



Policy and Fiscal Management of Yokohama City



April 25, 2013

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1. Introduction

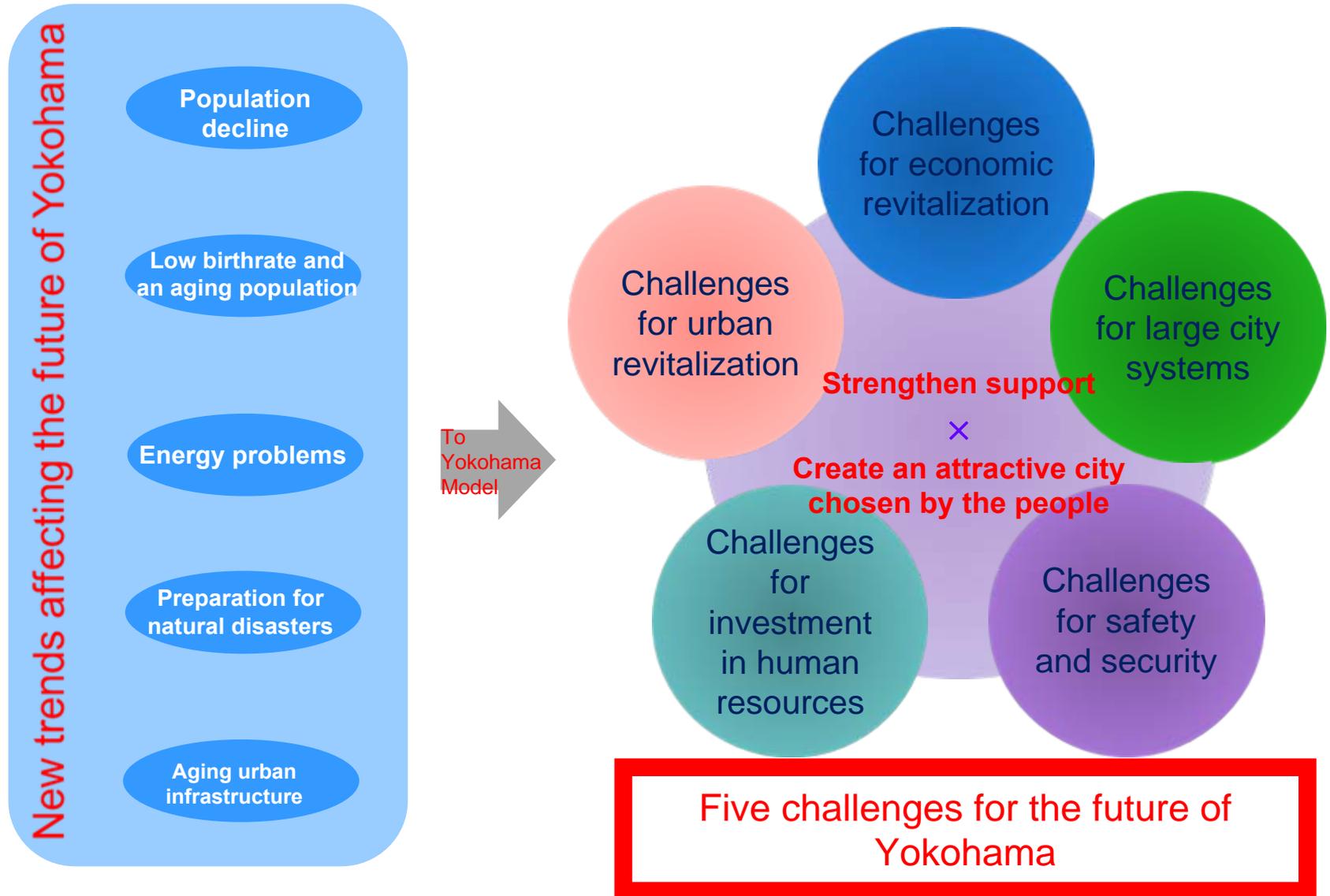
Realization of great achievements through the selection and concentration of its business and the steady application of the PDCA (plan-do-check-act) cycle

- ◎ The number of children wait-listed for nursery schools will be reduced to almost zero.
- ◎ Yokohama became more attractive in tourism/MICE (meetings, incentives, conferences, and exhibitions).
- ◎ Put efforts on support of SMEs and inviting enterprises to the city.



