

# THE STRUCTURE AND USAGE OF MUNICIPAL PROPERTY IN THE PARDUBICE REGION

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***Abstract:** The paper deals with analysis of structure of municipal property and ways of it using. Every management of property should bring to owner certain positive effects, which would contribute to achievement of objectives of owner. These objectives relate to ensurance of basic function of municipalities and support of development of municipality. Hence the relations between ways of management of property and municipal development are searched.*

***Keywords:** Development, Management of Property, Municipality, Property*

## 1. Introduction

Property is one of the basic conditions of government and justice. Through property municipalities can influence the socio-economic development, community life, business activities and even the entire urban development. Ownership of property and its use becomes an important instrument of municipal self-governance.

All measurements and quantifications of benefits linked with management municipal property are dependent on the structure and way of its usage. We can assume that the utilization of municipal property is not primarily linked with generating a profit. The economy of municipalities keeps in touch other objectives. The trend of developing activity of representatives of municipalities is seen behind these aims. The analysis of this article is focused at the issue. Therefore the property of municipalities in the Pardubice region is surveyed in this paper.

Not only the structure of property is described by means of this analysis, but the ways of usage are analysed in the paper as well. As was stated above, municipalities pursue by usage of their property specific set objectives. Therefore the areas are analyzed in this paper. These areas represent the priorities in the development of municipalities.

## 2. Municipalities and their property

### 2.1 Evolution and structure of municipal property

The property of municipalities became a significant source of financial resources for economy of municipalities in historical context. The volume of ownership of municipalities as well as other subjects grew or decreased for various reasons. The present state of property is especially influenced by the evolution of matters and organization of public administration and self-government during the 20th century.

Financial assets, administrative assets (serve to specific needs of a given level of self-government, e.g. office buildings, public libraries etc.), public goods (roads, public areas and others) and municipal corporations (profit-making corporations and others) fell into municipal property after year 1918. The task of profit-making corporations was to ensure for a consideration services which are typical for private sector (saw-mills, brick factories, power stations and others). The other corporations managed on the basis of unprofitable principle. The task of these corporations was to serve goods satisfying the public interest (water-supply, waste disposal, public traffic services and others). These corporations mostly were loss-making and this loss was covered from a municipal budget.

It came to change in 1945 when the municipal system was cancelled and the three-degree system of peoples' committees was constituted. After 1948 the self-government was in successive steps liquidated and it came to nationalization of crucial generality of municipal property. Municipalities acted as administration of state property and they used it to ensure of fiduciary tasks.

After the political changes in 1989, municipalities re-acquired their original property, and some municipalities also obtained property that was owned or managed by a state or national committee. The decision on access to municipal property as a whole as well as its individual components, which took place at the beginning of the 1990's, significantly affected the financial situation and the development of municipalities for a long time. Given the limited experience of management of municipalities, lack of long-term conceptual approach and a lack of theoretical and methodological bases, and the lack of legislation, premature sales were made, or property was not used which lead to the property's gradual decay.

As stated by BINEK [2008], the current situation still has gaps in essential areas related to management of municipal property. There are still lots of local real estate with unresolved property rights or that are in a bad state of repair. Strategic property planning is still a popular interest area for municipalities, and their decisions in this area are not always based on the best long-term solution. Development programs are still much underrated in regards to the impact they have on the financial and property situation of the municipality. Likewise, the interactions between the different components of management and development of a municipality (i. e., interactions between long-term finance, property, and community development activities) are not sufficiently reflected. Paying strong attention to the issues indicated above is necessary particularly in situations where, due to intensive investment activities by municipalities, property levels are rising.

