrupt, as evidenced by the inability of the water/sewer system to pay its debts, and a general understanding that the city government is unreasonably slow in paying its bills. This feeling in the minds of the banks is reinforced by the lack of any verifiable statements of the City financial condition that meet modern standards acceptable to lenders.

Necessary Steps. Have an independent outside auditor do a general audit of the city financial condition to determine the extent to which the suspicions of the bankers is true. Take steps to clean up the portions of the city financial situation that cause uneasiness to lenders.

Problem #2. The banks need to examine the details of the project.

Necessary Steps. Immediately assemble whatever information is available on the scope of the project, the financial situation of the transit operation, the effect on ridership of the proposed project.

2) Along with auditing in accordance with point 1) additional services may be provided by the auditor such as analysis of a budget structure (revenues and losses), investigation of infrastructure and communal services, recommendations on improvement of the budget structure, cautions on the deviation from economic and legislative standards, and adherence to local council regulations.

"Auditing activity and additional services (if needed) would be explained in the report, but only after the outside auditor is familiar with the purposes of the audit and with amount of work to be according to your program.

"Auditing services will depend on the agreement authorizing the audit. To our mind forms of auditing should not differ from the traditional ones. Methods of checking are very important. An audit of local authorities should include traditional forms of checking standards, legislative and economic documents, as well as other methods: formal, arithmetical, logical checking of documents, comparisons, counter checking.

"Terms and planning are also important issues of auditing. Terms of work fulfillment should not be less than 1.5 month, because studying the laws of Ukraine and local council deeds will take about 2 weeks. Time for additional consultations and inquiries to other agencies should be included in the period as well."

Necessary Steps. These steps can be taken by the city administration without seeking the permission of any outside agency. They will represent significant improvements in the operation of the city. A sample Call for Bids for an audit of the City Finances is included as Appendix G.

G. Accounting

Present. The present system is based on a cash accounting system (under cash accounting, revenues are recorded when received; expenditures are recorded when actually paid out). Neither expenses nor income are being accrued (an accrual system records revenue earned to date, whether or not actually received, and it records expenditures to date based on justified performance even if cash has not actually been paid). Expenses are not being encumbered (an encumbrance system shows the promises to pay, even though the work has not yet been performed). As a result, there is no accurate indication of the amount of available money remaining in a budgeted appropriation.

There is no cost accounting system (cost accounting is a system to determine unit costs of materials or services); thus the unit costs of any given service performed for the public are not routinely available for comparison purposes. Accounts payable (money expected to be spent) and receivable (money expected to be collected) are not aged (increased or reduced in amount in order to reflect interest penalty costs on late payments due, or the lessened likelihood of accounts receivable being paid); thus the credit standing of the city based on the payment of payables can not be adequately monitored, and there is no realistic appraisal of money that the city might receive from any given collectible.

Further, the accounting systems that have been inherited from former times make no provision for the depreciation of capital expenditure over a reasonable life of a major asset; the value of the capital structure of the city, necessary for creating a balance sheet of assets versus liabilities, will be distorted.

There are, at the present time, about 24 funds (separate free standing income/expense centers) within the total city financial system. The multiplicity of these funds helps to preserve the autonomy of the city in the matter of city finances. The more funds there are, however, the more involved is the management of the financial resources. These funds are as follows:

General Fund of the City Administration
City Funds Outside the General Fund
Tourism Fund (not active)
Water '98 Fund (not active)
L'viv Development Fund
Culture Fund
City Architecture Development Fund
Chernobyl Fund
Employment Fund
State Property Fund
Municipal Property Fund
Znesinnya Park Fund

City Related Services
Communal Transportation Enterprise
Emergency Service Enterprise
Housing Maintenance Enterprise
Housing Management (Zheks) Enterprise (60)
Housing Office (ZEO) Enterprise
Open Space and Parks Enterprise
Refuse Disposal Enterprise
Street Lighting Enterprise
Street Maintenance Enterprise
Tram and Trolley Service Enterprise
Undertaker Enterprise
Water/sewer Enterprise

Proposed. The accounting system is the financial function that produces regular reports of the real financial situation of the city and all its components. These reports provide the historical record of the financial health of the city. Accounting reports, properly attested to by independent auditors, are essential for managing the city services intelligently, for reporting to the citizens who are the stakeholders in the city, and for entering the financial markets for raising capital.

The most conservative accounting records are those that are based on a cash system for income—the money is not entered into the accounting records until it has been actually received, and on an encumbrance or accrual system for expenses—the budgeted money is shown as committed as soon as an obligation has been made to spend the money. Normally, in such a system, the encumbrances are entered into the accounting records as soon as the obligation is made; the accrued expenses are entered into the books only at the time a financial report is being generated.

Necessary Steps. The financial accounting system should be reviewed by a team of experts to refine the chart of accounts according to the real world of today. The system of accounting records should then be modified to meet the standards that exist for the purpose of reporting to the citizens, to the national government, and to the international lending community. In the beginning it may be necessary to maintain more than one set of accounting records, one set in order to meet old standards of a particular supervisory agency and at the same time a second set to provide the kind of information that modern municipal management must have.

In general, the preferred accounting system would be an encumbrance system based on the following guidelines:

- > The budget would be based on the need for purchases for specified items
- > Shifts of money between accounts would require approval of the Finance Director
- > Money is to be disbursed only upon approval of a detailed invoice
- > All relations with vendors to be based on an approved contract or purchase orders
- > Annual expenditures under specified amounts would not require formal bids, but simply negotiated purchase orders.

planning, advice to the Mayor, and the larger questions surrounding debt, revenue, investments, and financial reporting.

The MFM project sponsored visits to a number of Finance Departments in other cities. The Director has seen operations in several US cities; there was a training trip to Lublin, Poland for members of the Finance Department to review the improved financial operation created with the help of the University of Kansas. Subsequent trips to Lublin, and exposure to other modern financial operations now and in the future will be helpful, as the Finance Department moves to improve its procedures.

24

Municipal Finance and Management Project

**L'VIV MUNICIPAL FINANCES—
PROPOSALS FOR IMPROVEMENT**

**Appendix A
Units of L'viv City Government**

Municipal Finance and Management Project

L'VIV MUNICIPAL FINANCES— PROPOSALS FOR IMPROVEMENT

Actions Required

L'VIV MUNICIPAL FINANCES— PROPOSALS FOR IMPROVEMENT

Part III—Actions Required

Summation

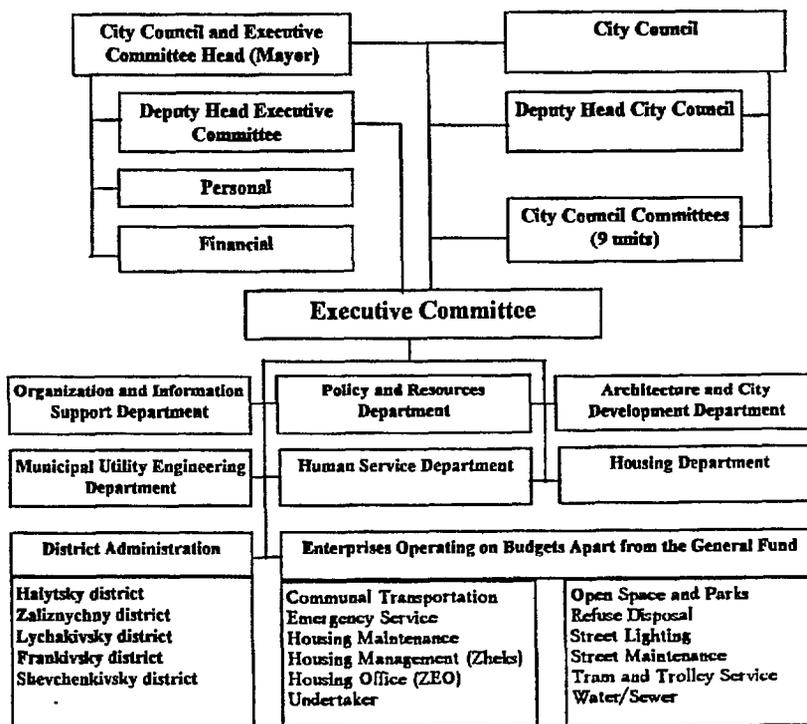
Actions and programs are necessary to make the finances of the City of L'viv more useful for the City Administration in providing services to the public, more understandable to the citizens and the operating officials of the city, and more dependable as a guide for planning for the future. The recommendations made in part II are repeated here:

- > Create a complete and long term capital expenditure program (page 6)
- > Prepare a comprehensive operating budget for all functions (page 8)
- > Seek the legislation necessary to encourage the city economy while permitting flexibility in local revenue collection (page 11)
- > Take positive steps to assure the highest cost benefit from city expenditures by purchasing goods and services through competitive bidding, and by continually analyzing the procedures being used for municipal work (page 12)
- > Experiment with ways to secure long term financing for the needed capital improvements of the city (page 13)
- > Initiate an aggressive program of auditing by both internal and external staffs (page 15)
- > Initiate administrative improvements through the use of service standards (page 15), through expanding the role of the Personnel Department (page 12), and making changes in the Finance Department (page 20).