Facing the final year of Medium-term plan, focusing on the wrap up of the policies and strategic moves for the future.

2. Challenges for the Future of Yokohama

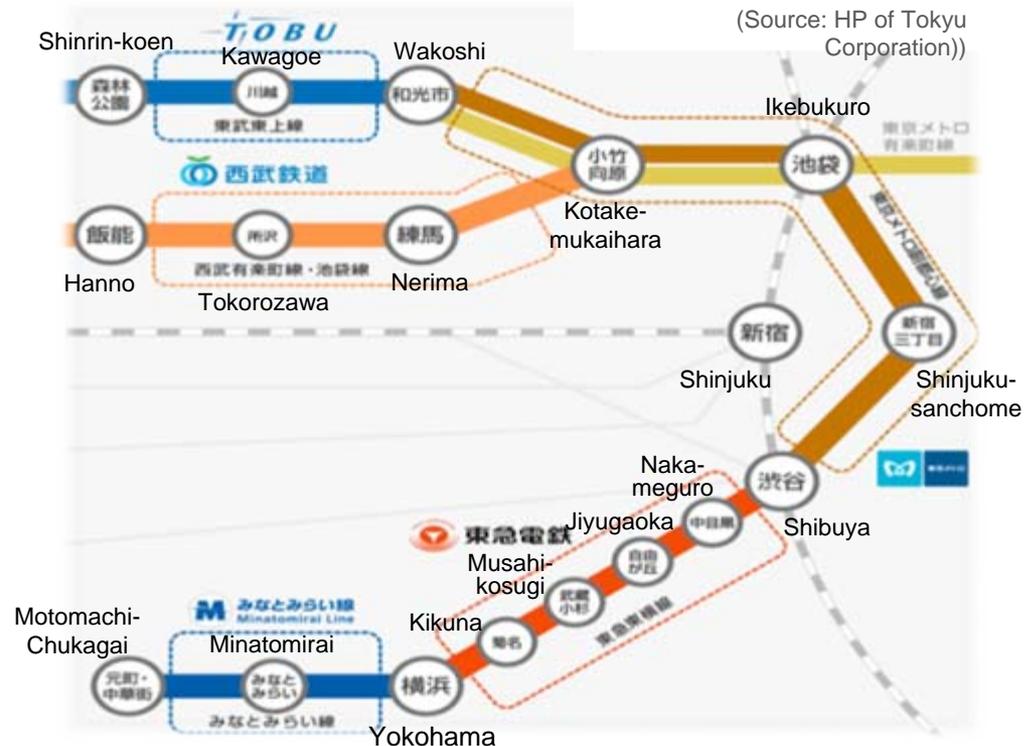


Yokohama Minatomirai Line started a through service to the Tokyo Metro Fukutoshin Line

From March 16, 2013

One month has passed since the direct train service between Tokyu Toyoko Line and Tokyo Metro Fukutoshin Line started.

The number of passengers using Motomachi-Chukagai Station increased **by 20%**, hotel operations are expanding and the number of visitors to tourist spots is also increasing.



◎Minatomirai 21 District

Visitors to the district: 67 million persons

(+ about 8 million over the previous year)

Workers in the district: 89,000 people

(+ about 11,000 over the previous year)

(Visitors and workers are both actual numbers for 2012)

