

Tallinn
yearbook

2008

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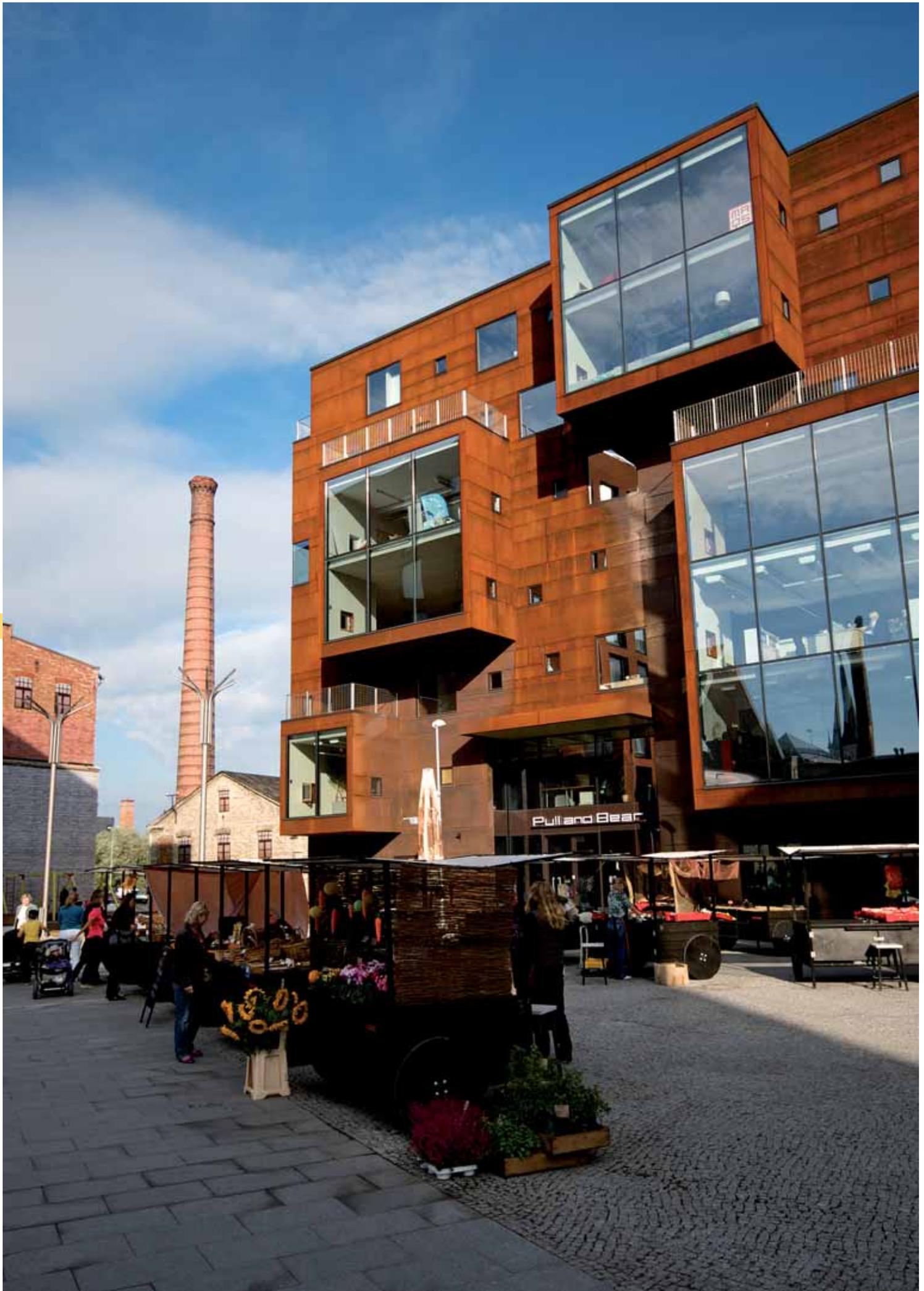
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Dear readers,

History has shown that cities persist longer than countries. The excavations carried out in 2009, prior to the remodelling of Vabaduse Väljak (Freedom Square), revealed that Tallinn is one of the oldest settlements among the capitals of modern Europe. This historical discovery shows us how marginal a moment a single year is in the life of the city – the period covered in our yearbook.

How quickly a city changes is determined by its social pulse, not just by calendar cycles or the rate of economic growth or the consistency of growth. The city develops by consistently achieving the goals it has set.

On Tallinn City Day on the 15th May 2009, the heads of eight Estonian cities met at the Town Hall and signed a document establishing the Association of European Towns of Culture in Estonia. This was initiated by Tallinn, the Culture Capital of Europe 2011. We realise that the international attention we will receive in 2011 will be similar to the limelight enjoyed by Tallinn in 1980 when it hosted the regattas of the Moscow Olympic Games.

This time, we want all of Estonia to share the limelight!

As a capital of culture 2011, Tallinn set up a partnership with the cities with whom it competed for the "Capital of Culture" title, i.e., Tartu, Pärnu, and Rakvere as well as several other towns, including Haapsalu, Narva, Paide, Viljandi and Võru, whose cultural life ensures that Estonia as a whole will be a European capital of culture. Since, the town of Põlva has also joined the project, and the list is still open.

Centuries ago, Peter the Great founded St. Petersburg as Russia's window to Europe. In 2011, Tallinn will be Estonia's window to Europe. As one, the Estonian towns and cities will form a unique cultural alliance in Europe that will hopefully continue beyond 2011. We are strong in unison. The towns and cities must make sure that their country thrives!

Toomas Vitsut

Chairman of Tallinn City Council
since 2005





foreword by the Mayor of the City

The annual report is an important document – it marks the end of yet another budgetary cycle of the city, this time the end of 2008. It also constitutes a piece of history, from the adoption of the budget, with its underlying dreams and goals, to the execution of the budget, including all the happy moments and problems, successes and failures, as in life in general. This report will give you an overview of what this year was like for Tallinn and also for the companies and foundations in which the City of Tallinn is involved.

With its 280 institutions, Tallinn is the largest municipality in Estonia, employing nearly 13,000 people to work for the residents of Tallinn. The number includes kindergarten and school teachers; medical, social, cultural and sports workers; and many others working in various fields. In addition to the municipal institutions, we have 12 municipal foundations and 11 companies that offer their various services to residents, employing a further 7,000 people from bus drivers to doctors. This report is essentially an overview of the financial performance of one of the biggest organisations in Estonia, an organisation that in 2008 had a total turnover of EEK 9 billion.

2008 was a tumultuous year for the Estonian economy. The myth about great economic success began to crumble away and the recession made an increasing impact on the work, projects, and future plans of the state as well as our city. The city of Tallinn, essentially, has been and will be the driver of the Estonian economy, having provided nearly half of the gross domestic product of Estonia throughout the years. Therefore, it is clear that the financial situation of Tallinn will be influenced by the same factors that affect the entire country. The recession has an impact on employment, citizens' income, and likewise on the tax and cost basis of the city budget.

To ensure the sustainability of our budgetary policy, we have always stayed

on a conservative course. The reason why Tallinn's financial position has been relatively stable is not that we have prepared an effective budget for any one year, but that our decisions and measures have been consistent. We haven't ignored the fact that the general economic conditions have sharply worsened. I want to remind you that already in June of last year – when the economic environment had changed and signs pointed to further deterioration – we made significant changes in the city budget, and the same changes enabled us to adopt a positive supplementary budget that autumn. I believe that such consistency has also helped us to cope quite painlessly in the present critical conditions of the Estonian economy.