L'VIV MUNICIPAL FINANCES— PROPOSALS FOR IMPROVEMENT

Appendix A

Units of L'viv City Government, Arranged by Department (As of Reorganization Plan Approved Fall 1995)



City Council and Executive Committee Head
 Deputy Head City Council
 Deputy Head Executive Committee
 Finance
 Personnel

Organization and Information Support Department
 Department Director and Secretary to the City Administration
 Patronage
 Legal Office
 Executive Committee Accounting
 Policy Implementation Control
 Press Service
 External Relations
 Central Dispatcher Service
 Computer Support
 Logistics
 City Archives
 Operational Subdivision

Resolutions Registration
Document Copying and Storing
Correspondence and Resolution Processing
Citizens Requests

Economic Policy and Resources Department
Economic Development and Planning
Resources and Investment
Local Taxes and Collection
Communal Property
Job Placement
Parks, Roads, Streets Inspection
Ecological Inspection

Architecture and City Development Department
Architecture
Land resources
Reconstruction and Restoration
Historic Preservation
Capital construction
Regional Landscape Park
Historical Museum

Municipal Utility Engineering Department
Main Public Utilities
Transportation
Veterinary
Disease control
Water Inspection
Public services

Human Services department
Education
Sports
Trade and Public services
Health care
Vital statistics

Housing Department
Housing
Housing Registration and Distribution

District administrations
Halytsky district.
Zyliznychny district
Lychakivsky district
Frankivsky district
Shevchenkivsky district

Enterprises Operating on Budgets Apart From the General Fund

Communal Transportation	Emergency Service
Housing Maintenance	Housing Management (Zheks)
Housing Office (ZEO)	Open Space and Parks
Refuse Disposal	Street Lighting
Street Maintenance	Tram and Trolley Service
Undertaker	Water/sewer

Municipal Finance and Management Project

**L'VIV MUNICIPAL FINANCES—
PROPOSALS FOR IMPROVEMENT**

**Appendix B
Capital Budget—Present and Proposed**

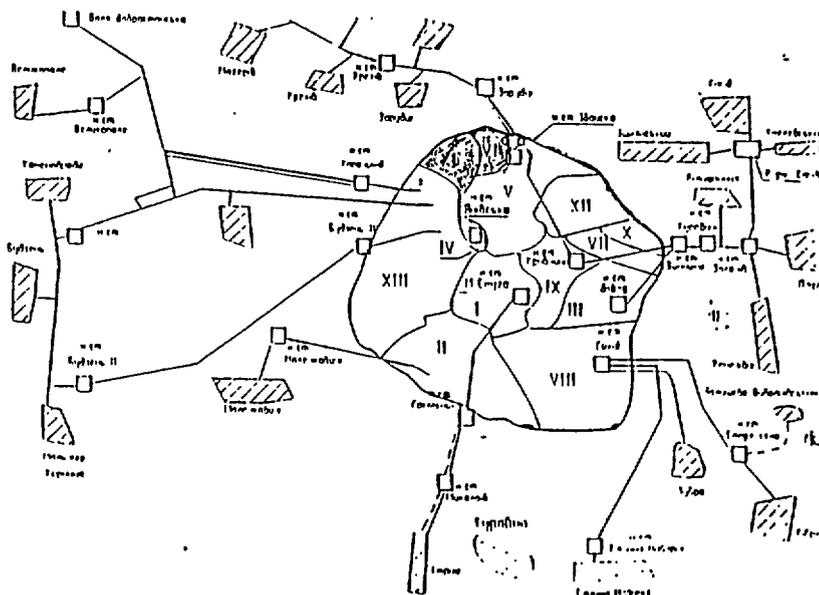
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2.4.	КАПІТАЛЬНЕ Б-ЦТВО - ВСЬОГО	42,3	1,7	228,7	2	425,3	92,6			1092,8	256		836,8		
3.	УТРИМАННЯ ТА РОЗВИТОК УСТАНОВ КУЛЬТУРИ - ВСЬОГО	45,2	22,2	300,9	54	260,1	135,5	219,6	110	613,5	569,5		44	1,3	1,
	В Т.Ч.:														
3.1.	ПОТОЧНЕ УТРИМАННЯ	22,9	18,2	157,1	52,32	129,4	129,4			450,6	430,6		20		
3.2.	ПРИДБАННЯ ОБЛАД. ТА ІНВЕНТАРЯ	0,2	0,2	18,7	0,69	0,8	0,8			17	17				
3.3.	КАПІТАЛЬНИЙ РЕМОНТ	2,8	2,8	66	0,99	5,3	5,3			120,2	120,2				
3.4.	КАПІТАЛЬНЕ БУДІВНИЦТВО	19,3		59,1		124,6				25,7	1,7		24		
4.	УТРИМАННЯ СПОРТИВНИХ ЖКІА І ДІТЯЧИХ КЛУБІВ			13,21	13,21	44,9	44,9			55	55				
5.	КАПІТАЛЬНЕ Б-ЦТВО ОБ'ЄКТІВ ЗВ'ЯЗКУ	12,4		24		80,8				1241,9			1241,9		
6.	КАПІТАЛЬНЕ Б-ЦТВО ІНШИХ ОБ'ЄКТІВ	4,9		7		17									
7.	КАПРЕМОНТ, РЕКОНСТРУКЦІЯ ОБ'ЄК. ПОБУТУ									52,3	52,3				
8.	СОЦІАЛЬНЕ ЗАБЕЗПЕЧЕННЯ ЛЬВІВСЬКИЙ ГЕРІАТРИЧНИЙ ІНТЕРНАТ- ВСЬОГО	12,63	12,63	115,6	61,6	68,5	68,5	52,5	52,5	151,9	151,9			0,4	0,3
	В Т.Ч.:														
8.1.	ПОТОЧНЕ УТРИМАННЯ	11,32	11,32	80,9	53,7	56,7	56,7			101,9	101,9				
8.2.	ПРИДБАННЯ ОБЛАДНАННЯ ТА ІНВЕНТАРЯ	0,12	0,12	4,7	4,7	6,54	6,54			20	20				
8.3.	КАПІТАЛЬНИЙ РЕМОНТ	1,19	1,19	30	3,2	5,27	5,27			30	30				
III.	СОЦІАЛЬНИЙ ЗАХИСТ НАСЕЛЕННЯ-ВСЬОГО	114,9	114,9	821,9	821,9	619,1	619,1	446,5	446,5	2071,2	2071,2			3,2	3,8
IV.	РЕСТАВРАЦІЯ ПАМ'ЯТОК АРХІТЕКТУРИ	4,66		38,72	15,87	15,7		9,9		112,65	20,1		92,55	0,08	0,2
V.	ПРОВЕДЕННЯ ЗАГАЛЬНОМІСЬКИХ ЗАХОДІВ	0,94	0,07	35,5	17,6	16,3	15,4	6,3	6,3	76,4	76,4			0,08	0,1
VI.	ІНШІ	87,79	87,79	232,63	232,63	625,9	625,9	304,1	304,1	751,2	751,2			3,2	1,4

Керуючий справами виконкому
Директор департаменту економічної
політики та ресурсів

М. Мележко

П. Качур

APPENDIX B. L'VIV CAPITAL BUDGET



Functional Area: Water Service

Year	Cost	Description
1996	7.1 million US\$	<ul style="list-style-type: none"> ① Provide 24 hours water supply for Riasne-2 (see yellow area on the scheme). ② Create favorable conditions for provision of program financing in water supply improving. ③ Create Water Saving Fund of Water Supply Organizations and of City Water Supply Fund.
1997		④ Construction V. Buzsky and Plugiv pumping stations and provide additionally 135 thousand m ³ of water per day
1998		⑤ Provide 24 hours water supply for all inhabitants (see dark area on the scheme)
after 1998		<ol style="list-style-type: none"> 1. Provide twenty-four-hour water supply to dwellers. 2. Consolidate Vodocanal utilities. 3. Improve hydroecological situation at the underground water sources (well fields). 4. Improve the quality of potable water. 5. Decrease the possibility of breaks in the water and sewer systems. 6. Improve maintenance of inside building systems. 7. Reduce non-registered and non-productive water losses.
1995-1998	567 million US\$	

Sources of funds on 1996: City Budget - 2.2 million US\$
 Oblast Budget - 972 thousand US\$
 Consumers - 3.9 million US\$

total 7.1 million US\$

УТРИМАННЯ І РОЗВИТОК ПІДПРИЄМСТВ І СЛУЖБ МІСЬКОГО
ГОСПОДАРСТВА СОЦІАЛЬНО-КУЛЬТУРНОЇ СФЕРИ ТА
СОЦІАЛЬНИЙ ЗАХИСТ Мешканців м. Львова

