City of Munich
Department of
City Treasury Budget

Factsheet

Key economic facts*	
GDP nominal	EUR 138.53 Mrd.**
GDP/employed	EUR 117,687**
Share of acad.	41.3%***
Unempl. rate	4.1%
Debt	EUR 3.96bn
Debt p.c.	EUR 2,492

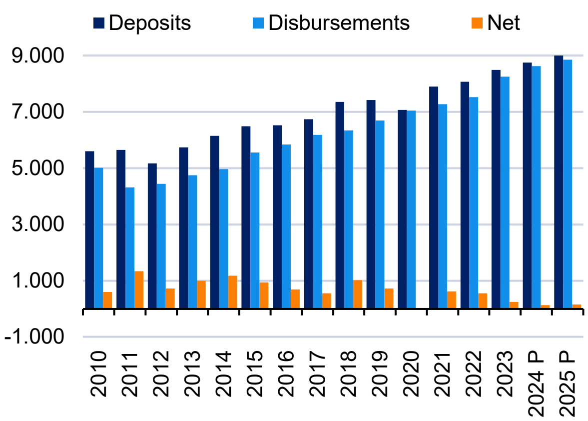
Political facts*	
Area	310 km²
Population	1.59 Mio.
Government	Die Grünen/Rosa Liste und SPD/Volt

Regulatory facts	
CRR	0%
LCR	Level 1(A)

* per 31/12/2023, ** per 31/12/2022, ***per 30/06/2023

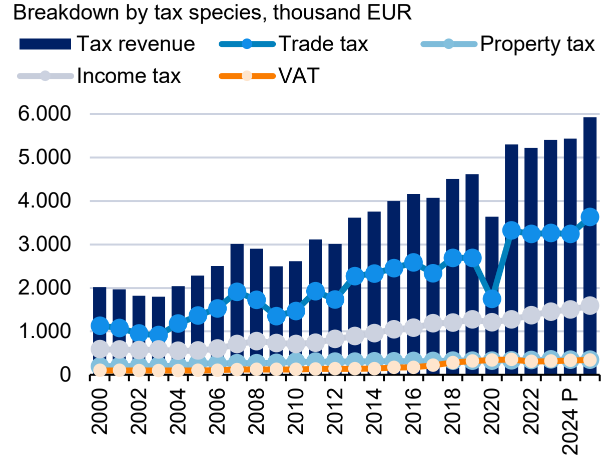
- Capital of the Free State of Bavaria and 3rd largest city in Germany (1st Berlin, 2nd Hamburg)
- Munich and its metropolitan area is the strongest economic region in Germany (1st place in per capita income among major German cities)
- GDP corresponds to 19.3%** of Bavaria's economic output
- Diversified corporate landscape with major global companies (Allianz SE, Apple GmbH, BMW AG, Google Germany GmbH, Microsoft Deutschland GmbH, Munich RE AG, Siemens AG), hidden champions in the SME sector and a large number of start-ups (12.4 per 100k inhabitants).)

Budget development City of Munich
Administrative activities, thousand EUR



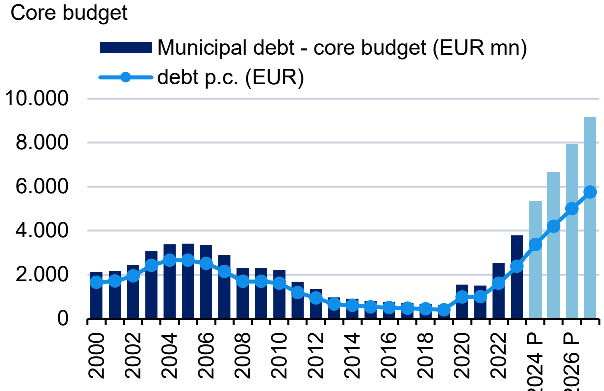
- Inflation-related increase in payments, in particular personnel expenses (wage increases)
- Increase in income due to increased tax payments

Tax revenue City of Munich
Breakdown by tax species, thousand EUR



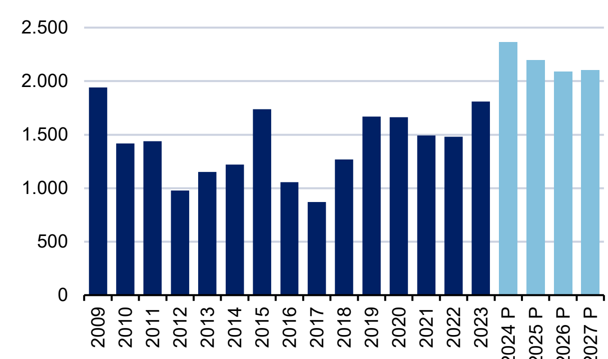
- Expectation of rising tax revenues (approx. 60% of all revenues) due to the strength of the business location and the associated increase in the labour force