Last autumn, the fine management and excellent financial position of our city were once again confirmed also by the international credit rating agency Moody's, which assigned the same credit rating to Tallinn as the year before. In the preceding months, several countries and cities in our region had their credit rating lowered. In November, the credit rating of the Republic of Estonia was also downgraded from 'stable' to 'negative'.

We have always adhered to the principle that regardless of the changes happening in the Estonian economy or of the decisions made by the central government, the primary duty of the city is to ensure the universal availability of all necessary public services, as well as the stable development of life. The headline we chose for the 2008 city budget was "Tallinn still cares!". The report that you are holding in your hands now will show and assure you that this has not been a mere slogan. We have managed successfully to execute our planned projects, despite the challenging times.

We continued making investments in the Old Town of Tallinn and in the city's cultural institutions so that we could be a worthy Culture Capital of Europe 2011. We helped to improve the competitiveness of the companies



operating in Tallinn – something that is especially important in the current unstable economic conditions. To ensure the continued development of the city, we continued making significant investments in road and residential construction. Also, we actively developed the water supply and sewer system, in order to complete the city's sewer system by 2011. Equally important were the activities concerning children and young people – we renovated and built new school buildings and kindergarten centres, and focused on creating versatile options for leisure time. The city continued to improve the appearance of our parks and green areas, and focused on creating an accessible waterfront. The renovation of Vabaduse Väljak (Freedom Square), Tallinn's most important square, completed in 2009, is also an important milestone. There were many successful projects and activities; the most important ones have been outlined on the following pages.

I would like to conclude by stressing to everyone that as we take a look back we shouldn't forget about today or tomorrow. It is obvious that despite the difficult times Tallinn must try to continue its activities for the development of the city, and must perform this to the fullest in the given circumstances – because the survival and recovery of the Estonian economy very much depends on Tallinn's development. I hope that we will all have the strength to achieve this!

Edgar Savisaar
Mayor of Tallinn

Brief overview of the city

The City of Tallinn is the largest municipality in Estonia.

The population of Tallinn increased by 2,276 in 2008 to stand at 404,005 inhabitants by the end of the year. According to the Population Register, the population of Estonia as a country is gradually decreasing, while the population of Tallinn has been consistently increasing in recent years owing to natural population growth and the influx of people. Tallinn has experienced a positive population growth rate since 2005. In 2008, 5,907 children were born in Tallinn, 71 more than in 2007. Also, people from other parts of Estonia who have lost their jobs due to the recession often come to look for work in Tallinn, thereby adding to the city's population.



Therefore, Tallinn is thriving and developing.

Tallinn is also Estonia's most important economic centre. Today, the city's contribution to the gross domestic product (GDP) of Estonia is already more than 50%. Tallinn is a hard-working city. In 2008, Estonia's average GDP per capita was EEK 185,100, whereas in Tallinn it was nearly 1.6 times higher at EEK 292,000, based on initial calculations. The city boasts a well-developed wholesale and retail business, accommodation services and restaurants, financial services, transportation and warehousing and communications and services.

According to the Statistical Office of Estonia, the number of people in employment in Tallinn in 2008 was 219,000, the same figure as in 2007. In 2008, the average salary in Tallinn was EEK 14,540, representing an 11.3% growth from 2007. Nevertheless, the deepening global recession did not fail to have an impact, causing a rapid decline in employment in the second half of 2008. According to the Labour Market Board, in December 2008 Tallinn had 7,900 registered unemployed people, 3,200 (or 43.2%) more than the previous year.

The main task of the city as a municipality is to ensure the fulfilment

of the duties prescribed by law, to create a high-quality living environment in its territory, and to establish favourable operating conditions for companies. For its residents, the City of Tallinn provides services through all stages of their lives. On the one hand, the city must ensure it caters for its most vulnerable, whilst creating opportunities for even the most demanding consumers.



City governance

The City of Tallinn is governed by the City Council and the City Government.

Tallinn City Council is elected by the citizens for a four-year term. The most recent Council elections were held on 16th October 2005. The City Council meets in plenary sessions, and work is also done in commissions and parties. The current (sixth) City Council comprises 63 members and 4 different factions: the Centre Party (32 members), the Reform Party (13 members), the Union of Pro Patria (9 members) and the Social Democratic Party (3 members). There are also six Council members who are not affiliated with any political party.

The City Council has set up 11 commissions: education and culture, environment, law and order, child welfare, city management, city property, finance, auditing, social affairs and health care, consumer protection, and legal matters.



In 2008, the City Council held 22 sessions, passed 251 motions and 53 regulations, and held 193 commission meetings.

The administration of the City Council is handled by the City Council Office.

The City Government is the executive body of the municipality and implements its duties as prescribed by national law and city legislation. Tallinn City Government has 7 members, including the Mayor and six Deputy Mayors. Each member of the City Government is in charge of a specific area of administration. The administrative and technical operation of the City Government is run by the City Office, which in turn is managed by a City Secretary appointed by the Mayor.

As a rule, the City Government meets once a week. In 2008, the City Government held 54 sessions, passing 98 regulations and 2,276 directives. The City Government runs the city's institutions (aside from the City Council Office) and participates in private legal entities as a shareholder, partner, founder or member.

The city institutions include:

- City authorities executing public power;
- Institutions administered by the city authorities and not executing public power.

The Tallinn City structure includes 24 city institutions and 256 administered institutions. In addition, the city has established or has a holding in many

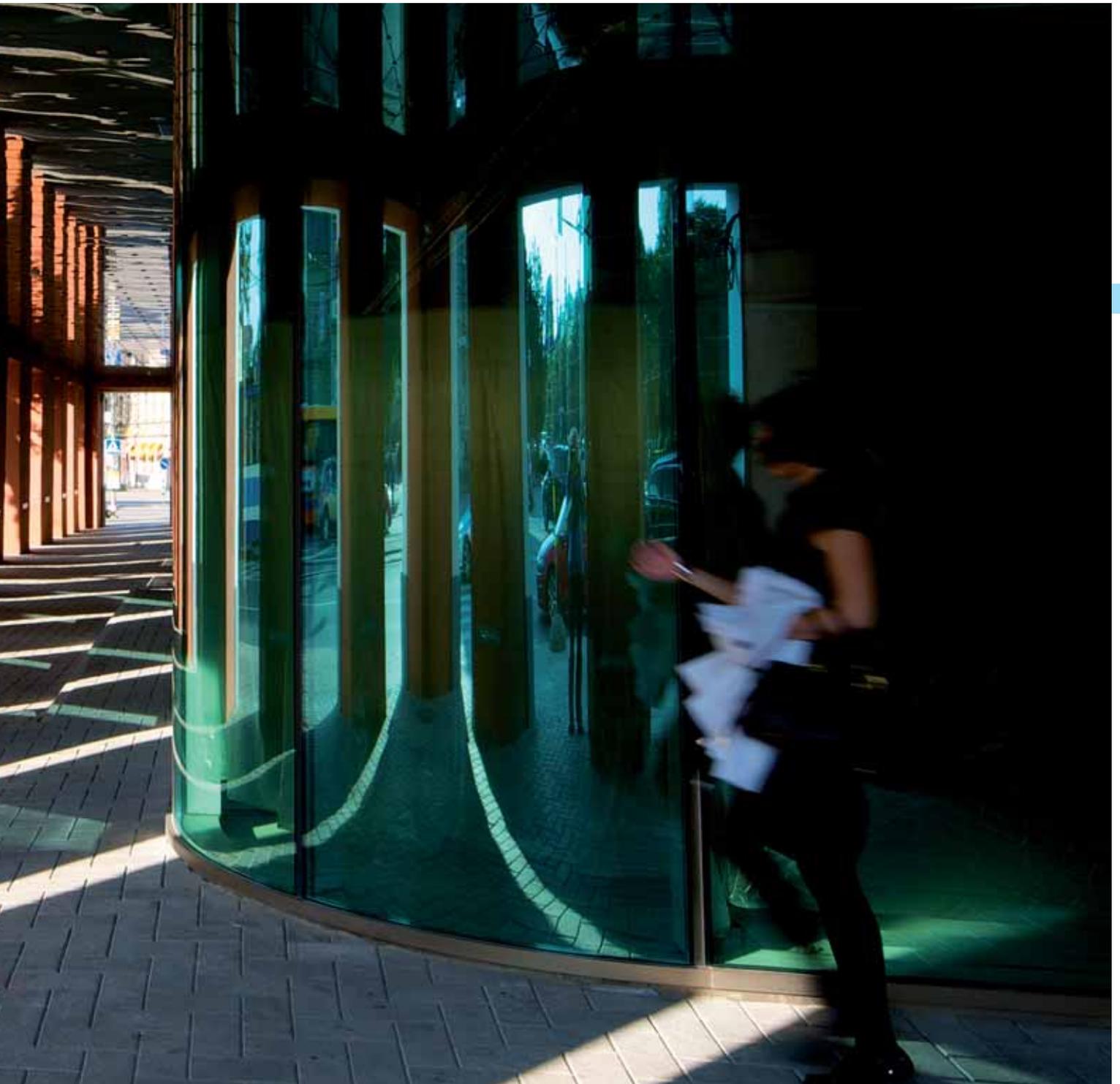
companies that serve to make high-quality public services available to residents. Therefore, the city has a dominant influence in 11 companies and 12 foundations, the largest among them being the Eastern Tallinn and Western Tallinn Central Hospitals, and the Tallinn Bus Company and the Tram and Trolley bus Company transportation companies. The city also has a significant influence in three companies and one foundation, including Tallinna Vesi AS (water supply) and Tallinna Prügila AS (waste handling).