/млрд.крб./

п/п	НАЗВА ПОКАЗНИКА	1994 РІК		1995 РІК				1996 РІК - П Л А Н			ПІТОМА ВАГА РОЗВИТКУ ГАЛ. СФЕРИ МІСЬКОГО Г-СТВА СОЦІ- АЛЬНО-КУЛЬТ.СФЕРИ У %				
		З В І Т		П Л А Н	ОЧІКУВАНЕ ВИКОНАН.	ЗВІТ ЗА І-ХІМІС.	В С Ъ О Г О	В Т.Ч. ЗА РАХУНОК КОШТІВ		ІНШИХ КОШТІВ	1995 Р.	1996 Р.			
		В С Ъ О Г О	В Т.Ч. З БЮДЖЕТУ					В С Ъ О Г О	В Т.Ч. З БЮДЖЕТУ				В С Ъ О Г О	В Т.Ч. З БЮДЖЕТУ	З БЮДЖЕ- ТУ
3	4	5	6	7	8	9	10	11	12	13	14	15	16		
	В С Ъ О Г О	3111,6	2041,7	20045,7	12003,8	19447,5	15808,9	15670,3	12824,9	54521,5	37217,4	185,6	17118,5	100	100
	З НИХ:														
I.	УТРИМАННЯ ТА РОЗВИТОК ЖИТЛОВО-КО- МУНАЛЬНОГО Г-СТВА, ПАРКУ "ЗНЕСІННЯ" І МУЗЕЙ "Личаківський цвинтар", МКП "Львівелектротранс" - всього	1852,5	861,3	10863,8	6628,9	11401	8161,5	8962,6	6545,7	31694,7	19116,2	185,6	12392,9		
	З НИХ:														
I.	КОМУНАЛЬНЕ ГОСПОДАРСТВО - всього	705,9	508,2	6242,1	4839,8	6600,3	6275,5	5058,1	4929	16215,2	12700,1		3515,1	34	29,7
	В ТОМУ ЧИСЛІ:														
I.1.	ПОТОЧНЕ УТРИМАННЯ ОБ'ЄКТІВ БЛА- ГОУСТРОД П-СТВАМИ КОМУНАЛЬНОГО ГОСПОДАРСТВА	68,8	68,8	369,9	251	509,4	509,4			919,3*	919,3*				
I.2.	КАПРЕМОНТ ОБ'ЄКТІВ БЛАГОУСТРОД КОМУНАЛЬНОГО ГОСПОДАРСТВА	10,9	10,9	54,7	30	34,2	34,2			106,2*	106,2*				

W
W

РЕМОНТ І УТРИМАННЯ АВТОМОБІЛЬ- НИХ ДОРОГ					11,3	11,3				15	15				
НАПРЕМОНТ ОБ'ЄКТІВ ВОДОПРОВІДНО- НАЛІЗАЦІЙНОГО Г-СТВА КП "Львів- ОДОКАНАЛ"	19,5		67,5		156,8					156,8			156,8		
ПРИДБАННЯ ТРАНСПОРТНИХ ЗАСОБІВ І МЕХАНІЗМІВ ДЛЯ П-СТВА, ПІДПОРЯДКО- ВАННИХ УПРАВЛІННЮ КОМУНАЛЬНОГО ГОСПОДАРСТВА МІСЬКОЇ РАДИ	2,4	2,4	139,3		14,6	14,6				198,4	198,4				
ПРИДБАННЯ АВТОБУСІВ 175 ШТУК/ ДОДАТКОВО З МІСЦЕВОГО БЮДЖЕТУ НА ПОКРИТТЯ ЗБИТКІВ П-СТВА КОМУ- НАЛЬНОГО ГОСПОДАРСТВА І АВТОТРАНС- ПОРТУ			540	212	180,5	180,5				300	300				
КАПІТАЛЬНЕ Б-ЦТВО ОБ'ЄКТІВ КО- МУНАЛЬНОГО ГОСПОДАРСТВА І ЕНЕРГЕТИКИ ПРИДБАННЯ ТА РОЗВИТОК МІСЬКОГО КОМУНАЛЬНОГО ГОСПОДАРСТВА /МКП/	403.2	403.2	4122.6	4122.6	5236.7	5236.7				7553	7553				
Львівелектротранс* - всього	201.1	22.9	948.2	224.2	456.8	288.8				6966.5	3608.2		3358.3		
З НИХ:	185.4	144.7	1136.8	728.3	1108.3	767.5	863.5	695.5	2625	2205		420	5.7	4.8	
Поточне утримання	157.8	141.2	595.3	573.3	763.3	590			1755	1755					
ПРИДБАННЯ ОБЛАДНАННЯ, ІНВЕНТАРЯ	0.87		33.1		26.7				45	45					
КАПІТАЛЬНИЙ РЕМОНТ	23.2		128.9		140.8				625	205		420			
ПРИДБАННЯ ТРАНСПОРТНИХ ЗАСОБІВ 6 ТРАМВАЇВ, 55 ТРОЛЕЙБУСІВ/ ТА ЗАПЧАСТИН	3.5*	379.5**	155	177.5	177.5				200	200					

/КРИМ ТОГО: * - ПРИДБАННЯ ЗАПЧАСТИН НА 230 ТИС. ДОЛ. США;
** - НА ПРИДБАННЯ 6-ТИ ТРАМВАЇВ - 1560 ТИС. ДОЛ. США І ЗАПЧАСТИН НА - 300 ТИС. ДОЛ. США

100 210 200 1278

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
ЖИТЛОВЕ ГОСПОДАРСТВО - ВСЬОГО в т.ч.:	1959.4	207.4	3444.6	1057.4	3684.9	1113.5	3035,7	918	12527,5	4071,7			8455,8	18,9	23
1. ЕКСПЛУАТАЦІЙНІ ВИДАТКИ-ВСЬОГО з них:	1060	101,9	812,1*	812,1*	1041,1	788,2			3509,6	3040,2			469,4		
ДОТАЦІЯ ЖИТЛОВО-ЕКСПЛУАТАЦІЙНИМ ОРГАНІЗАЦІЯМ - ВСЬОГО	101,9	101,9	812,1	812,1	788,2	788,2			3040,2*	3040,2*			/*-КРИМ ТОГО Винники-33.6;Бреховичі-13.4;Рудно-1		
2. ПРИДБАННЯ МАШИН, МЕХАНІЗМІВ, ОБЛАДНАННЯ	1,1		46,1						115,3				115,3		
3. ПРИДБАННЯ КОМП'ЮТЕРНОЇ ТЕХНІКИ			6,3						6,3	6,3					
4. КАПІТАЛЬНИЙ РЕМОНТ ЖИТЛОВОГО ФОНДУ	48,9	48,9	150	150	165	165			700	700					
5. РОЗВИТОК І РЕКОНСТРУКЦІЯ ВИ- РОБНИЧИХ БАЗ П-СТВ ТА ОРГАНІ- ЗАЦІЙ ПІДВИДОМЧИХ УХГ			23,7						25	25					
6. ЖИТЛОВЕ БУДІВНИЦТВО - ВСЬОГО	749,9	40,1	2063,3		2412,4	93,9			8081,3	210,2			7871,1		
7. КРЕДИТ НА КООПЕРАТИВНЕ ЖИТЛО	15,4	15,4	5	5	56,2	56,2			80	80					
8. ДОТАЦІЯ ХБК			80,3	80,3	9,7	9,7			10	10					
ЛАНДШАФТНО-ІСТОРИЧНИЙ ПАРК "Знесіння" - ВСЬОГО	0,75	0,29	30	1,36	2,49	2,03	1,8	1,4	279,6	94	185,6			0,01	1,4
в т.ч.:															
1. ПОТОЧНЕ УТРИМАННЯ	0,45	0,29	24,3	1,36	2,21	2,03			261,9	76,3	185,6				
2. ПРИДБАННЯ ОБЛАДНАННЯ, ТРАНСПОРТУ І МЕХАНІЗМІВ			2,7		0,03				9,1	9,1					
3. ПРОЕКТНІ, КОНСТРУКТОРСЬКІ, ПОШУКОВІ ТА НАУКОВО-ДОСЛІДНІ РОБОТИ	0,3		3		0,25					8,6	8,6				

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	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Історико-культурний музей															
"Личаківський цвинтар" - всього	0,98	0,69	10,24	2	5,07	3,02	3,5	1,8	15,58	13,63		1,95		0,026	0,029
в т.ч.:															
Поточне утримання	0,78	0,49	7,22	1,5	4,4	2,52			5,23	3,51		1,72			
Придбання обладнання і інвентаря			0,02		0,16				0,23			0,23			
Капітальний ремонт	0,2	0,2	3	0,5	0,5	0,5			10,12	10,12					
Видатки на утримання і розвиток соціально-культурної сфери, соціального забезпечення - всього	1078,6	977,6	7923,2	4192,8	7080,6	6387	5992,8	5522,3	19815,4	15182,3		4633,1			
з них:															
Утримання та розвиток об'єктів освіти - всього	549,9	530,8	3078,9	1857,8	3748	3609,5	3078,8	3070,5	8302	5791,6		2510,4	19,3	15,2	
в т.ч.:															
Поточне утримання	482,1	471,4	2441,6	1468,7	3112,9	2996,5			6448,2	4182,8		2265,4			
Придбання обладнання та інвентаря	14,5	14,5	181,5	15,9	84,7	84,7			241,3	241,3					
Капітальний ремонт	32,2	32,2	342,8	260,2	320,3	320,3			810,5	810,5					
Капітальне будівництво	21,1	12,7	113	113	230,1	208			802	557		245			
Утримання та розвиток об'єктів охорони здоров'я - всього	453,6	413	4383,6	2206,2	2861,3	2528,6	2544,3	2255,7	9398,8	8562		836,8	14,7	17,2	
в т.ч.:															
Поточне утримання	395,1	395,1	3749,9	2104,2	2319,5	2319,5			6793	6793					
Придбання обладнання та інвентаря /в т.ч. 15 мікро-автобусів/	3,9	3,9	300	70	55	55			1113	1113					
Капітальний ремонт	12,3	12,3	105	30	61,5	61,5			400	400					

Municipal Finance and Management Project

**L'VIV MUNICIPAL FINANCES—
PROPOSALS FOR IMPROVEMENT**

**Appendix C
Operating Budget—Present and Proposed**

BEST AVAILABLE COPY

BUDGET IMPLEMENTATION
FOR THE CITY OF L'VIV, 1994, 1995 (in million coupons)