Debt development City of Munich
Core budget



- Increase in new debt due to significantly higher investment volumes (net EUR 1.415bn in 2023) as result of increased construction activity in services of general interest (schools, childcare, housing construction, climate protection)
- Municipalities can only take out loans in the amount of the investments less the investment grants. The long-term ability to perform must be ensured
- Main lenders are public credit institutions (61%) followed by commercial banks (29%) [as of 31/12/2023]

Investments City of Munich
incl. investment plan 2023-27, EUR mn



- The total volume of the multi-annual investment plan for 2023-2027 is EUR 10.6bn
- The focus is on schools & childcare (30%), housing (17%) and public transport (11%)
- The aim is to ensure the future viability of the city

Source: City of Munich

Factsheet

Financial structure, sources of financing and liabilities

Budget principles and supervision

- The Municipal Code for the Free State of Bavaria („GO“) are the statutory basis for the ability of Bavarian municipalities to act. It also contains important provisions relating to municipal budgeting.
- The main principle here is to ensure that the municipality can fulfil its tasks at all times, that its long-term ability to perform is guaranteed and that over-indebtedness is avoided.
- The correct financial management of the municipalities is continuously monitored by the responsible legal supervisory authorities. In the case of independent municipalities, legal supervision is the responsibility of the government of the respective district.

Sources of financing and conditions for raising debt capital

- Municipalities are mainly financed through taxes. In addition, charges, fees, contributions and costs may be levied to fulfil municipal tasks. Municipalities are only granted the option of credit financing if financing by other sources is not possible or would be economically inappropriate.
- In addition, municipalities receive financial compensation from the Free State of Bavaria, which is intended, among other things, to mitigate disproportionate differences in tax capacity between individual municipalities.
- According to the prevailing opinion, the constitutionally guaranteed right of local self-government also entitles the municipalities to a minimum level of funding. However, this entitlement only concerns the securing of the municipalities' mandatory tasks and does not mean an entitlement to the financing of all activities of a municipality. A general entitlement similar to a guarantee is explicitly not desired in order to encourage the municipalities to use resources responsibly.
- It follows from Art. 71 GO that municipalities are generally authorised to take out loans. From an economic point of view, the issue of a bearer bond is equivalent to taking out a loan, as the instruments differ economically only in the number of creditors.
- Municipalities are only authorised to borrow for investments, measures to promote investment or for debt restructuring. The total amount of the planned borrowing for investments and investment promotion measures must be approved as part of the budget statutes, whereby approval must generally be refused if the municipality would thereby enter into obligations that would be incompatible with its long-term ability to perform.
- To compensate for short-term liquidity constraints, municipalities are permitted to take out cash loans in accordance with Art. 73 GO. However, these should be the exception and may only be utilised if there are no other short-term funds available for the treasury.

Contingencies in the event of insolvency

- While creditors can regularly initiate insolvency proceedings in the event of insolvency or over-indebtedness of a debtor under private law in order to satisfy claims from the insolvency estate, this option is excluded by law in the case of a municipality as a debtor. There are no insolvency proceedings over the assets of a municipality (Art. 77 GO). In principle, creditors of a municipality have the option of individual compulsory enforcement. However, it is uncertain which assets of a municipality can be seized while protecting the public interest.
- Since the amendment of Art. 77 GO in 2012, compulsory enforcement against municipal assets has been governed by federal law. Section 882a (2) of the Code of Civil Procedure (‘ZPO’) imposes considerable restrictions with regard to enforcement against the federal government, a federal state or corporations, institutions and foundations under public law: enforcement may not commence until at least four weeks after the creditor has notified the competent authority of its intention to enforce. In addition, compulsory enforcement is not permitted for items that are indispensable for the debtor's fulfilment of public duties or whose sale is not in the public interest. Taking into account the constitutional mandate of municipalities, this should mean that possible enforcement cannot extend to all assets of a municipality, but only to those whose preservation is not necessary for the orderly running of the administration and the provision of services to the population.
- Even though the state of Bavaria has an important regulatory role with regard to the municipalities, both in terms of supervision and in ensuring financial resources, there is no explicit recourse to the Free State for creditors of the municipality. According to the prevailing legal opinion, creditors of municipalities cannot expect a ‘bail-out’ by the state or the federal government, as there is no direct claim against the Free State of Bavaria or the federal government, for example by way of guarantor liability. Furthermore, no state liability on the part of the Free State of Bavaria can be established against creditors of the municipality due to potential breaches of obligations in the context of municipal supervision. According to the prevailing legal opinion, the provisions on municipal supervision do not serve to protect private interests, but are merely intended to ensure the legality of the fulfilment of tasks by the municipalities in the public interest.

Disclaimer

Generale note:

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