In 2008, there were a total of 19,688 employees in the city's institutions, companies and foundations, including 1,447 people in administrative functions. Nearly 10,000 of the 12,909 employees of city institutions work in schools and kindergartens.





Development of city life by areas



Education

One of the main goals of Tallinn is to ensure that its residents grow up safely, enjoy comprehensive development, and engage in lifelong learning.

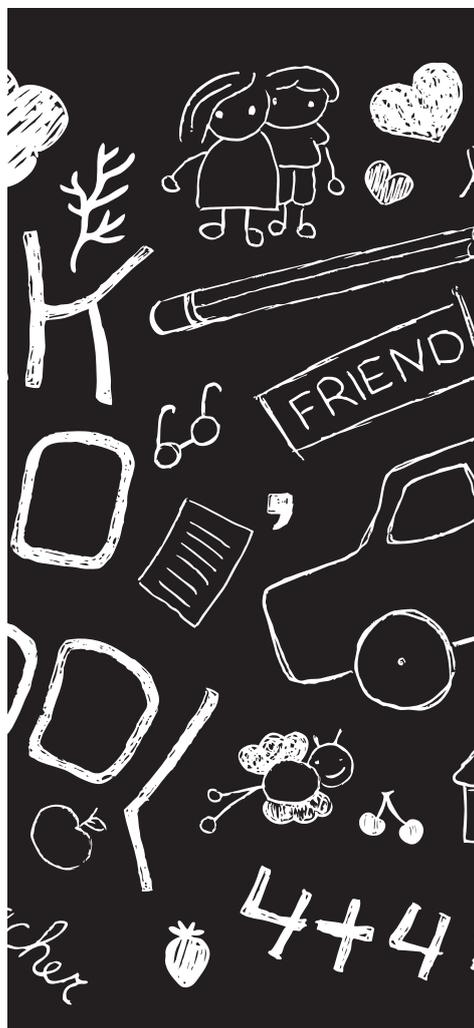
It is important that all children residing in Tallinn are provided with the opportunity to attend a kindergarten as well as being able to attend primary, middle and secondary schools; that vocational education is available in accordance with the needs of the labour market; and that children and young people are provided with a versatile range of recreational and extra-curricular activities. Therefore, the city's main goal in this field is to ensure the versatility and widespread availability of education.

At the end of 2008, Tallinn operated 126 kindergartens, four kindergarten/primary schools, one kindergarten/middle school and two schools with kindergarten groups – accommodating 19,948 children in total. The city also supported 20 privately owned kindergartens, catering for an additional

635 children.

The city continued the implementation of the programme “Kindergarten Place for Every Child” and created 867 new kindergarten places. 120 of these were added by opening a new kindergarten (Tallinn Padriku Kindergarten) and 60 places by renovating Tallinn Kaseke Kindergarten. The city completed the “Fire-safety in Kindergarten” programme, whereby fire alarm systems were installed in the kindergartens.

High-quality education is one of the prerequisites for the development of the country. In 2008, there were 71 municipal schools, 11 private schools and two state-run schools in Tallinn. There were 44,828 students in Tallinn's schools in the 2008/2009 academic year, with 4,698 of the students coming from other municipalities. Due to



demographic changes, the number of students fell by 275 compared to 2007.

The city provides free school lunches to students in years 1 to 9. To compensate school meal expenses, the city allocated more than EEK 33 million to supplement the state financing received in 2008. The use of after-school groups and the employment of teaching assistants were continued, and all schools continued to offer support services (incl. the services of speech therapists and psychologists).

One of the most important aims of Tallinn City in terms of education is to provide a contemporary study environment in its educational institutions. Several schools were renovated to implement the school renovation plan launched in 2005. All in all, the city renovated 11 municipal schools. In co-operation with the private

sector, nine municipal schools were completely renovated (32. Keskkool, Haabersti Vene Gümnaasium, Laagna Gümnaasium, Sikupilli Keskkool, Kristiine Gümnaasium, Karjamaa Gümnaasium, Kalamaja Põhikool, Tallinna Ühisgümnaasium and Nõmme Gümnaasium). The city also financed the completion of the repairs to Tallinn Kunstigümnaasium and Laagna Lasteaed-Põhikool. Furniture and equipment were provided for all renovated schools. Partial repairs were carried out in 21 schools.

In addition to primary and secondary education, the city also provides vocational training at Kopli Vocational School, which in 2008 had 111 students in preparatory programmes and 162 students enrolled in vocational training. Tallinn Kopli Vocational School offers vocational training in the following

specialities: property management, carpentry for traditional art, textiles, mechanic/electrician (tram and trolley-bus repairs), home economics, gardening, and environmental engineering.

The city's priority is also to create and ensure a range of recreational programmes. In 2008, Tallinn operated 10 municipal after-school recreational centres, including three schools for music and one for the arts, with a total of 10,223 students. 25,556 children took part in the after-school programmes run by the general education schools. In addition, the city has also enabled children to participate in the recreational programmes of 26 private centres – 1,863 children used this opportunity in 2008. The topics of the recreational programmes included technology, biology, theatre, sports, the arts, music, dance, engineering, and foreign languages.



Culture

The main goal in the upcoming years is the successful preparation and execution of the "Tallinn – Culture Capital of Europe 2011" project, as well as the implementation of the related investment programme. To help prepare for the event, the City established the Foundation Tallinn 2011 in 2007. It has to prepare the programme for the capital of culture, and collect, weigh and assess ideas and thoughts in order to have an exciting, unique and effective year of culture in Tallinn in 2011.