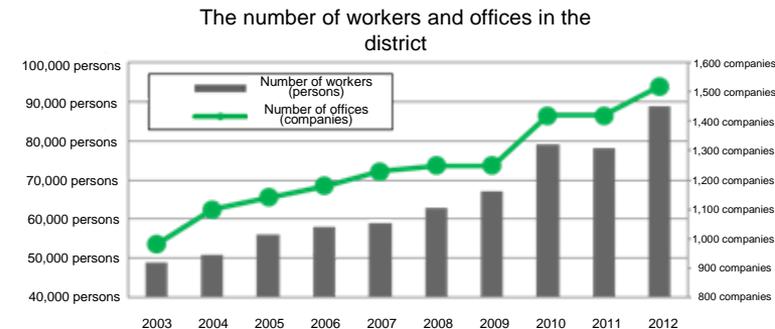
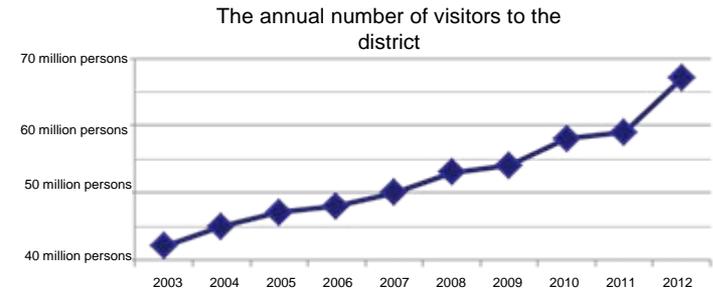
○ Recent entry of enterprises into the Minatomirai 21 District.

- Hitachi, Ltd. (its group companies also entered the area) *
- Sumitomo 3M Limited, Chiyoda Corporation
- JX Engineering Corporation, FUJITSU NETWORK SOLUTIONS LIMITED
- KAYAC Inc., YOKOREI CO., Ltd., etc.

*Hitachi, Ltd. collectively leases a part of the 6th to 14th floors of the YOKOHAMA MITSUI BLDG., to which the Yokohama branch of the company moved for expansion. The company subleases the leased premises to its group companies.

○ Newly opened facilities and future plans

- CUPNOODLES MUSEUM (FY2011)
- The Hara Model Railway Museum (FY2012) • MARK IS Minatomirai (FY201 3 commercial facilities)
- THE GRAND ORIENTAL MINATOMIRAI (FY2013 wedding hall)
- ANNIVERSAIRE Minatomirai Yokohama (FY2013 wedding hall)
- (Tentative name) Audi Minatomirai (FY2013 showroom for the sale of imported cars), etc.



Office Complex Opened in 2012



Minatomirai Grand Central Tower



YOKOHAMA MITSUI BLDG.

©Dance Dance Dance at Yokohama 2012

(Period: July 12 – Oct. 6, 2012)



Number of visitors

1,253,153 persons

Economic ripple effect

¥7,006 million

Publicity value

¥4,714 million

(Source: "Business Report" of Yokohama Arts Festival Executive Committee)



YOKOHAMA OTOMATSURI 2013

Welcome to the Music Ocean

横浜音祭り 2013 + 音楽の海へ +

Period: Sept. 20 (Fri.) – Nov. 30 (Sat), 2013 [72 days]

Venues: Entire areas of Yokohama City
(Yokohama Minato Mirai Hall, and various other cultural and tourist facilities in Yokohama)

Organizer: Yokohama Arts Festival Executive Committee



© Success of the APEC Leader's Summit Yokohama

Held many international conferences, including the success of the APEC Leader's Summit in which more than 10,000 people from government and financial circles participated.



APEC Women and the Economy Forum

© The “5th International Conference on African Development”

Held in Yokohama (June 1 – 3, 2013)

Venue: PACIFICO YOKOHAMA

“Africa: a partner in future growth.”



4th Tokyo International Conference on African Development

© The 38th General Meeting of the International Panel on Climate Change (IPCC)

To be held for the first time in Japan in Yokohama in March 2014



◎ Y-PORT (Yokohama Partnership of Resources and Technologies) through public-private cooperation

To support solving urban problems of the emerging nations, etc., and revitalization of the economy of the City

○ City of Cebu, Republic of the Philippines

After signing a “Memorandum of Understanding with regard to Technology Cooperation related to City Building” with Cebu City in March 2012, cooperation is being extended to Cebu City for city planning **with companies in Yokohama.**



Meeting between Ambassador Lopez and the Vice-President of JICA at the Philippine Embassy



Partnership Agreement signed with JICA

○ Da Nang City, Socialist Republic of Viet Nam

In April 2013, signing of a “Memorandum of Understanding with regard to Technology Cooperation related to Sustainable Urban Development” Concluded in Vietnam, in which Da Nang City, Yokohama City, various companies, JICA, etc., participated.