REVENUE	1994			1995
	PLAN	IMPLEMENTATION	%	BUDGET
1	2	3	4	5
1. State Enterprise Income Tax	182627	190928	104.5	1503702.6
2. Local Enterprise Income Tax	681258	688004	101.0	
3. VAT	485510	500375	103.1	5337616.1
4. Excise Duty	39924	41642	104.3	203685.4
5. Personal Income Tax	191668	193290	100.8	749681.2
6. Fine for illegal cutting of wood	51	51	100.0	
7. State Custom	214265	21899	102.2	251630.0
8. Fees and different non-tax income	84824	90416	106.6	478863.0
9. Water Fee	450	511	113.5	3713.0
10. Local Fees and Charges	66898	67963	101.6	679934.0
11. Income from reappraisals	20493	23027	112.4	
12. Special Fee for Soil Use		19		
13. Tax from car and other equipment owners	6895	6980	101.2	101423.0
14. Excess revenue	347	347	100.0	
15. Income from state property and privatized state property sales	48700	58580	120.3	1857480.0
16. Land Fee	42447	45558	107.3	828135.0
17. Trade Tax	1043	1128	108.1	7308.0
18. License Fee	286	555	194.1	
19. Dividends	1570	1573	100.2	662.0
20. Rest from the budget for the beginning of the year directed for the cost coverings	1788	1788	100.0	
TOTAL REVENUE	1878204	1934634	103.0	12003833.3
Subventions	1863	1862		
Costs received on in kind payments	151772	151772		
Short-term loans		48		
Costs received by administrative units budget		300		
TOTAL REVENUE	2031839	2088616		
Rests of the budget for the beginning of the year but directed on the cost covering	-2938	-2938		
BALANCE	2028901	2085678		

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EXPENDITURES	1994			1995
	PLAN	IMPLEMENTATION	%	BUDGET
1	2	3	4	5
Social protection - total, including	1127123	794529	70.5	6487367.0
1. Aid to children till 16 y.o./students till 18/	68638	68429	99.7	305990.0
2. Earmarked payments	390	351	90.0	800.0
3. Aid to children because of the bread price increase	23687	23632	99.8	
4. Privileged loan to the members of the Housing - Constructing Complex	15244	15359	100.7	5000.0
5. Compensation Payments to the rehabilitated	2237	2229	99.6	4931.0
6. Donation to the housing-communal utility, including:	843425	512266	60.7	5386334.0
- heating enterprises	591327	266900	45.1	3911000.0
- L`vivElectroTrance	145447	141200	97.1	573000.0
- Housing-maintenance organizations	104500	101983	97.6	822059.0
- Housing - constructing co-operatives	2151	2183	101.5	80275.0
7. Compensation payments on school canteens	226	266	100.0	1555.0
8. Compensation payments for construction materials	1871	1826	97.6	
9. Compensation payments for transportation services	137337	137310	100.0	212600.0
10. Compensation of the subscription fee for the use of the telephone line by the War veterans				7764.0
11. Payments to the citizens to cover expenses for the payment of housing-communal services				385427.0
12. Social security - total	25556	24329	95.2	140566.0
- buildings for old and disabled people	12630	12630	100.0	61580.0
- living allowances to the low income families				
- social protection of the disabled people	8639	7405	85.7	6900.0
- other institutions and steps on social security	4287	4294	100.2	72086.0
13. State aid to the families with children	8512	8572	100.7	36400.0
II. Financing of the socio-cultural institutions and establishments - total	1000356	974057	97.4	4042011.0
including:	535175	531129	99.2	1759813.0
- education	12986	12982	100.0	15000.0
including capital investments	22185	22199	100.1	59043.0
- culture	435356	413089	94.9	2206174.0
- health care, including capital investments	1731	1731	100.0	2000.0
- physical culture and youth activity	7640	7640	100.0	16981.0

III. Economy - total including:	207084	206612	99.8	1170686.0
1. Donation to the cinema halls	14	14	100.0	
2. Construction, repair, maintenance of the roads	679	671	98.8	13886.0
3. Financing of the housing- communal utility	200913	200449	99.8	776000.0
- city infrastructure	83945	83506	99.5	303000.0
- capital repair of the housing stock	49574	49574	100.0	150000.0
- capital investments	67394	67369	100.0	323000.0
4. Trams and Trolleys purchasing	5160	5160	100.0	155000.0
5. Bus purchasing				212000.0
6. Telephone Terminal construction in Rudno	300	300	100.0	
7. Land use	18	18	100.0	13800.0
V. Law Enforcement Agencies	24072	23457	97.4	59032.0
VI. Defence	714	640	89.7	2490.0
VII. Administration support	35622	35877	100.7	132245.1
VIII. Other costs	5021	6185	123.2	
IX. Other expenses	173	327	189.0	
X. Fund of not expected expenses	84	-		110000.0
XI. Income from the implementation of the state inner loan of 1990	1	-		2.2
Total expenditures	2400250	2041684		12003833.3
Subventions	1863	1862		
In-kind payments	54511	41570		
Short-term expended loans		48		
Costs given by administrative units budget		300		
TOTAL EXPENDITURES	2456624	2085464		
Amount due from other sources	-424785	3152		
Surplus of the budget	-7528	-7528		
Petty cash	4590	4590		
Grand Totals	2028901	2085678		

Head of the Finance Department

L. Maxymovych

Table 3

**CALCULATION OF COSTS
ON WATER AND WASTEWATER SERVICES FOR 1995
(millions krb)**

Component	Water Supply	Sewage	Total	% of Total
Fuel	4,052.5	7,000.0	11,052.5	0.7%
Materials	1,203.5	1,104.0	2,307.5	0.1%
Electric Power	889,712.2	473,606.8	1,363,319.0	85.9%
Depreciation expenses	4,137.0	5,660.0	9,797.0	0.6%
Salary	8,684.6	5,789.7	14,474.3	0.9%
Social Insurance	4,342.3	2,894.9	7,237.2	0.5%
Repair Fund	14,279.2	13,962.0	28,241.2	1.8%
Additional Water Pumping	24,491.7	.0	24,491.7	1.5%
Indirect Expenses	15,850.6	5,380.0	21,230.6	1.3%
Overall operating Expenses	18,965.7	4,976.4	23,942.1	1.5%
Purchased Water	41,260.8	.0	41,260.8	2.6%
Charge for Land	490.5	2,085.2	2,575.7	0.2%
Geological Exploration	6,451.7	.0	6,451.7	0.4%
Workers safety measures	9,079.0	5,020.0	14,099.0	0.9%
Innovation Fund	9,079.0	5,020.0	14,099.0	0.9%
Other Expenses	1,800.0	1,300.0	3,100.0	0.2%
Total:	1,053,880.3	533,799.0	1,587,679.3	

Profitability = 25.0% VAT = 20.0%

Appendix C -- Proposed Operating Budget

City of L'viv 1997 Operating Budget (NOT ACTUAL DATA)

Department: Engineering

Program: Street Lighting; Maintains and operates the lighting system for all public streets and ways, except the lighting for public parks, schools and other public buildings.

	<u>Actual 1995</u>	<u>Budgeted 1996</u>	<u>Requested 1997</u>	<u>Recommended 1997</u>
Expenditures by Object or Commodity Class				
Salaries	382,828	389,185	407,763	408,841
Other Personnel Costs	88,522	99,511	113,426	108,812
Contractual Services	470,238	98,112	99,718	99,482
Materials and Supplies	7,641	8,874	9,000	5,000
Equipment	12,684	10,000	10,000	0
Grants, Subsidies Out	0	30,000	30,000	0
Transfers In	-8,070	-30,500	-30,500	-30,500
Total	953,843	605,182	639,407	591,635
Expenditures by Public Service				
Lighting Main Streets	589,318	405,182	419,407	491,635
Lighting Side Streets	300,000	200,000	215,000	100,000
Lighting Walkways	64,525	0	5,000	0
Total	953,843	605,182	639,407	591,635
Expenditures by Fund				
General	589,189	405,182	419,407	491,635
District Assessment	364,525	200,000	220,000	100,000
Total	953,843	605,182	639,407	591,635

Performance level: Lighting is provided from one hour after sundown to one hour before sunrise, though the use of 225,000 sodium vapor, mercury vapor and tungsten filament light fixtures. Use of bulbs with a 1500 hour life guarantee and lower power demand has raised the operating light percentage to 95, at a lower total cost of operation.