There are 10 municipal cultural institutions in Tallinn operating as leisure, concert, theatre and exhibition venues. These are Toomklubi, Pelgulinna Community Centre, the Information Centre of Cultural Associations, Russian Cultural Centre, Lindakivi Cultural Centre, Mustamäe Kaja Cultural Centre,

Salme Cultural Centre, Nõmme Cultural Centre, Tallinn Haabersti Leisure Centre and Pirita Leisure Centre.

Tallinn City Theatre gave 328 performances to a total audience of 52,812 people. The theatre's repertoire included 22 plays, five of which opened for the first time in 2008. To celebrate the 90th year of the Republic of Estonia, the theatre produced plays based on an Estonian classic novel (the five-volume "Tõde ja õigus" by A. H. Tammsaare), culminating in a popular 22-hour marathon play in the summer.

The Tallinn Philharmonic Society organises the Birgitta Festival which is held in the ruins of Pirita Convent and has received major international recognition, to which musicians came from Russia, Spain, Switzerland, the



Baltic countries, and even as far as Japan. The aim is to develop the festival into one of Tallinn's main attractions, and the most important event of cultural tourism. The Tallinn Philharmonic Society organised 84 concerts, including 21 joint projects and 10 concerts abroad. More than 31,600 people attended the events. Other major cultural events in 2008 included the "Golden Mask in Estonia" theatre festival (organised by MTÜ ART-Forum), the international theatre festival "Midwinter Night's Dream" (organised by the Tallinn City Theatre), the maritime festival, the concert series "Renaissance in Tallinn Churches", and many more.

Tallinn has 19 libraries, visited by more than 1.1 million people in 2008. To improve the availability of library

services, the city began to operate a library bus called Katariina Jee.

The city made preparations for opening a new children's museum in Kadriorg Park, by finalising the conceptual plan under the name "Miia Milla Manda". The museum will be opened in autumn 2009.

The city continued to improve the creative and technical capacities as well as the cultural institutions themselves so that they could offer a versatile selection of cultural services to Tallinn's residents and visitors.

The cultural centre of the Tallinn Song Festival Grounds was opened, including a state-of-the-art concert hall with great acoustics and a sea view. The grand hall of the Russian Cultural Centre was renovated, and as

a result Tallinn has gained a completely renovated venue seating 900 people.

The EU Regional Development Fund provided financing for two projects: "Journey in Time – Renovation and Installation of the Bastion Passages and Kiek in de K k", and the renovation of the elephants' enclosure in Tallinn Zoo.



Sports and youth work

In order to be happy and healthy, the residents of Tallinn must be physically active.

It is important for the city to offer residents various facilities for physical exercise, and to organise sports events. The city has set itself a goal: to expand the opportunities available to its residents, especially young people, for engaging in recreational programmes as well as recreational and competitive sports.

The city has a total of 21 sports centres and facilities for recreational and competitive sports, allowing people to practice nearly 30 different sports. Continued attention was paid to promoting recreational exercise and increasing the population's awareness of the importance of and the facilities available for recreational sports.

The promotion of recreational sports was continued through the recreational sports programme "Tallinn Moves", and



by organising and supporting various sports events. The city supported the construction of the Kotka football stadium and the Audentes swimming pool, and built ball-game courts and sports grounds in residential districts and for schools. The best athletes and teams were recognised for their achievements.

The city continued to support sports clubs, enabling 22,431 people to practice recreational sports (including 2,706 children aged 4 to 6; 19,725 children aged 7 to 19; and people with disabilities). The amount of the subsidy per person was the same as in 2007, that is, EEK 1,760 for children aged 4 to 6 and EEK 4,400 for children aged 7 to 19.

To promote an active lifestyle and improve the health of the population,

the city launched the "Tallinn Moves" support programme, which organised 216 events. These included many regional sports events and competitions as well as healthy lifestyle days in various city districts.

The aim of youth work is to provide young people with quality options for leisure pursuits and to develop a healthy lifestyle in children and young people. Youth work services were available through eight regional youth centres, information centres, and information and advisory centres. One of the major initiatives of the youth centres was the establishment of a beach youth centre, that is, the relocation of youth centre activities to Stroomi beach, by organising cultural, art and sports events; providing information about ways to earn pocket money; and offering labour law related

advice. The online youth information portal has become very popular, as it was visited 579,663 times in 2008, a 2% increase from 2007. The city supported youth camps, which were organised for the children and youngsters of Tallinn during the school holidays. 144 children in total participated in the exchange programme between Tallinn and St. Petersburg during the summer and autumn school holidays.

In 2008, the Järve Youth Centre was completed. The Centre focuses on the media and related activities. The Centre has contemporary equipment for teaching photography and filmmaking.

The summer work camp programme, now in its fifth year, included 77 groups in 2008, with 1,426 youngsters participating.



Social welfare and health-care

One of the city's most important duties is to ensure the social welfare of various groups of people, by helping and supporting the elderly, the disabled, children, and families with children.



In recent years, the city has significantly improved social welfare and the availability of health services. As a result, the range of services available in these areas has expanded.

The population of Estonia and also Tallinn continues to age. The aim of welfare for the elderly is to provide a good-quality general nursing home service and to ensure that the elderly can manage. To improve the quality of welfare services, the city began the renovation of the last section of the Iru nursing home in 2008. The Iru nursing home provided general nursing home services to 385 people in need of care, while the other nursing homes in Estonia offered these services to 460 people.

The emergency alert system pilot project "Panic Button" was expanded

to include all the city districts. The project offers physical, psychological and other support as well as a feeling of safety for elderly people under home care.

It is important for all children to feel cared for, protected and assisted. The aim of child welfare is to make sure that children left without parental care receive care in orphanages, that shelter and rehabilitation services are available to children and young people with addiction problems, that families with children can seek advice, and that supportive social services are provided to high-risk families as well as mothers and children who are victims of domestic violence. The renovation and reconstruction of the Nõmme centre of Tallinn Orphanage was completed, also ensuring better living conditions for those seeking help from the

mothers-and-children shelter.

There are 20,234 disabled people living in Tallinn, including 1,202 children. The city helped disabled people cope better in society by offering transport services, providing the services of personal assistants, operating a work and occupational centre, and organising day care and daytime activities. The new system allowing disabled people to use public transport for free and prove their eligibility for such special conditions was launched in autumn 2008. The magnetic stripe cards for users of taxi services were replaced with new cards that feature a coded magnetic stripe and a modern design.

The day centres of the city districts allow people to take an active part in everyday life. The services of the day centres are used by elderly people who





no longer have an active social life, by disabled people, by children, by people leaving social welfare institutions, and by representatives of other high-risk groups. The home care service offered by the city districts is intended for the elderly and disabled who would otherwise require care in a social welfare institution. The city also offered meals to the underprivileged in soup kitchens and homeless shelters.

With each year, the city has improved the social benefit payment system. In 2008, social benefits in the amount of EEK 141.1 million were paid to families with children, the elderly and underprivileged families. Continued support was also provided to other underprivileged people. The volume of social benefits increased by 10% compared to 2007. The amount of the benefit paid to elderly people and

disabled children to compensate for inflation rose from EEK 700 to EEK 850. The maximum amount of subsistence benefit for underprivileged children was increased from EEK 1,200 to EEK 2,000, and the amount of the benefit paid as compensation for prescription medications and vaccinations was increased from EEK 2,000 to EEK 2,500.

It is very important to ensure that high-quality and easily attainable primary and specialised medical care is available to all residents. In the area of healthcare, the city used the city budget to continue to cover the medical expenses of people who do not have health insurance, to pay for the home nursing/ care services of patients with long-term chronic illnesses, and to provide nursing services in the city's social-housing properties, in addition to the

Iru nursing home. There are 258 family physician practices in Tallinn, which the city supported with EEK 17,600 per physician.