Examples of efforts at the site (Cebu City, Philippines) by companies of Yokohama City



Dissemination of sludge dehydrators



Investigation of composting facilities

© Keihin Coastal Area Life Innovation

Comprehensive Special Zones for International Competitiveness Development

Development and manufacture of innovative pharmaceuticals and medical equipment and the creation of a health-related industry

Revitalization of the economy in Yokohama through industry-university cooperation, industrial clusters and the expansion of employment.



New research building of the Advanced Medical Research Center of Yokohama City University

○ Completion of the new research building of the Advanced Medical Research Center of Yokohama City University

Advanced medical research facilities to carry out research on development-oriented medicine linked to clinical applications, such as state-of-art medical treatment methods and drug discoveries



◎ Fundamental strategy of city planning

- City seaside area
- Minatomirai 21 district
- Sustainable residential neighborhood model project in the suburbs
- Development of the urban infrastructure

International container strategy port

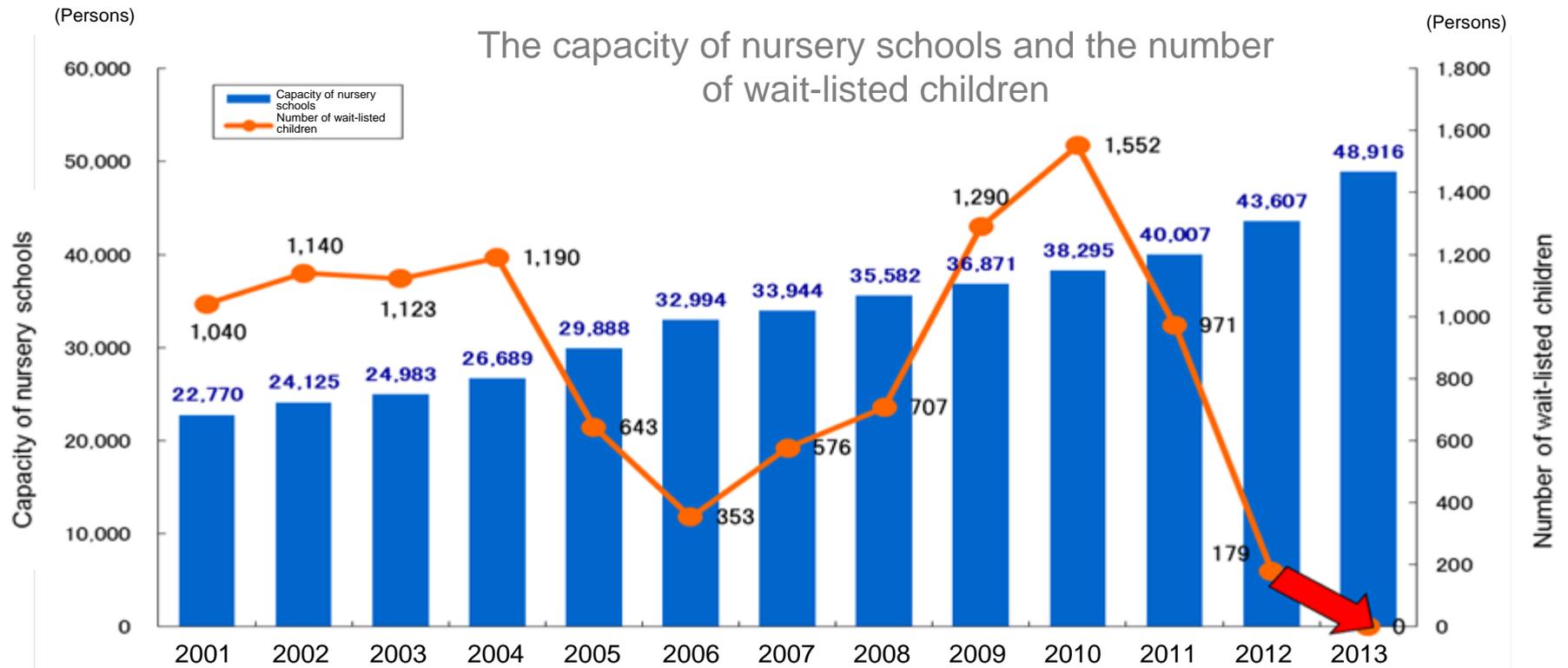
Development and maintenance of the Yokohama Loop Road