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Municipal Finance and Management Project

**L'VIV MUNICIPAL FINANCES—
PROPOSALS FOR IMPROVEMENT**

**Appendix D
Estimate of Potential Additional Revenue
Available to the City of L'viv**

**L'VIV MUNICIPAL FINANCES—
PROPOSALS FOR IMPROVEMENT**

Appendix D Part I

**Estimate of Potential Additional Revenue Available to the City Of L'viv
Using the Revenue Sources Presently Available to Ukraine Cities**

	<u>Present</u>	<u>Suggested Possible</u>
Hotel occupancy tax—Maximum 20%		
Extending the tax to the visitors (not the hotel) of the Grand Hotel, based on 50 guest rooms per night, and \$100 per guest, for 300 nights per year	\$260,000	\$560,000
Parking fee—based on Minimum Salary Level	13,000	
Special Lots—3%		
Allocated lots—1%		
Marking trading space fee—based on Minimum Salary Level	170,000	
Individuals—20%		
Legal entity variable up to 300%		
Document issuing fee—based on Minimum Salary Level	7,000	
Right to move into apartment—30%		
Dog Owners license—based on Minimum Salary Level	1,600	
Right to keep a dog—10%		
Recreation area fee—based on Minimum Salary Level		
Each person—10% (except for children, disabled, disabled attendants, military veterans, Chernobyl victims, prepaid vouchers and hikers, persons on business or study or visiting others, older people).		
Race Horse owner fee—based on Minimum Salary Level		
Each race 300%, but not more than 10% of taxed profit		
Horse Race bettor fee—5% of stake		30
Advertising in any public location license—0.6% each placement	6,000	
Use of city symbol license		
Individuals—300% of Minimum Salary Level		
Legal entity—0.14% of value of goods and services sold		
Right to film fee—cost of providing municipal services during filming, but not more than 10% of taxed profit		
Auctions and lotteries tax		
0.14% of value of goods to be sold, not to exceed 300% of Minimum Salary Level, but not more than 10% of taxed profit		

Communal duty tax	1,800,000
Legal entity—10% of annual salary fund, based on minimum salaries, but not more than 10% of taxed profit	
Right of passage into another country (with exceptions) license	
Citizens and legal entities—0.50% of Minimum Salary Level, but not more than 10% of taxed profit	
Foreigners—variable \$5 to \$50	
Trading site fee—based on Minimum Salary Level, but not more than 10% of taxed profit	170,000
Constant—2000%	
One time 100%	
Imports tax—3% of sales proceeds	700,000
Estimated values in US dollars, based on an average 1995 exchange rate of one dollar equalling Ukk175,000	

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**L'VIV MUNICIPAL FINANCES—
PROPOSALS FOR IMPROVEMENT**

Appendix D Part II

Estimate of Potential Additional Revenue Available to the City Of L'viv
Using Some of the Revenue Sources Used by United States Cities
(Some of these sources are worth considering; many are not. Potential sources without an
adequate cost/benefit ratio are not suggested for consideration at this time.
They are labeled NA for Not Applicable)

I. PROPERTY TAX

Real Property The Tax Inspector's Office estimates that if a detailed listing of land and motor vehicles were available under the present tax arrangement *	Add each year \$1,000,000 R
Land and Improvements (structures), based on 10,000 properties at the average valuation of \$161,600 used in the March 8, 1996 auction, with an annual tax rate of 0.01	Add each year \$16,160,000 N
Personal Property	
Tangible	
Household goods	NA
Motor vehicles	Add each year \$900,000 N
Inventories	NA
Machinery and equipment	NA
Intangible	
Claims on property (stocks, bonds, notes, mortgages, liens)	NA

II. NON PROPERTY TAX

Sales and Use (On value, at retail, on gross proceeds, at point of sale if used in taxing jurisdiction)	
Selected items and services	NA
Consumables not otherwise taxed	NA
All consumables	NA
Value Added (increase collection efficiency*)	Add each year \$14,000,000 R
Sales or Excise (On unit of consumption, at retail)	
(increase collection efficiency*)	Add each year \$500,000 R
Alcoholic beverages, based on one bottle per day per person at \$0.1 per bottle	Add each year \$29,000,000 N
Motor fuel, based on four liters of benzine per day for 90,000 vehicles, taxed at \$0.1 per liter	Add each year \$13,100,000 N
Telephone service, based on 80,000 subscribers at a tax rate of 5% of total local and long distance charges, at average charges per subscriber of \$10 per month	Add each year \$480,000 N
Tobacco products, based on one pack per day per citizen, taxed at \$0.1 per pack	Add each year \$29,200,000 N

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Income

Earned income of all except corporations (increase collection efficiency*)

Add each year \$1,900,000 R

Income of corporations (increase collection efficiency*)

Add each year \$3,900,000 R

*based on Tax Inspection estimate of collection efficiency

Per Capita

NA

Occupation and business privilege

NA

Gross receipts

NA

Real Estate transfer

NA

III. USER CHARGES**Police protection**

Special patrol service fees

NA

Fees for fingerprints, copies

NA

Payments for extra police services at stadiums, theaters, circuses

NA

Transportation

Tram and trolley fares fully collected for each ride (based on present fare, 100,000 daily riders, and observed 75% non payment)

Add each year \$1,300,000 F

Concession rentals

NA

Parking—require anyone parking a car on the street to display a sticker costing varying amounts depending on the area, ranging from \$1 in outlying areas to \$50 in the most heavily traveled commercial areas (based on 90,000 cars)

Add each year \$900,000 N

Permission to enter city limits with vehicle (pollution control) estimated non resident 25,000 vehicles per day, at average charge of \$1.00 per day per vehicle (as per Myopa)

Add each year \$9,000,000 N

Right to drive car into or through the central city district (based on 10,000 cars at \$50 per car)(Odesa Oblast has set a fee for drivers on local highways of 10-50% of a month's minimum income or \$10-50 for foreigners, both depending on the model of the car as per Eastern Economist 1/23/96)

Add each year \$500,000 N

Health and hospitals

Inoculation charges

NA

X-ray charges

NA

Hospital charges, including per diem rates

NA

Ambulance charges

NA

Concession rentals

NA

Education

Charges for books

NA

Charges for gymnasium uniforms

NA

Concession rentals

NA

Recreation

Concession rentals

NA

Admission fees or charges

NA

Permit charges for tennis courts, etc.

NA

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Charges for specific recreation services	NA
Stadium gate tickets	NA
Park development charges	NA
Sanitation	
Provide for refundable deposit on all beverage containers -- 40,000,000 containers each year @ \$0.1 per container, half of deposits would be forfeited	Add each year \$2,000,000 N
Domestic trash collection	NA
Commercial trash collection	NA
Industrial waste charges	NA
Sewerage	
Sewerage system fees	NA
Other public utility operations	
Water meter permits	NA
Water service charges fully collected in cash (not barter) on each billing in order to continue to get service (based on present annual billing of \$26,000,000 as recorded by the water system and reported by PADCO	Add each year \$10,000,000 F
Electricity rates	NA
Telephone booth rentals	NA
Housing, neighborhood and commercial development	
Street tree fees	NA
Tract map filing fees	NA
Street lighting installations	NA
Convention center revenues	NA
Commodity sales of City products	
Salvage materials	NA
Sales of maps	NA
Sales of codes	NA
Licenses and fees	
Advertising vehicles	NA
Building permits	NA
Cemetery graves based on 10,000 deaths a year at \$300 per burial site	Add each year \$3,000,000 N
Cemetery grave opening based on 10,000 deaths per year at \$100 per opening	Add each year \$100,000 N
Circus and carnivals	NA
Dances	NA
Differential charges for non residents to attend the opera, ballet, concerts, museums (based on 100,000 visitors at a rate 5 times the rate charged to residents, averaging \$3 per visit)	Add each year \$300,000 N
Dog Pound—charge \$1 per day for dogs picked up and kept overnite (based on 10,000 dog nights of care)	Add each year \$10,000 N
Dog tags—charge \$1 per year for licensing each dogs (based on 100,000 dogs in the city)	Add each year \$100,000 N
Electrician	NA
Film storage	NA
Foot peddlers, Hucksters and Itinerant peddlers	NA
Heating equipment contractors	NA
Junk dealers	NA

Loading zone permits	NA
Lumber dealers	NA
Movie making and filming in public places	NA
Pawnbrokers	NA
Plumbers	NA
Pest eradicators	NA
Poultry dealers	NA
Produce dealer— itinerant	NA
Pushcarts	NA
Recording legal documents in the permanent archives	NA
Rooming houses	NA
Secondhand dealers	NA
Sign inspection	NA
Solicitation	NA
Taxis	NA
Taxi transfer licenses	NA
Taxi drivers	NA
Theaters	NA
Refuse hauler	NA
Landfill	NA
Sightseeing bus	NA
Wrecking license	NA

IV. OTHER

Assessments for special benefits

Begin a program of special assessments for the construction or major reconstruction of water, sewer, storm sewer, street gas, to be levied over a ten year period against the occupants of benefited property (based on \$10 per lineal meter, for 250 km of improvements, with the income used to reduce the cost of construction) Add each year \$1,000,000 N

Rent/Sale of property

Increase the rate of sales of property rights to a level of 75,000 square meters per year (based on \$13.50 per square meter, achieving a complete sellout of six auctions a year with the mix of property and prices used for the March 8, 1956 auction—prices ranged from \$29.1 for multifunctional building to \$3 for area useable for parking, see following pages) Add each year \$1,000,000 F/R

Increase the charge for rent on commercial space, estimated 40,000 spaces of 40 m² @ US\$1/month Add each year \$19,000,000 F

Sell/rent excess capacity on the new PBX in City Hall Add each year \$10,000 F

Earnings on investments NA

Forfeit of money left on deposit NA

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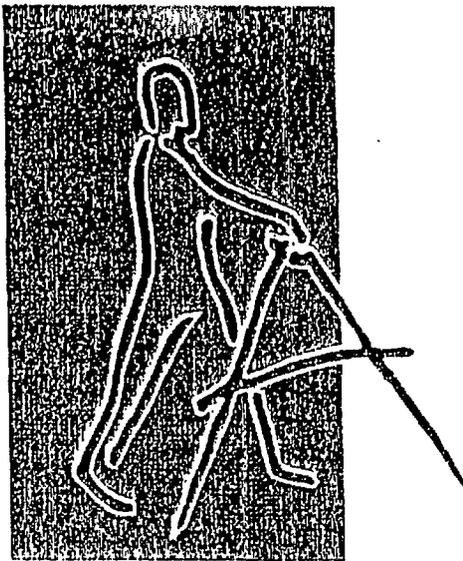
Reduction in expenses