## **2.2 Ways of usage of municipal property**

However, practices in the usage of property vary. Such methods are dependent on the objectives to which the municipality intends to achieve, and on the opportunities (or the amount of property) which the municipality has. LACINA et al. [1999] notes that the main mission of a municipality is to meet the needs of its inhabitants, which are often highly diversified interests of the community. Municipalities' economical activities are also related to this issue. These activities are primarily intended to obtain the necessary resources for the implementation of key social, cultural, and other

functions. LACINA et al. [1999] points to the fact that the management of municipal property should be substantially non-profit in nature. Municipalities obtain by means of municipal property, and through business activities as well, the resources needed to support municipal housing, development of basic or secondary education, cultural and other artistic activities, leisure facilities, etc.

The classification of property relates to the way of its usage. It is possible to make the classification of municipal property according to various aspects. The segmentation according to purpose of property is very important for this article. We can meet following segmentation of property in literature (e.g. ŠVANTNEROVÁ, KOŽIAK [2005]; ŽÁRSKA et al. [2007] HALÁSEK, PILNÝ, TOMÁNEK, [2002]:

- property served to public purposes,
- property served to discharge of office self-government (eventually transferred competency),
- property served to undertaking.
- Further, BINEK [2008] adds to these three groups the following:
  - financial property in the form of property share,
  - strategical property.

The way of utilization of the first three classifications of property it is possible to deduce from their names. The financial property includes e.g. securities, eventually fixed accounts etc. This property has neutral impact on local economy. Specific subset of property is according to BINEK [2008] strategical property. This type of property relates to property served to undertaking or to financial investments. Strategical property serves to municipality to developmental management and to protection of public interest. We can include in this category the ownership of key lands, proportionate shares in companies with great impact on the situation in municipality or region etc.

The questionnaire survey in terms of municipalities of the Pardubice region was made for assessment of above mentioned. Results of this survey are summarized in following part of this article.

### **3. Analysis of municipal property in Pardubice region**

An analysis of data collected from questionnaires and controlled interviews with representatives of local authorities may be included among the methods used in this paper. The survey, which took place in the sample municipalities of the Pardubice Region, focused on development activities that were of priority to municipalities, on the structure of assets, methods of use, and form of governance. Data obtained from the questionnaires was analyzed according to what size group the municipality belonged to (measured by population). Multivariate statistics was used for analysis data, namely correspondence analysis, which allows us to capture the internal structure and linkages within the object under investigation.

### 3.1 Questionnaire survey

It was necessary to create a research survey that focused on the problems associated with development activities of a municipality. The aim of this survey is to help map the current situation in the sample communities and to obtain the information on the structure and using municipal property.

The questionnaire was distributed to municipalities of the Pardubice region, all 461 municipalities were contacted. The questionnaire was addressed to representatives of the municipalities. This would ensure the consistency of the data obtained. The questioning was held during year-end of 2008. It is possible to expect that the content of questionnaire is not subject to frequent changes. The results of the survey will be usable in long-term perspective.

A total of 127 municipalities completed and sent back questionnaires for both stages. Questionnaires that were not completely filled were not included in the data set. Of the total number of questionnaires received an error rate 10.4 % was obtained. Out of the total amount of questionnaires we sent out, we received 22.3 % of questionnaires back that we were able to use. Based on these facts, we can state that the sample is representative, and therefore it can be submitted for further analysis.

In view of the fact that the number of municipalities represented in each size category was quite uneven, especially in municipality with a population of over 5,000 inhabitants, it was necessary to create categorization. Municipalities were reorganized into different size categories, using quartiles. Four groups of municipalities were created and are as follows:

- municipalities with a population of under 245 inhabitants,
- municipalities with a population of 246 to 436 inhabitants,
- municipalities with a population of 437 to 878 inhabitants,
- municipalities with a population of over 878 inhabitants.

The advantage of this approach is the equal representation of communities in each category. “Typical” representatives for each given category will be created from the mentioned size levels. Output analysis will be used to create a model of municipal development.

Based on the questionnaires received, we can state that the largest representation is among the sample of municipalities representing 300 inhabitants. The variation margins of the population sample data ranges from 68 to 89,954 inhabitants. Given that the latter number represents the City of Pardubice, this point was dropped from the data set due to its unique position in the set.