The Tallinn Emergency Medical Service operates as a separate city institution. The service's 14 brigades provide emergency medical services and responded to 63,342 calls in 2008. The renewal of the emergency medical service fleet continued with the purchase of one new ambulance. The city also continued to offer the partial re-payment of the study loans of doctors, nurses, medical rehabilitation specialists and social workers working in the medical institutions founded by the city of Tallinn or as medical specialists in municipal schools (in total, EEK 3.4 million).



Maintenance

The residents of Tallinn value a living environment that is habitable and intertwined with greenery, and which has the priority of promoting an environmentally-friendly lifestyle.

In May 2008, the city organised a city-wide spring-cleaning campaign, with the aim of carrying out regular maintenance works and taking part in the national clean-up campaign "Let's Do It 2008" to eliminate unauthorised garbage dumps in the city territory. Large-scale clean-up activities were undertaken in the woodlands of the Pirita, Kesklinn and Nõmme districts.

The 290th anniversary of Kadriorg Park was celebrated with an extensive cultural programme that included tours, concerts and exhibitions.

The city built four new family leisure grounds: in the Haabersti, Kristiine, Põhja-Tallinn and Lasnamäe city districts. The newly completed Aegna Nature School is a nature study centre, which serves as a seasonal field trip base for municipal schools, kindergartens, and institutions administered by the city as well as third sector organisations that carry out activities related to environmental education. Regular study



Public utilities

trips and practical nature studies are planned for commencement in 2009.

The reconstruction of Kadriorg Park continued. The city also began the reconstruction of Kalamaja Park and the work on the fountain on the square in front of the Sõprus cinema.

The city completed the biggest waste-handling project of recent years, as the Pääsküla landfill was closed with support from the EU Cohesion Fund.

Under the "Yards into Order" project, which is increasingly popular among apartment-owner associations, the city paid EEK 19.5 million as subsidies to apartment owners' associations, through accepting the applications of 139 associations for property maintenance funding. The main works carried out by the apartment owners' associations on their properties were the extension of car parks and the repair of roads on the property.

In the course of 2008, 10,468 metres of water facilities, 40,616 metres of waste water facilities and 20,677 metres of surface water systems were built in Tallinn, which is 71,761 metres in total. Most of these works were carried out in the Nõmme, Veskimetsa, Lilleküla and Mähe districts. The city continued to pay compensation to people for connections to the public water supply and sewer system in previously inhabited areas that did not have such a public system. The total compensation paid to residents for the connection of 1,771 properties to the public water supply and sewer system was EEK 170.9 million.



Municipal housing

For the city as a whole, it is essential to have a consistent housing policy and a municipal housing fund as well as to use city land in a sustainable manner, taking into account both public and private interests



With regard to housing, the city's priority is still in finding homes for forced tenants (living in dwellings that have been restituted to their owners) and underprivileged people who are unable to secure a dwelling themselves. In 2008, the city completed the "5,000 New Dwellings in Tallinn" programme. The most important project under the programme was the Loopealse residential district, built in co-operation with the private sector. The city will be able to rent out 680 apartments in the district, with a total area of 35,216 sq. m. At the end of the year, a municipal house with 136 apartments at Erika 13a was also completed; it includes 11 apartments for people with physical disabilities. In 2009, use of three residential buildings with 420 apartments in total will be

granted to the city. The city continued to offer a moving allowance to forced tenants, support for the renovation of apartment buildings (by paying interest subsidies), and advice to residents in issues related to apartment owners' associations. The construction of the social housing unit at Kauge 4 began.

The City of Tallinn has two social housing units for the reintegration of homeless people wishing to change their lives. Shelter is also provided to people who are unable to cope financially in a municipal dwelling.

A training allowance was available for apartment owners' associations, and a special-purpose information desk was open in the information and service bureau of the City Government.



City transport and road safety

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Public transport in Tallinn is primarily organised through municipal transportation companies that operate 56 bus, 4 tram and 8 trolley-bus routes. At peak hours on business days, there are 319 buses, 65 trams and 92 trolley buses servicing these routes – this means 476 public transport vehicles in total. In a year, the total distance travelled on these routes was 31.8 million kilometres, with services provided to 119.1 million passengers. Tallinn also co-operated more closely with its neighbouring municipalities: the rural municipalities of Viimsi, Harku and Saue, and Maardu town. The city continued the implementation of the “Park and Ride” project, which has expanded the options of many people travelling by car, and also the school bus project which has received positive

feedback from children and their parents.

Through the Tallinn Bus Company and the Tallinn Tram and Trolley bus Company, the city continued to invest in new buses, trolley buses and trams. 10 new buses and 7 new articulated trolley buses began operating on public transport routes in 2008. In addition, 17 used buses and 10 used trams were purchased.

To ensure the safety of pedestrians, road safety, and a smooth traffic flow, the city built 39 pedestrian crossings and two new traffic light installations: the Pärnu mnt crossing and the crossroad of Keskuse and Ehitajate Tee streets. Also, the traffic light installations were fitted with 18 audio signals and 4

countdown timers. To improve parking conditions in streets with busy traffic and to promote the use of public transport, the city increased parking fees as of January 2008.



City planning

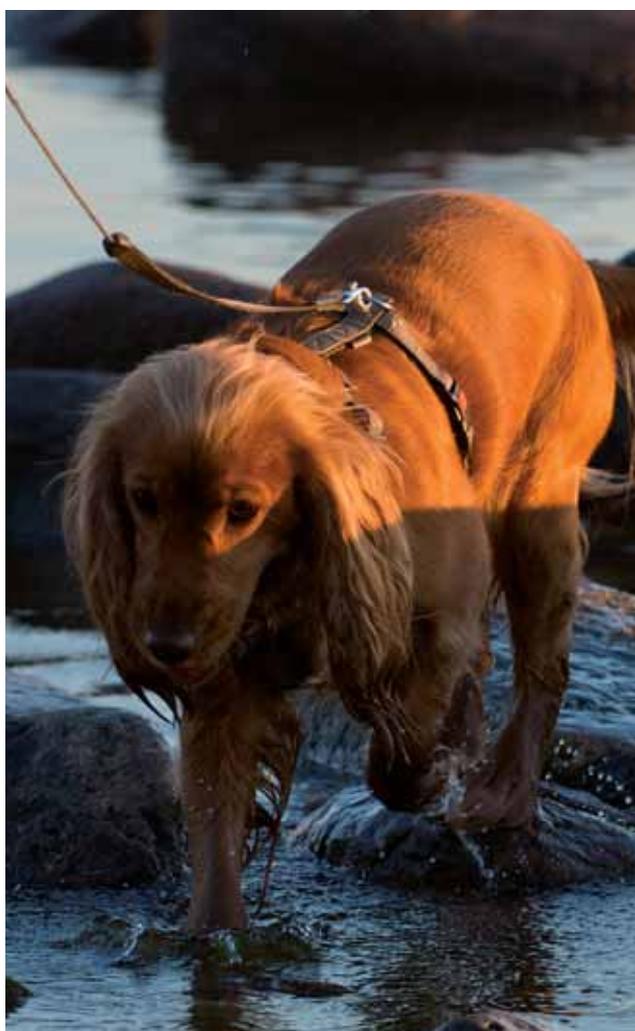
The main focus of spatial planning was two-fold – the re-introduction of the waterfront into general use and to give a new function to the seaside areas together with the significant improvement of the quality of public space. One of the projects in 2008, which concerned both of these priorities, was determining the conditions of the architectural design competition for the new administrative building for Tallinn City Government, and the announcement of the tendering competition for the development of the Linnahall and Kultuurikatel region into the capital's new administrative and cultural centre to be closely connected with the planned promenade, the waterfront, and the seaside activities.