Operation of the city PBX (installed with USAID money) for internal calls, thereby avoiding the per call charge for using the central city exchange (based on an annual calling rate between 200 city offices of one call per day lasting one minute per call	Save each year \$50,000 S
Buy medicines for hospitals by competitive bid (based on four often used medicines, and interviews with 35 buyers and sellers of hospital and clinic drugs by CIME)	Save each year \$450,000 S
Change the pumps on the individual water supply pumps from constant speed to variable speed and thereby reduce the cost of electricity by 15%, install various energy management equipment, and reduce the leaking and wasted water, thereby saving 30%	Save each year \$2,000,000 S
Cut the number of employees in the Water system by one half	Save each year \$100,000 S
Convert present health care to managed care system on a fee for service basis. Studies have shown throughout the world, as in Ukraine, that half the hospital bed capacity could be converted to some use not connected with medical care	
—close ten Hospitals and Clinics	Save each year \$5,000,000 S
—reduce subsidies through fee-for-service	Save each year \$1,000,000 S
Total, all potential revenue increases and expense savings	\$166,960,000

In this table, letters next to the amount signify the following:
R indicates revenue sources presently part of the Regulating revenue group
F indicates revenue sources presently available to the City
N indicates revenue sources that may require new legislation
S indicates savings available in present City activities

V

ЗЕМЕЛЬНИЙ АУКЦІОН



08. III. 1996 р.

Об 11.00 в приміщенні Львівської товарно-фондової біржі (пр. Шевченка, 17)

Реєстрація учасників аукціону проводиться в приміщенні Львівської міської Ради з 9.00 до 17.00 щодня крім вихідних.

Реєстрація закінчується 7 березня 1996 р. о 10.00

Список земельних ділянок, які виставляються на четвертий земельний аукціон:

Сума гастави 10% від стартової ціни

№ п/п	Місцезнаходження ділянок	Площа м2	Функціональне призначення	Старт. ціна за м2 в \$ млн. крб	Загал. старт. ціна в \$ млн. крб	Термін оренди	Відст. від трас	Планова ін-сть пов.
1	вул. Свенціцького, 18	700	Багатофункціональний буд. /магазин, офіс, житло/	30 5,700	21000 3990	50	1,0	3-4
2	вул. Лисинецька, 9	2500	житло/вбудовані торгівля і побут/	10 1,900	25000 4750	50	2,0	5
3	вул. Кн. Ольги, 69	200	аптека	20 3,800	6000 1140	50	2,0	1-2
4	вул. Уральська, 16	320	житло	40 7,600	12200 2508	50	0,5	3-4
5	вул. Левницького, 97	260	багатофункціональний будинок /офіс, магазин, житло/	25 4,750	6500 1235	50	1,5	4
6	вул. Замарстинівська, 104	120	торговий павільйон	5 0,950	600 114	10	1,5	1
7	вул. Зелена, 81	410	багатофункціональний будинок /офіс, магазин/	25 4,750	10250 1947,5	50	1,5	4
8	вул. Кульпарківська	1750	станція тех-обслуговування, євростандарту/	10 1,900	17500 3325	50	4,0	1-2
9	вул. В. Хмельницького, 25	310	офіс, магазин	35 6,650	10950 2061,5	50	0,5	4
10	вул. Городоцька, 156	4000	автостоянка	3 0,570	12000 2290	10	2,5	
11	вул. Багарна, 9/1/	310	магазин, офіс	30 5,700	9200 1767	50	0,5	2-3
12	вул. Багарна, 9/2/	320	магазин, офіс	30 5,700	9600 1824	50	0,5	2-3
13	вул. Багарна, 9/3/	320	магазин, офіс	30 5,700	9900 1891	50	0,5	2-3
14	вул. Багарна, 9/4/	320	магазин, офіс	30 5,700	9200 1891	50	0,5	2-3

За докладною інформацією звертайтеся до Львівської міської Ради народних депутатів, пл. Ринок, 1, кім. 118, тел. 72-27-47 або кім. 323, тел. 72-00-21.

Інформаційні пакети можна отримати в приміщенні Львівської міської Ради за адресою: пл. Ринок, 1, кім. 118, тел. 74-20-25 та на Львівській товарно-фондовій біржі, тел. 72-27-47

V ЗЕМЕЛЬНИЙ АУКЦІОН 5

Summary of Types of Property Offered at the March 8, 1996 Auction

<u>Group</u>	<u>Description</u>	<u>Total Area</u>	<u>Value</u>	<u>Value per sq.meter</u>
I	Multifunctional - shops, offices, apartments	3,000 m ²	\$ 87,300	\$29.1
II	Apartments	2,830	38,200	13.5
III	Trade pavilion	120	600	5.0
IV	Garage	1,750	12,000	3.0
V	Drugstore	300	6,000	20.0
Total	29 properties	12,000 m ²	\$161,600 \$5,572/parcel	\$13.50

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Municipal Finance and Management Project

**L'VIV MUNICIPAL FINANCES—
PROPOSALS FOR IMPROVEMENT**

**Appendix E
Example of Bond Issue Possibility—Sykhiv
Tram Line**

L'VIV MUNICIPAL FINANCES— PROPOSALS FOR IMPROVEMENT

Appendix E Example of Bond Issue Possibility—Sykhiv Tram Line

The RTI/MFM project has had a chance to look at the material available on the extension of the tram line to the Sykhiv area. It is obvious that much planning and actual construction has been done. In order to seek funding to complete the project we must now to get a written plan that can be used to persuade potential lenders to finance the work

One test of the completeness of the assembled material would be to ask the question "Based on the plan being presented, would I be willing to loan some money for the project?" Once past that test, the proposition can be presented to the citizens, to local banks and to others who will be helpful in completing the project.

As we go along on this project, the total needs for information will become apparent. These are the first things that need to be done:

- 1) **Leader:** Identify one person who will be the leader of the project planning. This person must be able to get information needed from the city government, and to organize the information into a reasonable plan.
- 2) **Organization:** Clarify the organizational structure for the project showing who will be responsible for the construction work and who will be responsible for operation of the line after it is built. Will this be part of the existing tram organization? Will it be a separate city organization? Will it be run by a management contractor? Will it be a private company?
- 3) **Key Management People:** Identify the key management people who will be responsible for the new operation and develop their resumes.
- 4) **Description of Project:** Prepare a map showing where the new line will be located, how it will tie into the overall city tram network, the connections to the shop and yard facilities to be used by the new line and the sources of electric power for the line. Identify the major structural problems, such as bridges. Show the projected service stops. Show connections with existing transit lines.
- 5) **Marketing:** Prepare a marketing plan -- how many potential riders will use the new line, how will the potential riders be turned into actual riders? How will the new line relate to the existing autobus service for the area? What actual number of riders will be anticipated? How much will the fare be? What capacity will the line provide—how many vehicles per hour at various times of the day, how many passengers per vehicle?
- 6) **Budgets:** What is the construction budget for the line? What is the budget for the new vehicles that will be needed? What is the operating budget for the new line? How will this new line effect the existing financial situation of the city and of the tram enterprise?
- 7) **Revenue:** What will be the source of money for capital investment and for operation? What money will be expected from a lender? What will be the use to which the lender's money will be put? Would it be possible to sell ownership shares in the line? What are the plans for paying the debt service (principal and interest)? What guarantee is there for the lender to get the money back?

8) **Financial Statements:** Prepare financial statements for the past three years and projected for the three years after the project has started. The financial statements should be both for the enterprise, and for the City Administration.

9) **Issues:** What are the issues that need to be faced and solved -- operational, environmental, legal, regulatory? What are the obstacles to success, what are the chances of success?

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Version I of the Factors Involved in Making the Sykhiv Tram Line a Reality

According to the material presented to the MFM project on 12/22/95 by Vasyi Kravtsiv (prepared by MM Overko), and to the Finance Task Force on 1/16/96 by Pavlo Kachur (prepared by Vasyi Daraganov), the following information can be assumed. In these calculations, the 1984 ruble was considered to be equivalent to one US dollar, and the Ukk was based on the May 1996 local exchange rate of US\$1.00=185,000 Ukk)

- 1) **Leader:** M. M. Overko, Director of the City Communal Utility "L'viv ElectroTrans", will be the leader in developing the project.
- 2) **Organization:** To widen out the possibility of financing the project, the Sykhiv tram line should be run as a separate stock enterprise, with the City of L'viv as a majority stockholder, and making 40% of the stock available for sale. Alternatively, the line could be a separate city operation, with a private management company responsible for the entire activity after the line has been built.
- 3) **Key Management People:** Identify the key management people who will be responsible for the new operation and develop the resumes of their background.
- 4) **Description of Project:** The project involves the construction of a new tram line from Stus Street to Chervona Kalyna Boulevard, a distance of 6.7 km. The double track line will require 13.4 km of track construction, and will add 8.9% to the existing L'viv tram system. (The present L'viv tram system has 76.45 kilometers of track.