The questionnaires were divided into three parts:

- respondents were identified in the first part of the questionnaire,
- the second part of the questionnaire included questions designed towards municipal development, questions were aimed to identify municipal development goals and identify municipal development opportunities,

- the third, and most substantial part, focused on municipal property, the structure of municipal of property, method and management, and usage.

The method of correspondence analysis was used for data evaluation. This method is based on the analysis of the structure of mutual dependence of two or more nominal and ordinal variables arranged in contingency tables. According to CLAUSEN [1998], the main purpose of correspondence analysis is to reveal the matrix structure of the data file by replacing the raw data with a more simple data matrix and without losing essential information. This means the exclusion of noise and redundant information. According to HEBÁK et al. [2007], this method is a popular tool especially in the processing of larger contingency tables, which contain multiple categories, and when the graphical methods are more transparent than numerical methods.

The graphical output of the so-called correspondence map contains two groups of points, I-row categories (objects) and J-points column categories (objects). Each row (or column) of the correspondence table, can be thought as being a point in the I-dimensional (J-dimensional) space. The distances between points can be transferred to the two-dimensional Euclidean space in which the points will correspond to individual categories. The current output correspondence analysis includes the "best" two-dimensional display of data in which the coordinates of the points and the degree of "inertia" can express the amount of information contained in each dimension.

The graphical display of a category is made by the corresponding map. The closer the row and column points are in the corresponding map, the greater the correspondence (rate of similarity) between the corresponding categories.

### 3.2 Developmental activities of municipalities

As was stated above the second part of questionnaire was aimed at assessment of areas which can represent developmental priorities of municipalities. The following table displays possible activities, whose realization gives support to the development of the municipality.

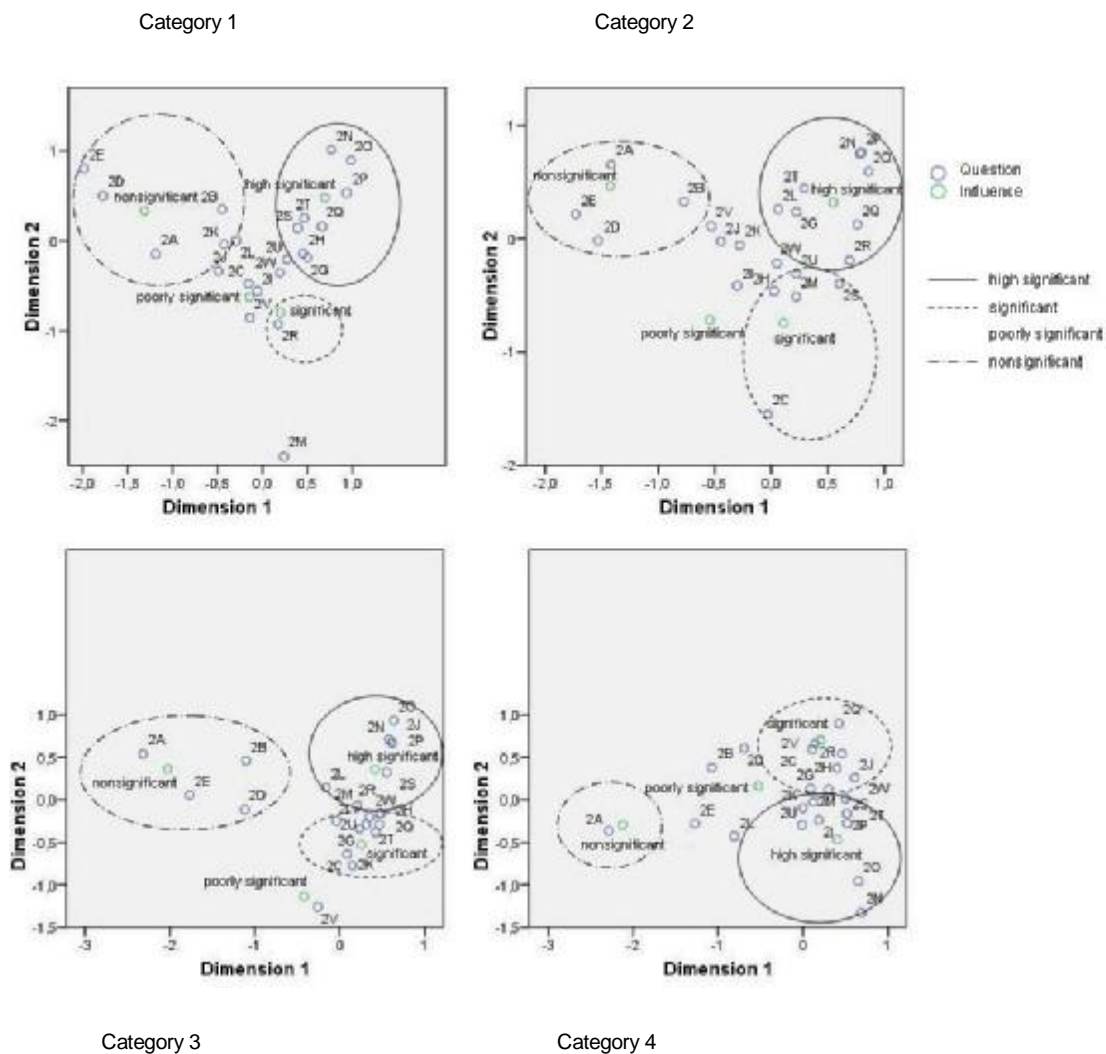
**Tab. 3: Main activities supporting development of municipality**