Environmental protection

The city carried out various studies and monitoring projects to assess and improve the city's environmental conditions. A strategic noise map of Tallinn was prepared. Based on this map, an action plan for noise reduction will be created. The development plan of environmental education was completed; its main goal is to increase awareness among all age groups of the population as they make environment-related decisions and choices, and to improve the quality and extent of environmental education in Tallinn's secondary and vocational schools and in the city institutions that are involved in environmental education (such as recreational centres).

The European Mobility Week 2008, with the "Cleaner Air for Everyone" theme, was held in September. The City also organised the "Care about Your Pet" campaign and the "Prügihunt" waste handling campaign for awareness about current environmental problems.



Roads and streets

The city of Tallinn has 1,450 roads and streets, with a total area of 13 million sq. metres. To make the roads and streets better for driving, the city carried out maintenance on 9 million sq. metres of roads, and the maintenance of roadside areas on 3.9 million sq. metres. Routine road repairs were carried out on 255 thousand sq. metres.

The reconstruction of Freedom Square began in 2008 and will turn the square into the most important in the country and capital. In 2008, road construction works were carried out in the following streets: Männiku Rd. (from Vabaduse pst to Valdeku Street), the widening of Mustakivi Rd. (from Tähesaju Street to Narva mnt), Nõmme Rd. (from Tedre Street to Nõmme põik), Ehitajate Rd., Keskuse crossroad, Tööstuse (from Niine Street to Volta Street), Kopli (from Erika Street to Kopli Street 101), Pae

(from Peterburi Rd. to Punane Street), Paekaare, Narva mnt (from Kose Rd. to Priisle Rd.), Vilde Rd. (from Sõpruse pst to Ehitajate Rd.) and Pirita Rd. (from the edge of the city district to Rummu Rd.). The construction of a road between Tehnika Street and Veerenni Street included the construction of the connecting road with footpaths and cycle lanes, street lighting, a surface water system and crossings with traffic signals. Lanes for pedestrians and cyclists were built by Paljassaare Rd. and Rannamõisa Rd. To increase the safety of the residents and general road safety, the city continued to install appropriate, energy-efficient lighting on Tallinn's streets and in parks, green areas and other public spaces. 50,621 lighting fixtures have been installed to illuminate the city's roads and streets. 1,993 new lamps were fitted in the course of this year.



Law and order

The role of the Municipal Police Department in the enforcement of public law and order increased. As a result of the Supreme Court rule, the city was forced to take over, as of June 2008, the misdemeanour proceedings against people using public transport without a ticket, which up until then had been handled by a contracted private sector partner. This function is now fulfilled by the Tallinn Municipal Police Department.

In ensuring safety and security, the city also co-operates with the local police department and supports citizens' associations and organisations.



Enterprise and tourism

The main goals in this area are the support and development of enterprise; the increase of competitiveness; the promotion of Tallinn as a tourist destination; the organisation of consumer protection, and the supervision of enterprise in Tallinn.



To boost entrepreneurship and increase employment rates, the city granted various subsidies to 143 companies: start-up allowances for entrepreneurs, subsidies for the creation of new jobs, in-service training subsidies, placement supervisor subsidies, fair and patent subsidies. The City Council adopted the city's innovation strategy and a cluster development programme. To improve the competitiveness of companies operating in Tallinn, the city organised training courses, information days and study trips; promoted conference and cultural tourism; and began tourism marketing activities in China and Japan in co-operation with the city of Helsinki.

Under the "Young Entrepreneur Programme", the city supported or launched idea competitions, youth conferences and seminars, the

innovation fair of Estonian student companies, and other events intended to increase entrepreneurship in young people, and to stimulate their more active involvement in business.

The aim of the tourism marketing activities is to promote Tallinn internationally and locally as a tourist destination by making high-quality tourist information available to everyone. To achieve this, the city's representatives participated in international marketing events in Europe and Asia, including 40 holiday tourism and 7 conference tourism events.

The city focused on improving the competitiveness of local companies. For this purpose, stage two of the Lasnamäe Industrial Park was completed in Betooni Street and preparations were

made for opening a creative incubator in 2009. The objective of business incubators is to increase the success rates of start-ups and boost enterprise in the city by providing a favourable and high-quality working environment (premises and infrastructure) in the companies' start-up period, and offering various support services. Both the Ülemiste and Kopli business incubators had a successful year.

Visitors of Tallinn can explore the historical and cultural heritage of the city with the help of Tallinn Card, which offers its users about 90 entertainment and leisure options. The most popular destinations were Kadriorg palace, the spire of St. Olaf's church, the Town Hall and the Great Guild Hall/ History Museum.



financial report



UNCONSOLIDATED BALANCE SHEET

In thousand EEK, as at 31 December	2008	2007
Assets		
Current assets		
Cash and bank accounts	435 444	579 481
Short-term financial investments	29 100	65 000
Tax, duty and penalty receivables	424 699	458 787
Loan receivables	1 694	3 280
Other receivables and prepayments	117 187	207 107
Derivative instruments	0	19 289
Inventories	417	267
Non-current assets ready for sale	70 392	87 524
Total current assets	1 078 933	1 420 735
Non-current assets		
Holdings in foundations	136 729	136 639
Holdings in subsidiaries and affiliated companies	1 659 172	1 606 750
Long-term financial investments	3 967	3 967
Long-term loan receivables	0	1 187
Other long-term receivables and prepayments	122	35 383
Real estate investments	1 392 422	1 372 575
Tangible assets	14 680 965	14 231 858
Intangible assets	7 740	9 060
Total non-current assets	17 881 117	17 397 419
Total assets	18 960 050	18 818 154
Liabilities		
Current liabilities		
Supplier payables	270 626	329 789
Payables to employees	330 924	253 172
Tax, duty and penalty payables	104 995	93 257
Other payables and prepayments	51 741	41 884
Provisions	10 987	6 847
Loan obligations	202 878	214 991
Derivative instruments	12 064	0
Total current liabilities	984 215	939 940
Long-term liabilities		
Other long-term payables and prepayments	0	407
Provisions	40 168	0
Loan obligations	2 238 747	1 938 918
Total long-term liabilities	2 278 915	1 939 325
Total liabilities	3 263 130	2 879 265
Net assets		
Risk management reserve	-13 305	18 044
Accumulated surplus	15 710 225	15 920 845
Total net assets	15 696 920	15 938 889
Total liabilities and net assets	18 960 050	18 818 154

UNCONSOLIDATED INCOME STATEMENT

In thousand EEK, per year

2008

2007

Operating income		
Taxes	4 562 259	3 957 926
Products and services sold	983 264	827 579
Grants received	1 333 210	1 060 012
Other income	163 652	150 819
Total operating income	7 042 385	5 996 336

Operating expenses		
Grants issued	-859 926	-582 781
Labour expenses	-2 551 879	-2 110 682
Other expenses	-3 223 073	-2 674 777
Depreciation and revaluation of non-current assets	-1 043 450	-988 850
Total operating expenses	-7 678 328	-6 357 090

Operating result for the reporting period	-635 943	-360 754
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Financial income and expenses		
Interest expense	-95 199	-78 228
Income from holdings	-6 314	-15 705
Income from deposits and securities	26 562	35 158
Other financial income and expenses	1 312	801
Total financial income and expenses	-73 639	-57 974

Result for the reporting period	-709 582	-418 728
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UNCONSOLIDATED CASH FLOW STATEMENT

(prepared using the indirect method)