Certain portions of the project were started in 1987 at the time of the Sykhiv housing construction. The total project, showing in () the estimated portion of each part that has been completed, involves a) the construction of the tram line (0%), b) reconstruction of communication from Snopkivska Street and Kirovogradska Street (27%), c) relocation of the heating pipes at Luganska and Chervona Kalyna Streets (0%), d) building a bridge to eliminate the grade crossing at Luganska and Chervona Kalyna Streets (14%), e) building a bridge at the railway at the Persenivka Street Station (77%), f) building a 100 car depot for trams at Kn Olga Street (0%) along with a bridge (41%) and overpass (71%) at Naukova and Kn. Olga Streets, and finally, the purchase of the necessary trams (0%)

- 5) **Marketing:** 120,000 people live in the Sykhiv area. Transportation is presently provided by autobus, at a cost of US\$0.22 one way (the present tram fare is US\$0.11 one way).

The round trip time for a vehicle will be 60 minutes. The estimated speed of 15km/hr includes stops but does not include a five minute layover time at either end of the line. The capacity of the line will be 4,100 people per hour. It is anticipated that in a 12 hour period, the line will carry 49,200 people, or 1,476,000 people per month, or 17,712,000 per year. However, for purposes of planning, a more realistic figure would be 12,000,000 riders.

6) Budgets:

Construction Budget

Using data from 1984, the following estimates were developed on the cost and required time to complete the project construction:

a) Tram Line	US\$ 2,310,000 in 27 months
b) Snopkivska/Kirovogradska	2,600,000 in 24 months
c) Luganska/Chervona Kalyna pipes	500,000 in 14 months
d) Luganska/Chervona Kalyna bridge	2,600,000 in 27 months
e) Persenivka railway bridge	700,000 in 9 months
f) Depot for trams	6,800,000 in 22 months
g) Purchase of 30 trams, 30 year life (20 operational, 10 standby)	6,000,000 in 12 months

Total US\$21,510,000 in 27 months

Operation Budget

The cost of operating the line will be US\$25,209 per month, with the largest portion being the cost of electricity. In the tram system generally, the cost of electricity for one tram amounts to US\$67,125. For a tram running 526,500 km the electricity will cost US\$0.13 per kilometer

7) **Revenue:** At the present fare level of US\$0.11, the total revenue from 12,000,000 riders will be \$1,320,000 annually. Using current estimates of cost, the fare will have to be raised substantially, to between US\$0.14 and 0.20. An important part of the financial plan will be to have a system assuring that all riders pay the appropriate fare for every ride.

8) **Financial Statements:** Prepare financial statements for the past three years and projected for the three years after the project has started. The financial statements should be both for the enterprise, and for the City Administration.

9) **Issues:** [What are the issues that need to be faced and solved -- operational, environmental, legal, regulatory? What are the obstacles to success, what are the chances of success?]

Sykhiv Rail Line Proposal
Preliminary Estimates Based on Finance Task Force meeting of 1/16/96
(August 1995 data US\$1.00=160,000 Ukk)

Monthly Cost of Operation:

Personnel --	50 tram operators @ US\$60	US\$ 3,000
	10 tram maintenance @ US\$60	600
	5 track maintainers @ \$US20	100
	3 supervisory @ \$US35	105
Material and supplies		500
Electricity		
	average 6 minute headway, 20 trams paired in 10 pairs—	
	five in each direction, 268 km per hour; 20 hour operation,	
	5360 km per day or 160,800 km per month @ US\$0.13/km	20,904
Total Monthly Operating Cost		US\$25,209

Outline data for US\$18,000,000 loan:

Annual Operating Cost (12x25,209)	US\$ 302,508
Annual Debt Service for US\$18,000,000 loan	
Principal 15 year term	1,200,000
Interest @ 10% average year (first year US\$1,200,000)	900,000
Total annual costs for US\$12,000,000 borrowing	US\$2,402,508

Potential trip cost, to recover average annual costs of US\$2,402,508

Assume 100 passengers per trip, 400 trips per day, 40,000 passengers per day, 300 days per year, 12,000,000 passengers US\$0.20

Outline data for US\$12,000,000 loan:

Annual Operating Cost (12x25,209)	US\$ 302,508
Annual Debt Service for US\$12,000,000 loan	
Principal 15 year term	800,000
Interest @ 10% average year (first year US\$900,000)	600,000
Total annual costs for US\$9,000,000 borrowing	US\$1,702,508

Potential trip cost, to recover average annual costs of US\$1,702,508

Assume 100 passengers per trip, 400 trips per day, 40,000 passengers per day, 300 days per year, 12,000,000 passengers US\$0.14

(The present tram fare is US\$0.11, the present autobus fare on the Sykhiv run is US\$0.22)

Potential financing of the cost of the project, using the World Bank rule of 70% of the project cost coming from borrowing, 30% coming from local sources. On a US\$12,000,000 project, the split comes to:

Other sources for current city share (US\$3,600,000)		
1996 operating budget (5% of US\$65,000,000)		US\$3,250,000
Transport tax (60% of US\$3,000,000)		1,800,000
Sell shares, up to 40% @ US\$3.00 per share		2,200,000
Seek participation from enterprises, either money or goods		9,000
Seek contribution of one day's wages from the citizens		9,000
Surcharge on existing tram fares		?
Increase the single ride ticket cost for all trams		?
Sell land served by the tram line at a price reflecting the increased value		?
Possibilities for borrowing (US\$8,400,000)		
Local banks	US\$4,000,000 to	10,000,000
Foreign banks		2,000,000
Diaspora (1,000 @US\$1,000)		1,000,000
Citizens (100,000 @US\$10)		1,000,000

Municipal Finance and Management Project

L'VIV MUNICIPAL FINANCES—
PROPOSALS FOR IMPROVEMENT

Appendix F
Request for Bids
General Audit Services

L'VIV MUNICIPAL FINANCES—
PROPOSALS FOR IMPROVEMENT

Appendix F
Request for Bids
General Audit Services

Recommended by :

Director of Finance
Luybov Maksimovitch
Date: __/__/96

Approved by:

Mayor of L'viv
V. Kuybida
Date: __/__/96

City of L'viv

I. Call For Bids -- General Audit Services

City of L'viv (City) is calling for bids to perform audit services on the financial records and systems of all activities over which the City has some responsibility. The audit services are intended to improve the administration of the municipal services provided the citizens of L'viv.

Bid forms and documents may be picked up any weekday between the hours of 9:00 and 17:00 at Room ___ in City Hall. No deposits will be required for the bid material.

To be considered as a valid submission, an envelope containing the bid must be brought to Room 206 in City Hall by 14:00 on Wednesday, _____, 1996. At that time the bids will be publicly opened and read aloud. Any bid offered after the first bid envelope has been opened will be returned unopened to the bidder. The City reserves the right to reject any and all bids.

There will be an informational meeting for prospective bidders at 14:00 on Wednesday _____, 1996 in Room ___ of City Hall.

The Secretary of the L'viv City Administration
M. Meleshko

Publication date _____, 1996

City of L'viv
General Audit Services
II General Conditions

1. Submission of Bids. Bids must be submitted at the time and place specified in the Call for Bids. Bids must be submitted on the forms provided by the City. Bids that omit any of the information required by the City may be rejected. Bids shall be enclosed in an envelope. Supplemental information offered by the bidder shall be labeled as such and submitted in separate envelope(s). All envelopes submitted shall, in turn, be enclosed in one larger envelope or package. All envelopes shall be labeled with the name of the bidder, the name of the bid, and the date and time of the bid opening.

2. Bid Documents. The bid documents shall be submitted in duplicate. A complete bid must include the following, presented in the indicated order:

- a. The Bid Form
- b. Call for Bids
- c. General Conditions
- d. Special Conditions
- e. Addenda (if any)
- f. Bid Form, with attachments

By submitting these documents, the bidder certifies familiarity with all the requirements involved in completing the project.

3. Contract. The letter of acceptance by the City to the successful bidder, plus the bid documents, shall together constitute a contract between the parties. Under no circumstance will any material other than that pertaining to the subject of this bid and prepared by or accepted by the City be considered binding upon the City. Questions raised by prospective bidders may be answered orally, but to be binding upon the City the answers must be in written form as Addenda.

Upon award of the contract by the City, the contractor is bound to deliver services on the terms and conditions of the contract. The City is bound to receive the services described and remit payment to the contractor when the work is completed and accepted by the City. Proponent shall understand that as work progresses, minor technical adjustments may be necessary. **TIMELY DELIVERY OF SERVICES IS OF THE ESSENCE.**

4. Training. The bidder shall be prepared to identify the ways in which the bidder will train the appropriate City staff should the audit reveal a need for modified procedure. The cost of such training will be negotiated at the time of such eventuality.

5. References. A list of five companies or organizations served by the bidder over the last two years must be provided. The list shall show the name of the customer, the principal officer of the client who might be contacted for a reference, the address and telephone number of the reference. Should a bidder not be able to provide five such references, the bidder may propose an alternate evidence of ability to carry out the terms of the work.

6. Review of the Bids. On projects involving technical matters, the City will create two committees to review the bids.

The first committee will examine the technical aspects of the bids and establish a list in the order of desirability of the bidders from a technical point of view. The list established by the first committee will be made available to a second committee.

The second committee will review the recommendations of the first committee against the cost of the bids offered and the amount of money available for the project, and recommend to the Mayor and Executive Committee the bidder to whom the contract should be issued.

7. Partial Bids. The preference of the City is to deal with as few contractors as possible on the project. Due weight will be given to bids in which one contractor or a consortium of contractors address all the specifications of this bid. The City would prefer to deal with not more than one contractor for the total project.