Development and maintenance of the Kanagawa East Line



Fundamental strategy of city planning (image)

The number of children wait-listed for nursery schools decreased by 88% in 2 years to almost zero by April 2013.



Measures for wait-listed children to support the social advancement of women and promote future economic growth.

◎ Expansion of the capacity of nursery schools and the utilization of various business entities

Due to the shortage of city-owned land suitable for the development of nursery schools, the city worked on **matching** of the landowners and the operators to build more nursery schools.

Nursery schools are developed at sites where they are required, such as under the overpasses of roads and railroads or in the premises of Yokohama National University, through private-sector cooperation.

Areas where the development of nursery schools should be particularly encouraged are designated as "nursery school development emergency regions" and the development is promoted **by increasing the amount of the subsidy for interior renovations by 1.5-times**.



Byobugaura Harukaze Nursery School under the overpass of a road

◎ Yokohama nursery rooms (0 – 2 years)

124 places as of Apr. 1, 2009 ⇒ 156 places as of Apr. 1, 2013
(+32 places in 4 years (33 including one that were already certified))

◎ Family nursery using NPO corporations, etc.

No place as of Apr. 1, 2009 ⇒ 36 places as of April 1, 2013
(+36 places in 4 years)

◎ Childcare nursery kindergarten started ahead of other places in Japan

67 places Apr. 1, 2009 ⇒ 129 places as of Apr. 1, 2013
(+62 places in 4 years (56 including ones that were already certified))

◎ Tie-up model project of Childcare nursery kindergartens and Yokohama nursery rooms

◎ Independent efforts by enterprises

Setting up nursery facilities within the offices of Toshiba, JFE Engineering, Nissan Motor, etc.



NPO-type family nursery



Private childcare nursery kindergarten

◎ Nursery concierges

The first effort of its kind in Japan (started in February 2011)

A nursery concierge consults with parents who want nursery services and provides information about nursery resources and services that best suit the individual needs.

Concierges also closely consult with parents whose children were unable to enter nursery schools such as by providing referrals to other nursery services.

Assigning 21 concierges in total to all wards (18 wards)



Nursery concierge

◎ Precise response mainly led by ward offices according to the situation of each area

Each ward office takes measures regarding wait-listed children as an important policy and responds effectively.

Assigning 18 section managers (one for each ward) in the Emergency Nursery Measure Division (concurrently assuming the works in each ward).

◎ Earthquake disaster reduction strategy starts in FY2013.

- In addition to taking **seismic countermeasures** with regard to schools and other public facilities, efforts for infrastructure reinforcement are being strengthened for disaster prevention, including the seismic retrofitting of bridges and pedestrian bridges and surveys of cavities under road surfaces along emergency routes, etc.
- **Countermeasures to control the spread of fire in crowded city blocks consisting of wooden houses**, countermeasures to deal with the deterioration of empty houses, and the promotion of seismic retrofitting of wooden houses and condominiums
- Formulation of **the Yokohama Citizen's Charter on Earthquake Disaster Reduction** to promote self-help and mutual assistance
Distribution of booklets to all households on disaster mitigation that include local hazard maps



Hazard map (image)

Disaster Management Plan:

In which the measures for disaster prevention and preparedness and disaster recovery and rehabilitation are described based on the Disaster Countermeasures Basic Act.

Earthquake Disaster Reduction Strategy:

Action plan in which specific countermeasures are described in order to achieve the disaster mitigation goals set in the Disaster Management Plan.