Area of development of municipality	Code of answer
Increasing of attraction of municipality for potential immigrants	2A
Effort for prevention of emigration of inhabitants	2B
Support of local small and medium enterprises	2C
Support of big undertaking in municipal area	2D
Support of founding of industrial zones and scientific-technical parks	2E
Effort for improving of living environment in municipality	2F
Improving of social conditions of young people and families	2G

Improving of social conditions of old people	2H
Assurance of availability of health care	2I
Support of activities in education	2J
Service and reconstruction of municipal flats and houses	2K
Housing construction	2L
Ensurance of resident traffic	2M
Construction and modernization of technical infrastructure (sewerage, water-supply and other engineering nets and facilities)	2N
Reconstruction of local roads, pavements, public lighting and others	2O
Care for concourses – village and urban squares, mobiliary, plant space etc.	2P
Support of cultural activities	2Q
Care for cultural relicts	2R
Support of sport	2S
Ensuring of order and safety in municipality	2T
Influence of urban outside	2U
Support of activities in area of recreation and tourism	2V
Cooperation with other municipalities	2W
Others	without code

*Source: own construction*

The intensity of impact of mentioned developmental activities in particular size group of municipalities is displayed in Fig. 1. This Fig. displays four relevant correspondence maps.



**Fig. 1: The correspondence map for evaluation of areas of municipal development**

*Source: own construction*

We can submit from the results of survey following. The most important activity supporting the development of all size categories of municipalities are considered (according to respondents) to be: care of public spaces (arrangement of village squares in small municipalities and the arrangement of town squares in large municipalities), reconstruction of local roads, sidewalks (this may also include public lighting), ensuring order and security in the municipality, the construction and modernization of technical infrastructure (sewers, water supply, other utility networks and facilities), support for cultural activities, and the maintenance and protection of cultural monuments in larger municipalities.

Very small municipalities refer to importance of fixing social conditions not only of young people and families but also of seniors. We can mention from the group of poorly significant activities following: support of activities in area of scholarship, building of new flats, an interest in localization of small and medium enterprises, influence of urban view of municipality, support of tourism or ensuring availability of health care.