8. Verification of Conditions. Each bidder shall assume responsibility for visiting each site where work is to be performed. At such visit, the bidder shall verify the existing conditions. If bidder feels the conditions to be different than described in these bid documents, it is the responsibility of the bidder to describe the difference in writing to the Secretary of City Administration and to ask for confirmation of the situation under which the bid is to be made.

9. Unbalanced Bids. Bids which are unbalanced in the prices quoted for the various segments of the project may, at the option of the City, be eliminated from consideration.

11 Time Extension. The City may, for good and sufficient reason, extend the response deadline, in which case all bidders will receive an addenda setting forth the new date and time for the bid opening.

12 Withdrawal. Bids may be set aside at any time prior to opening by written request received by the Secretary of the City Administration Director. After confirmation at the time of the bid opening that the request to set aside is valid, the bid will be returned to the bidder. Bids may also be withdrawn if no award is made within 60 days of the bid opening.

13. Confidentiality. Upon receipt of a proposal by the City, the proposal shall become the property of the City, without compensation to the bidder, for disposition or usage by the City at its discretion.

14. Legal Processes. Proposals will not be accepted from any firm, person or party, which is directly or through a parent or subsidiary is involved in any legal action directly involving the City or any of its associated activities.

15 Subcontractors. Written permission from the City must be obtained prior to award before subcontracting any part of the project.

16 Termination of the Contract. At the City shall have the right to terminate the contract with or without cause by giving the contractor written notice of the effective date of such termination. The City shall pay the contractor for its services satisfactorily completed through the effective date of the termination, using a pro rata share of the total cost, based on the number of days specified for the audit compared to the number of days worked prior to termination.

17. Preparation of Bids. The City will not be liable for any cost incurred in the preparation of bids.

18. Reservation of Rights. The City reserves the right to conduct precontract negotiations with any or all potential proposers. The City reserves the right to reject any and all proposals, to accept the proposal it considers most favorable to the City's interest, and the right to waive minor irregularities in the procedures.

City of L'viv
General Audit Services
III Special Conditions

1. Objectives: The audit shall include an examination of the financial statements of all funds, account groups, and component units which are within the City's financial responsibilities. Bidders may make arrangements with the Finance Director to inspect the accounting records in order to become acquainted with the volume of accounting transactions and the character of the accounting records and systems.

The examination shall be made in accordance with internationally accepted auditing standards as detailed in the "Framework for the Preparation and Presentation of Financial Statements," prepared by the International Accounting Standards Committee. The examination shall also be made in compliance with applicable laws of Ukraine and the L'viv City Administration. Due to these two requirements, a joint proposals between a local audit firm and a firm with international experience are encouraged.

The general audit should address the following: the City's current financial position; immediate improvements to the financial accounting system; the steps necessary for the City to meet international accounting standards; and, an implementation plan for these items.

2. Reports Required: The following reports are required within two calendar months of signing of authorization to proceed:

- A. Report on the examination of the financial statements of the L'viv City Administration, Ukraine, including all funds, accounts groups and component units.
- B. A report of recommendations for immediate improvements to the City's financial accounting structure which meet all Ukrainian laws and decrees.
- C. A report on the specific steps necessary for the City to change the current accounting structure to meet the international accounting standards as detailed in the "Framework for the Preparation and Presentation of Financial Statements." Whenever possible the recommended changes should continue to meet all applicable existing laws and decrees of Ukraine. When this is not possible, the report should detail the changes necessary to national laws to meet international accounting standards.
- D. A detailed implementation plan of reports B and C which can be implemented by the City's Finance staff and Internal Auditing office.

3. Interim Findings. During the audit, the auditor shall be prepared to periodically inform the Finance Director on audit progress and audit findings. Should any conditions be uncovered that create a special peril to the operation of the City the contractor shall immediately notify the Mayor. The auditor shall make its staff available for post audit conferences with the persons designated by the Mayor to review the audit reports. Conferences shall be conducted at the time of submission of each report.

4. Completion of the Work. The Auditor must deliver the completed reports within sixty (60) calendar days after award of the Contract, unless a longer time is specified in the bid document and accepted by the City.

5. Funds to be audited. The Auditor shall conduct examinations of the following funds of the City and its enterprises:

- General Fund of the City Administration
- City Funds Outside the General Fund
 - Tourism Fund (not active)
 - Water '98 Fund (not active)

- L'viv Development Fund
- Culture Fund
- City Architecture Development Fund
- Chornobyl Fund
- Employment Fund
- State Property Fund
- Municipal Property Fund
- Znesinnya Park Fund
- City Related Services
 - Communal Transportation Enterprise
 - Emergency Service Enterprise
 - Housing Maintenance Enterprise
 - Housing Management (Zheks) Enterprise (60)
 - Housing Office (ZEO) Enterprise
 - Open Space and Parks Enterprise
 - Refuse Disposal Enterprise
 - Street Lighting Enterprise
 - Street Maintenance Enterprise
 - Tram and Trolley Service Enterprise
 - Undertaker Enterprise
 - Water/sewer Enterprise

The Auditor should identify any other funds for activities to which the City is a partner.

6. Proposal. The Bid shall be accompanied by a Technical Proposal organized as follows:

- A. Title Page: Show the bid subject (General Audit Services for L'viv), the name of the proposer's firm, address, telephone number, name of contact person and date.
- B. Table of Contents: Clearly identify the material by section and page number.
- C. Letter of Transmittal: Limit to two pages. One page should state the bidder's understanding of the work the bidder commits to perform, and the time period within which the work is to be done. On a second page, give the names of the persons who will be authorized to supervise the work and make representations for the bidder showing titles, addresses, and telephone numbers.
- D. Profile: Show that the bidder has appropriate experience and certifications. State whether the bidder is local, regional, national, or international. Give the location of the office from which the work is to be done and the number of partners, managers, supervisors, seniors, and other professional staff employed at the office and indicate (by level) the number of people in the local office that will handle this audit. Provide names and telephone numbers of current and prior audit clients who can be contacted as references. Provide proof of certification by the Ukrainian National Audit Chamber. Provide proof of certification by the International Accounting Standards Committee
- E. Summary of Qualifications: State the individuals who will be assigned to this engagement and for each person give the staff classification, the experience in audits the relevant educational background including seminars and courses attended within the past three years.
- F. Additional Data: Since the preceding selections are to contain only data that is specifically requested, any additional information considered essential to the proposal should be included in this section. If there is no additional information to present, state "There is no additional information we wish to present."

7. Selection Process. The audit firm will be selected by an Audit Firm Selection Committee with final approval by the Mayor. The Auditor Selection Committee shall consist of professional members of the City Staff.

A. Technical Evaluation: Bidders will be evaluated by the Auditor Selection Committee according to the following criteria: Skill, experience, and the amount of time of the specific persons committed to perform the requested services. Completeness of the auditor's plan for meeting the requirements as well as demonstrated understanding of the City needs. Prior experience in city

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and/or other local government audits, and verified reputation of work quality will also be evaluated. Joint proposals between an international firm and a firm headquartered in L'viv are encouraged and will receive additional evaluation points.

B. Price Evaluation: Price proposals shall be considered only for bidders submitting an acceptable technical proposal. Price proposals will be compared on the basis of the total not-to-exceed fee. This being a request for proposals for professional services, the City may enter into negotiations with the firm(s) making the most attractive proposals.

8. Familiarity. The submission of a bid shall be prima facie evidence that the bidder has full knowledge of the scope, nature, quantity of work to be performed, the requirements of the specifications, and the conditions under which the work is to be performed. It is the responsibility of the bidder to become fully acquainted with the volume of financial transactions, the character of accounting records and systems, and international accounting standards.

City of L'viv
General Audit Services
VI. Bid Form

290008, L'viv Ukraine
Rynok Square, 1
The City of L'viv

The undersigned, being fully familiar with the conditions surrounding this call for bids and the work intended to be completed, hereby agrees to the following:

To audit the City's current financial position; propose immediate improvements to the financial accounting system; propose steps necessary for the City to meet international accounting standards; propose an implementation plan for these items; and to prepare the following reports within two calendar months of signing of authorization to proceed:

A. Report on the examination of the financial statements of the L'viv City Administration, Ukraine, including all funds, accounts groups and component units at a cost of _____ Karbovanetsi(Ukk _____) complete and in place.

B. A report of recommendations for immediate improvements to the City's financial accounting structure which meet all Ukrainian laws and decrees at a cost of _____ Karbovanetsi(Ukk _____) complete and in place.

C. A report on the specific steps necessary for the City to change the current accounting structure to meet the international accounting standards as detailed in the "Framework for the Preparation and Presentation of Financial Statements" at a cost of _____ Karbovanetsi(Ukk _____) complete and in place.

D. A detailed implementation plan of reports B and C which can be implemented by the City's Finance staff and Internal Auditing office at a cost of _____ Karbovanetsi(Ukk _____) complete and in place.

Attached to this bid and a part of it are the following:

1. A billing schedule, showing the breakdown of the audit fee by persons to be assigned by classification, the billing rate for the classification, the number of hours to be performed by each person.
2. Technical Proposal, as outlined in Special Conditions section 6.

The prices quoted above include all applicable taxes and other charges.

The undersigned submits the above bid without reservation.

Company

Signature

Address

Name and Title of Company Officer

Telephone

Date

Municipal Finance and Management Project

L'VIV MUNICIPAL FINANCES—
PROPOSALS FOR IMPROVEMENT

Appendix G
Sources

L'VIV MUNICIPAL FINANCES— PROPOSALS FOR IMPROVEMENT

Appendix G Sources

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