In thousand EEK, per year	2008	2007
Cash flows from operating activities		
Operating result for the reporting period	-635 943	-360 754
Adjustments		
Depreciation, revaluation and write-off of non-current assets	1 043 450	988 850
Profit/loss from sale of non-current assets and from non-monetary targeted funding granted	-45 793	-81 418
Targeted funding received for acquisition of non-current assets	-162 822	-91 020
Change in doubtful loan receivables	1 167	-3 217
Net change in current assets	29 505	-133 109
Net change in liabilities	96 966	197 732
Total cash flows from operating activities	326 530	517 064
Cash flows from investments		
Paid for non-current assets (excl. financial assets and holdings)	-1 046 406	-1 111 723
Received from sale of non-current assets (excl. financial investments and holdings)	110 666	149 695
Paid for financial investments	-174 949	-629
Received from sale of financial investments	145 460	97 810
Paid for holdings	-83 555	-62 860
Received from sale of holdings and reduction of share capital	67 470	8 000
Dividends received	91 670	76 162
Loans repaid	2 960	8 771
Interest received and other financial income	30 009	36 602
Total cash flows from investments	-856 675	-798 172
Cash flows from financing activities		
Received from issue of bonds	0	399 990
Paid upon redemption of bonds	-113 333	-103 069
Loans received	499 987	0
Loan repayments	-100 360	-85 781
Principal repayments of finance lease	-2 654	-1 771
Repaid under factoring contracts	0	-59 920
Received targeted funding for non-current assets	131 813	74 314
Interest paid and other financial expenses	-94 345	-75 783
Total cash flows from financing activities	321 108	147 980
Net cash flow	-209 037	-133 128
Cash and cash equivalents at the beginning of the period*	644 481	777 609
Change in cash and cash equivalents	-209 037	-133 128
Cash and cash equivalents at the end of the period*	435 444	644 481

*Cash and cash equivalents comprise cash and bank account balances (excl. fixed-term deposits with a term longer than 3 months) and holdings in investment funds.

The audit of the consolidated annual report of the City of Tallinn for the financial year 2008 was carried out by Ernst&Young Baltic AS, whose report on the statements of the City was positive. The consolidated annual report of the City for 2008 is also available on the official website of Tallinn at www.tallinn.ee.

Budget execution report

The Tallinn City budget for 2008 was approved in December 2007 (regulation No 58 of the City Council of 20 December 2007). Two supplementary budgets were adopted in the course of 2008, the first one in June (regulation No 26 of the City Council of 19 June 2008) and the second one in November (regulation No 38 of the City Council of 13 November 2008). In addition to that, the budget was specified by orders of the City Government, under the City Council's authorisation, during the budgetary period, according to which grants from the state budget, donations

and targeted funds allocated to the City of Tallinn under contracts were distributed between the city institutions (City Government orders No 742-k of 23 April 2008, No 1142-k of 18 June 2008, No 1535-k of 17 September 2008, No 2186-k of 17 December 2008, and No 143-k of 4 February 2009), and the expenses to be transferred were transferred from year 2007 to the financial year 2008 (City Government orders No 483-k of 19 March 2008, No 953-k of 28 May 2008, and No 2109-k of 10 December 2008).

Revenue

The planned volume of revenue for the year 2008 was EEK 6 919 175 thousand. The estimated amount in the budget was increased by EEK 230 098 thousand, owing to the supplementary budgets and the orders for the distribution of grants from the state budget and funds allocated under contracts, resulting in the final budgetary revenue of EEK 7 149 273 thousand. The 2008 budgetary revenue was fulfilled in the extent of 99.1%, i.e. in the total amount of EEK 7 084 930 thousand.

Revenue structure in the fulfilment of the 2008 budget

Taxes 65%

Sale of goods and services 12%

Income from sale of assets 1%

Dividends 1%

Grants 20%

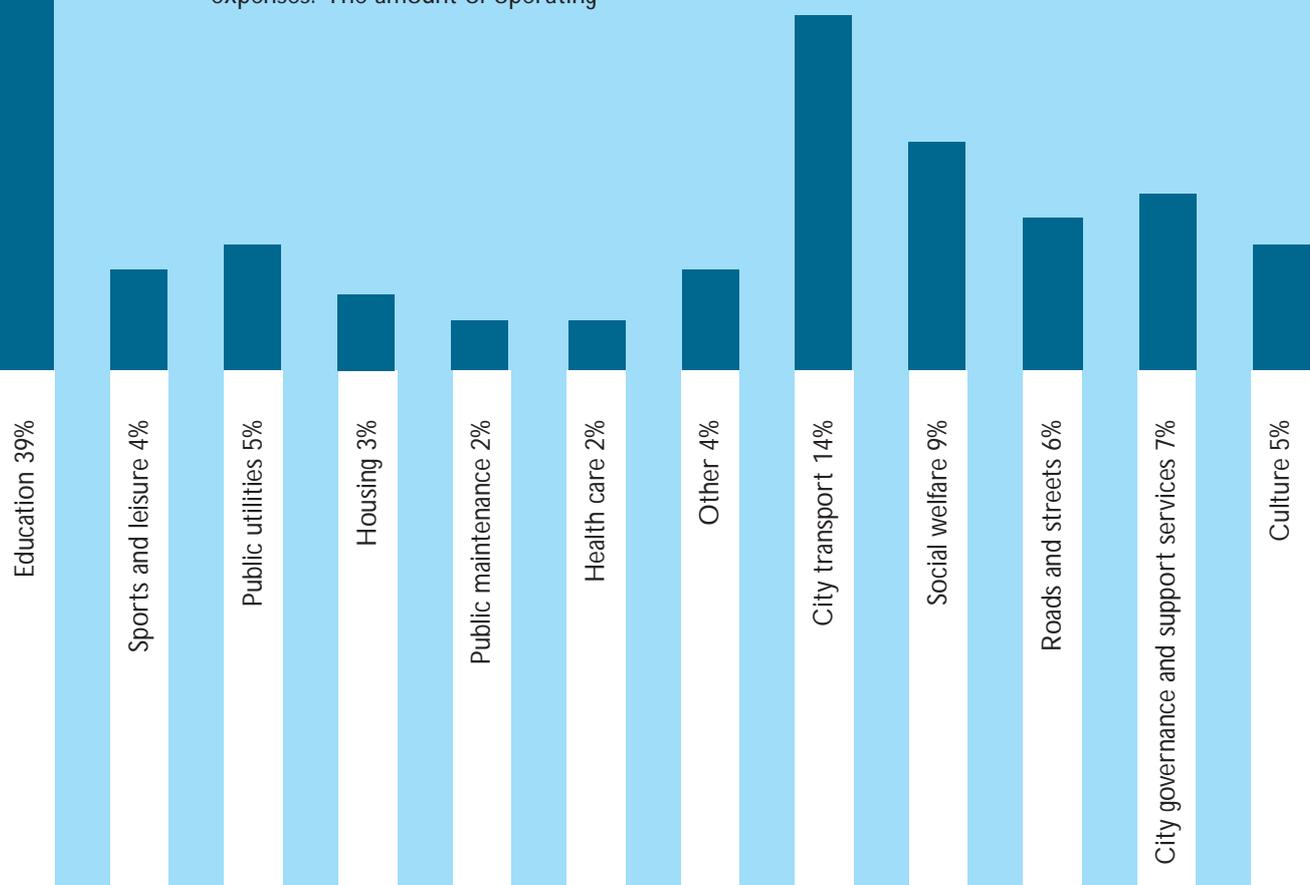
Other income 1%

Operating expenses

The final volume of operating expenses in the 2008 budget was EEK 6 410 468 thousand, including the 2007 expenses transferred into the year 2008 (EEK 52 102 thousand). The actual operating expenses in 2008, with the fulfilment of the budgetary expenses transferred from 2007, amounted to EEK 6 253 954 thousand, which is 97.6% of the final budgetary volume of operating expenses. The amount of operating

expenses unused in 2008 and approved for carry-over to the 2009 budget was EEK 34 989 thousand (order No 471-k of the Tallinn City Government of 25 March 2009).