The municipalities belonging to the second size group consider as important element of their development especially high level of resident traffic, support of small and medium enterprises generating high potential of job opportunities and support of activities in scholarship. These municipalities prefer fixing social conditions of young people and families from the group of high dominating activities. They place a big emphasis on their urban view. These municipalities pay a small interest in founding of industrial zones and scientific and technical parks.

It is necessary to ensure for inhabitants the citizen amenities at high level according to the municipalities of the third size category. This high level of citizen amenities especially means to take into consideration the urban view of municipality, build up the sport facilities and facilities for health care. The good resident traffic and support of cultural activities is linked with previous developmental activities as well. The representatives of these municipalities insist on localization of small and medium enterprises which ensure sufficiency of job opportunities for local inhabitants. The municipalities often mention the development of tourism as a priority with weak importance.

The municipalities of the fourth group should represent attraction zones in the region. We can mention whole citizen amenities as very important element of development of these municipalities. We can include here e.g. sport facilities, cultural amenities, facilities for health care and educational facilities. Because a lot of inhabitants live in these municipalities, it is important to create the conditions for life of these inhabitants. The high importance is placed on urban view, resident traffic and also the connection with surrounding municipalities. The next objective relates to creating conditions for development of tourism. It results from the survey that these municipalities have poor interest in founding industrial zones and building up the new flats and houses.

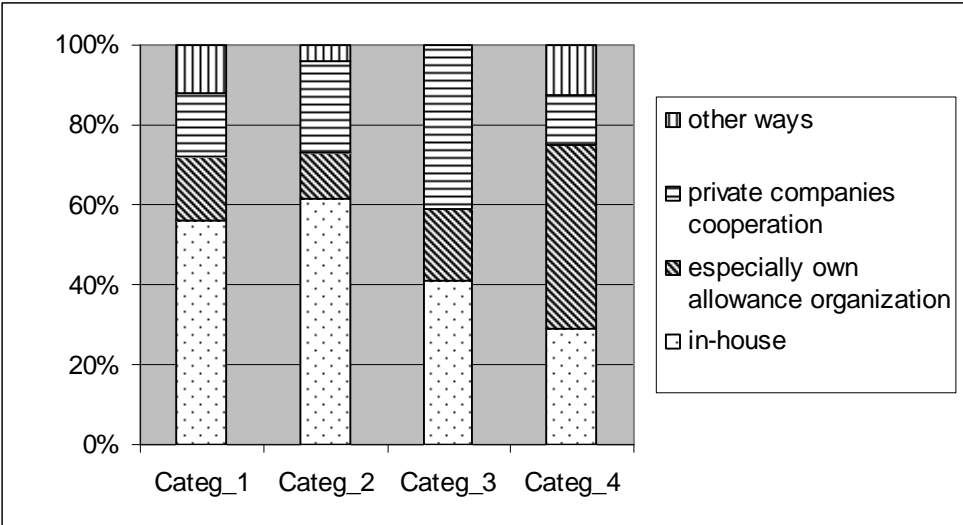
In the case of barriers that hinder the development of the municipality, all municipalities agree that scarcity in the amount of sites suitable for development, sites which can be used for construction or business purposes, as being the biggest barrier in municipal development. Another gap in development is the lack of technical infrastructure. This problem is alarming, especially in smaller municipalities. All municipal representatives stated that another barrier in municipal development is an imbalance in the demographic structure. Small municipalities with a predominately senior population face this problem. Therefore, it is again the responsibility of the representatives of municipalities to establish adequate communication facilities and to attract a younger population to their municipalities. The survey also showed that all local authorities face the problem of crime, isolation from other villages, or untidy public areas.

All of categories of municipalities find the largest problem, which is linked with their development, in absence of available developmental areas which could henceforth be used for building and entrepreneurial purposes. Next barrier in development consists in insufficient technical infrastructure. This problem is alarming especially for small municipalities. All of representatives of municipalities decide for unequal or unsuitable composition of demographic structure. Especially small municipalities meet this problem because seniors especially live in these villages.