© Need for a new large city system: “Special Autonomous City”

Yokohama City is working on the realization of a “**Special Autonomous City**” system to eliminate overlapping administrations and drive the economic growth of the entire country.

© Basic framework for the Special Autonomous City System

(Outline of the Yokohama Special Autonomous City (formulated in March 2013))



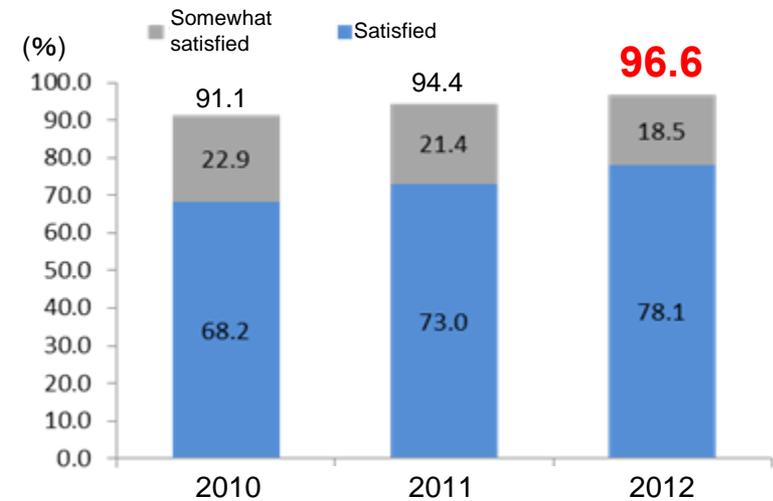
◎ Customer satisfaction (CS) has been improving for 3 consecutive years.

A spirit of hospitality is being nurtured by all the staff

A relationship of trust with our citizens is the basis for the realization of policies.

We will provide administrative services with a spirit of hospitality.

CS of citizen service desk (overall impression)



(Method of the Service Window CS survey)

Surveyors dispatched from a private-sector subcontractor conducted an interview survey for citizens who used Service Window at 18 ward offices in the city (250 users were surveyed in each ward).



The hospitality spirit is instilled by the Mayor herself by proactively talking to staff at the site



Implementation of role-playing training for receiving telephone calls provided by a private-sector instructor



Signboards within the city hall have been improved to become brighter and easier to see.



Amiable and polite guidance and services are provided by talking to visitors proactively.

3. City Bond Issue and Fiscal Management Policy

Formulation of a budget seamlessly linked with the supplementary budget of February FY2012 (+¥36.7 billion).

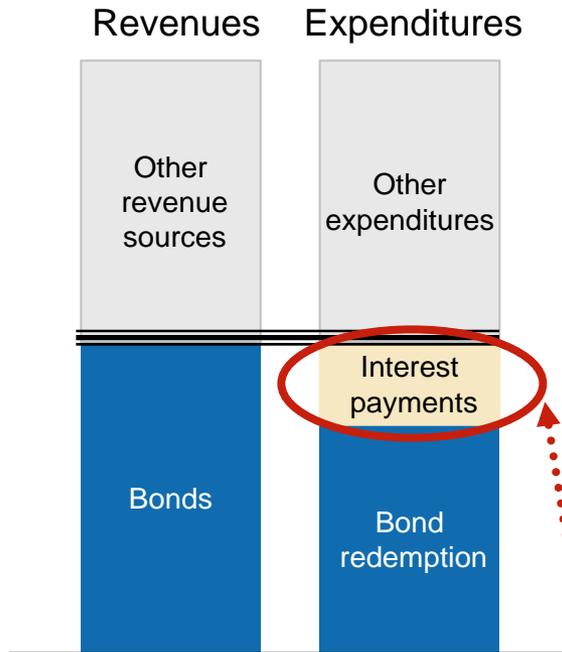
Allocation of costs for the **liquidation of the Land Development Public Corporation** to reduce the prospective financial burden

The actual increase in the rate of the general account is **+1.8% to ¥1,435.3 billion**, which **shows growth for three consecutive years**