Within the City's operating expenses, education expenses constituted the biggest share (39%), followed by public transport (14%) and social welfare (9%).



Other, incl:

City planning	1.2%
Enterprise	1.0%
Law and order	0.8%
Youth work	0.5%
Environmental protection	0.4%
Other utility expenses	0.3%

Investment activities

The city's investment activities are mainly related to the acquisition and renovation of non-financial assets. Non-financial assets primarily include real estate property, other non-current assets, and equipment. In addition, the city's investment activities also entail the acquisition of financial assets for the city as holdings in the city's subsidiaries and affiliated companies.

The planned volume of investment projects in the 2008 budget amounted to EEK 1 489 946 thousand. Owing to the supplementary budgets and the distribution of grants from the state budget, the initial budget was adjusted resulting in a new, adjusted volume of EEK 1 318 072 thousand. Also, unrealised investment projects in the amount of EEK 188 904 thousand

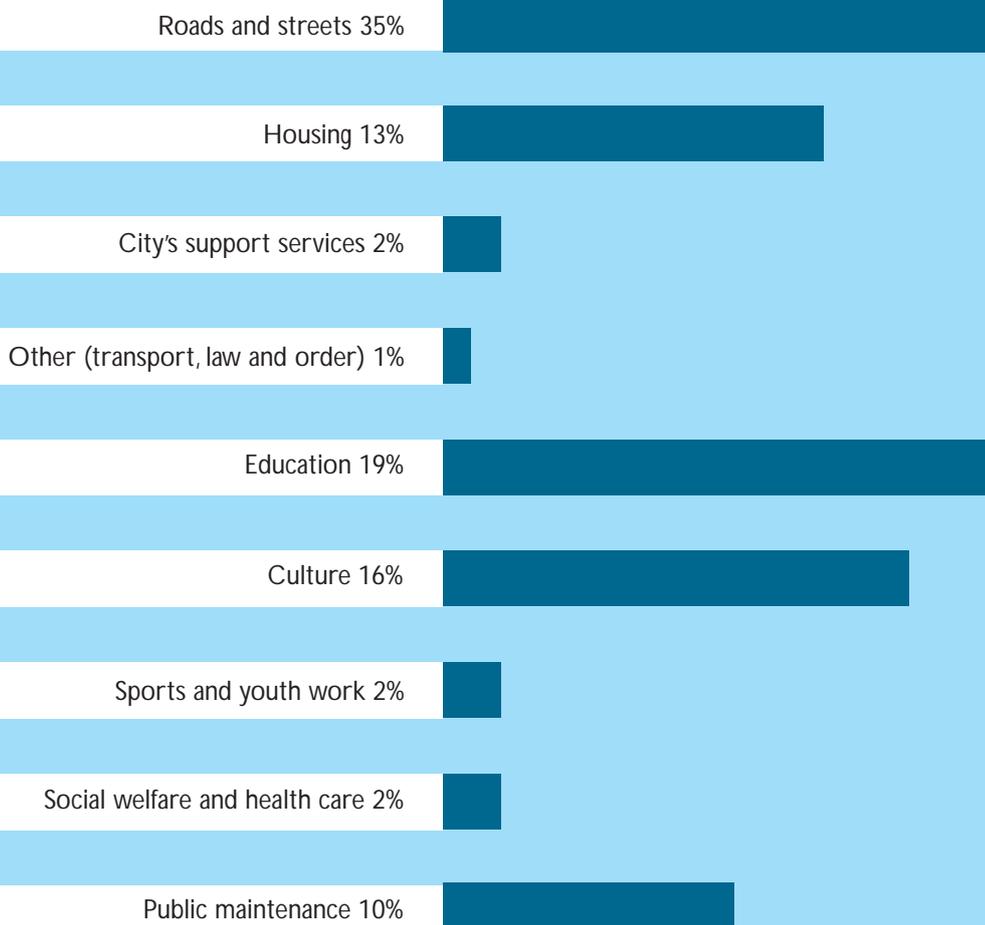
were carried over from 2007 into the financial year 2008. Thus the final volume of investment projects planned for 2008 was EEK 1 506 976 thousand, with EEK 1 325 498 thousand available for it. Thus funds were provided for 88% of the planned projects. In 2008, the City also increased the share capital of its transport companies in the extent specified in the budget, that is, by EEK 83 555 thousand. In 2008, the City liquidated the company Tallinna Jäätme keskuse AS which meant an income of EEK 471 thousand. All in all, EEK 1 409 053 thousand, or 88.6% of the planned budget, was used to cover the expenses of the investment projects of 2008.

In addition to the City's own investments, the City also carries out investment projects in cooperation with the private sector as PPP projects

(public private partnership). The expenses related to these are reported under operating expenses in the budget. In 2008, the expenses incurred in relation with these projects amounted to EEK 355 968 thousand, including EEK 82 052 thousand for school renovation projects, EEK 16 517 thousand for construction of municipal housing, EEK 86 452 thousand for construction of storm water systems, and EEK 170 947 thousand for the development of the public water supply and sewer system. Thus, the calculated total volume of investments made in 2008, including the public private partnerships, was EEK 1 765 021 thousand.

The distribution of investment projects between different areas is shown in the figure below.

Distribution of investment projects in the execution of the 2008 budget



The City's borrowing activities

The City's credit rating and borrowing activities

Tallinn's credit rating is assigned by the Moody's Investors Service rating agency, and since 2007 it has been updated every year, in order for the credit rating to reflect the City's actual financial performance. The City's credit rating is A3, outlook stable.

Pursuant to the Rural Municipality and City Budgets Act, the total amount of all un-repaid loans, unpaid finance lease payments, issued debt instruments and other debt obligations, together with the loan or financial lease to be taken, the debt instruments to be issued and other financial obligations, shall not exceed 60 per cent of the proposed budget revenue for that budgetary year, from which allocations from the state budget, intended for a specific purpose, have been deducted.

The total amount of repayable loans, loan interest, finance lease payments,

finance lease interest payments, and expenditure on the redemption of debt instruments shall not exceed, in any coming budgetary year, 20 per cent of the proposed budget revenue for the budgetary year during which the loans or finance leases are taken or debt instruments are issued, whereas allocations from the state budget, intended for a specific purpose, are deducted from the proposed budget revenue.

The City's borrowings have been in the limits stipulated by the Rural Municipality and City Budgets Act. In 2008, the City's borrowing percentage was 36.9%. So far, the Moody's rating agency has assessed the City's loan obligations to be moderate.

Loan and debt instruments to be repaid from the City budget

Throughout the years, the objective of loans and issue of debt instruments has been to ensure the stability of the City's investments. An overview of the

City's borrowing strategy is provided in the budget strategy, adopted by the City Council and published on Tallinn's website at www.tallinn.ee.

To cover the investments stipulated in the 2008 budget, the City received a loan from the European Investment Bank in the amount of EUR 31.96 million (EEK 500 million), with a 20-year term and a 0.128% interest margin. The loan is to be repaid in equal annual instalments, with the final payment made in 2028. This is project-based financing to be used for the City's road construction projects.

At the end of 2008, the City had nine debt instruments and loans repayable from the City budget. The weighted average life cycle of the City's loan portfolio, as at 31 Dec 2008, was 13.4 years; the weighted average margin was 0.12%, and the average remaining amount of principal was EEK 2 437 238 thousand.