Hence the representatives of municipalities have to create sufficient citizen amenities to attract young people. It results from the survey that all of municipalities manage the problems with criminality, eventually with separation from other municipalities and with untidy public areas.

Before posing questions on the structure and usage of municipal property, questions regarding ways a municipality provide public goods were asked in the survey. The way of providing public goods and services essentially influences the structure of municipal property. The investigation revealed (see Fig. 2) that smaller municipalities prefer to supply these goods in-house. In municipalities with a growing population, this option is used less and less. Greater use of municipal facilities in the set-up of allowance organizations, or opting to use the services of private companies in order to provide public goods is established under civil regulations.



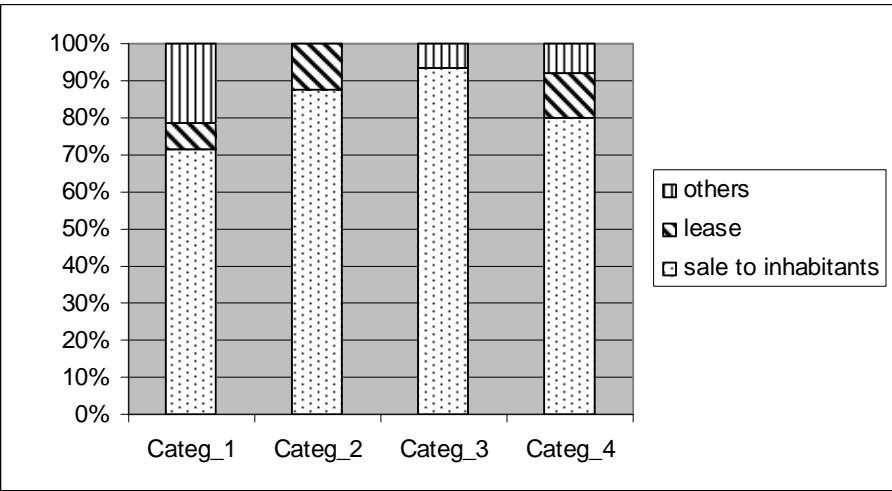
**Fig. 2: Ways of ensuring production of public goods and services to inhabitants**

*Source: own calculations*

In evaluating the structure and administration of property it was discovered that the ownership of forest and agricultural land is not dependent on the size of the municipality. A similar situation can be seen in the ownership of water bodies and streams. These types of assets, in particular, are owned by larger municipalities. In small municipalities, the ownership of these types of land, in most cases, has been transferred to private individuals or organizations.

A similar situation, as seen with the ownership of water bodies and streams, can also occur in the ownership of land used for development. In particular, large municipalities are trying to create long-term plans for the use of their land. Small municipalities usually have already sold their land which could have been used for development purposes. The construction of utility networks for land development is also related to the creation of long-term plans. This activity is carried out by larger municipalities. The connection of municipal building lands to nets of technical infrastructure relates to this issue. Especially bigger municipalities invested in engineering nets associated with free building lands. We can state that large municipalities already have connected to engineering nets most of their building lands. Small municipalities prepare to make this step or they do not plan to make this step

during several years. Further it was found that municipalities especially sell their free lands to local inhabitants. They rent the lands only in several cases (see Fig. 3). The combination of previous ways of usage of land was chosen as the other way in questionnaire (see Fig. 3 as well).

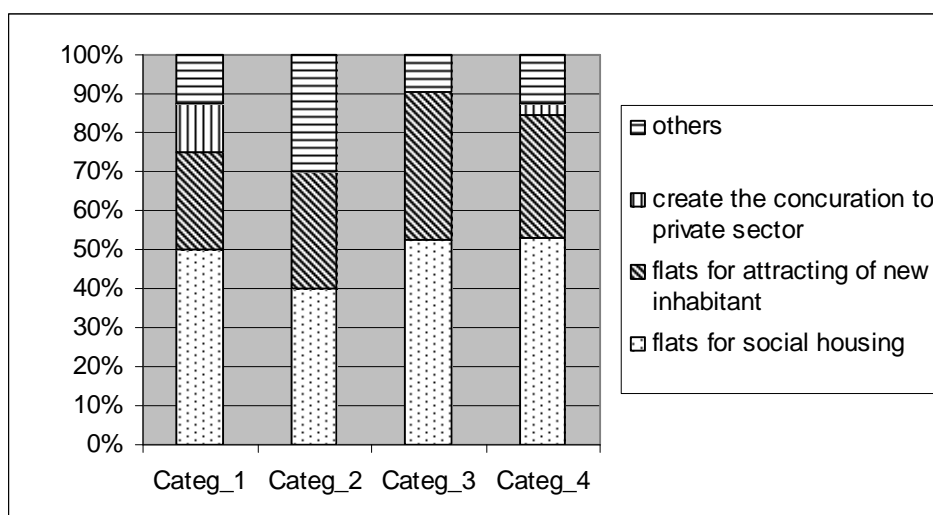


**Fig. 3: Ways of usage of municipal lands**

*Source: own construction*

The respondents answered that municipal buildings are not usually used for the production of: agriculture and forestry, trade, transport, water management, communications and cultural facilities. Small municipalities primarily use municipal buildings for the administration of government functions. Larger municipalities also own buildings intended for housing. It is possible to sale municipal flats to inhabitants of the municipality; this also applies to small municipalities.

The questionnaire survey showed that with the growth of size of municipality (measured by population) relates to the number of owned flats. Small municipalities mostly sold in the past their flats. The purpose of usage of municipal flats it is possible to see in Fig. 4.



**Fig. 4: Ways of usage of municipal flats**

*Source: own construction*

In data item “others” are mostly included the sells of municipal flats to local inhabitants. Nevertheless we can claim that greater part of flats is in ownership of municipalities and these municipalities do not think of their sales. Further the questionnaire survey showed that especially small municipalities did not invest into building of flats in the last five years. Only in 50 % of cases the large municipalities built a majority of their current flats in the last five years.

When asked whether the municipality sells its assets, the majority of respondents said that they couldn’t sale their assets. In particular, small municipalities own property that is mainly designed to provide public goods. The sale of these assets is basically impossible.

The last question of the questionnaire was devoted to the possibility of using property as a security for investments. The investigation showed that as the population of a municipality increased so did the use of property as a security in obtaining loans and other financial instruments.

#### **4. Conclusion**

Meeting the public needs in a certain area by means of production of local public goods predeterminates the municipality to be their provider. The property of municipality is one of the instruments which allows to municipality to administer its task. The municipal property is indispensable by providing public goods and last but not the least the property makes basic conditions for life of inhabitants and enterprises as well. Any analysis dealing with economy of municipality or realization of various policies of municipality does not be done without knowledge of structure and ways of usage of property.

The questionnaire survey was made in terms of the Pardubice Region and was focused on above mentioned problems. The correspondence analysis was used for evaluation. This analysis enables to recognize the structure of surveyed objects (we

mean the areas of development of municipalities in this paper). The correspondence analysis was completed by researching the counts of ways of usage of municipal property. This survey confirmed that most of municipalities own such a structure of property, arising from main function of municipalities to meet the needs of local inhabitants through production of public goods. The areas linked with the largest developmental potential essentially conform to this finding. The smaller part of property already serves (especially in case of small municipalities) to profit-making purposes. The objectives of developmental policy of municipality essentially correspond with the purposes of property usage. It is possible to claim that management of municipal property especially focuses on growth of quality of life of local inhabitants, increasing attractiveness of municipalities for potential new arrival inhabitants or support of local entrepreneurial sector and others.

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