Account Name	FY2013	FY2012	Change from the Previous Fiscal Year	Increase-decrease rate
General Account	¥1,435.3 billion (¥1,536.9 billion) <¥1,398.6 billion>	¥1,409.7 billion	¥25.6 billion (¥127.2 billion) <-¥11.2 billion>	1.8% (9.0%) <-0.8%>
Special Account	¥1,340.6 billion (¥1,340.0 billion)	¥1,308.5 billion	¥32.2 billion (¥31.6 billion)	2.5% (2.4%)
Public Enterprise Accounts	¥533.9 billion (¥532.6 billion)	¥572.4 billion	-¥38.4 billion <-¥39.8 billion>	-6.7% (-7.0%)
Total	¥3,309.8 billion (¥3,409.5 billion) <¥3,271.1 billion>	¥3,290.5 billion	¥19.3 billion ¥118.9 billion <-¥19.4 billion>	0.6% (3.0%) <-0.6%>

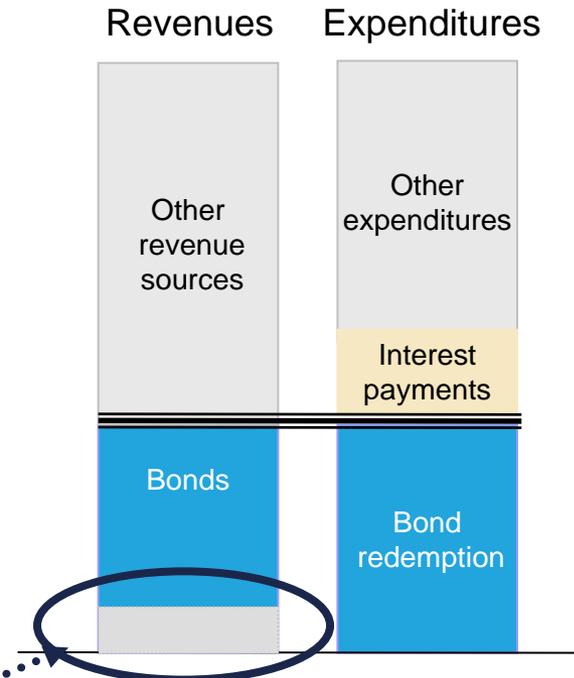
Note: The figures shown above include the supplementary budget for February FY2012 (front loaded and loaded offset for FY2013) (excludes the costs of the Land Development Public Corporation). The figures in (parentheses) show the initial budget amount for FY2013. The figures in brackets exclude the cost of the Land Development Public Corporation.

National Primary Balance



In the national primary balance, the national bond balance increases by the amount of the interest payments.

Yokohama Method Primary Balance



In the Yokohama method, the city bonds balance steadily decreases by the surplus (the difference between the city bonds redeemed and the city bonds issued).

FY2013 City Bond Issue Policy

- ◎ Based on the idea of **-5% over the previous fiscal year**, the city bonds for the **earthquake disaster reduction strategy** were **added (¥15.6 billion)**.
- ◎ The primary balance after the supplementary budget of February FY2012 is -¥5.5 billion and the primary balance of the single FY2013 budget is +¥17.6 billion, however, the supplementary budget of February FY2012 and budget of FY2013 **were formulated integrally**. Accordingly, **city bonds were also utilized integrally**, which maintains fiscal discipline at **+¥12.1 billion**.

Primary balance -¥5.5 billion

+¥12.1 billion

Primary balance +¥17.6 billion

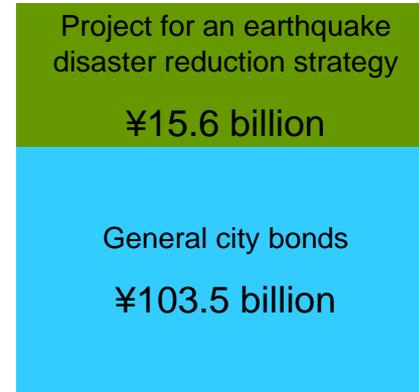
(excluding third-sector bonds)



¥146.9 billion



Utilize ahead a part of budget of FY2013



¥119.1 billion

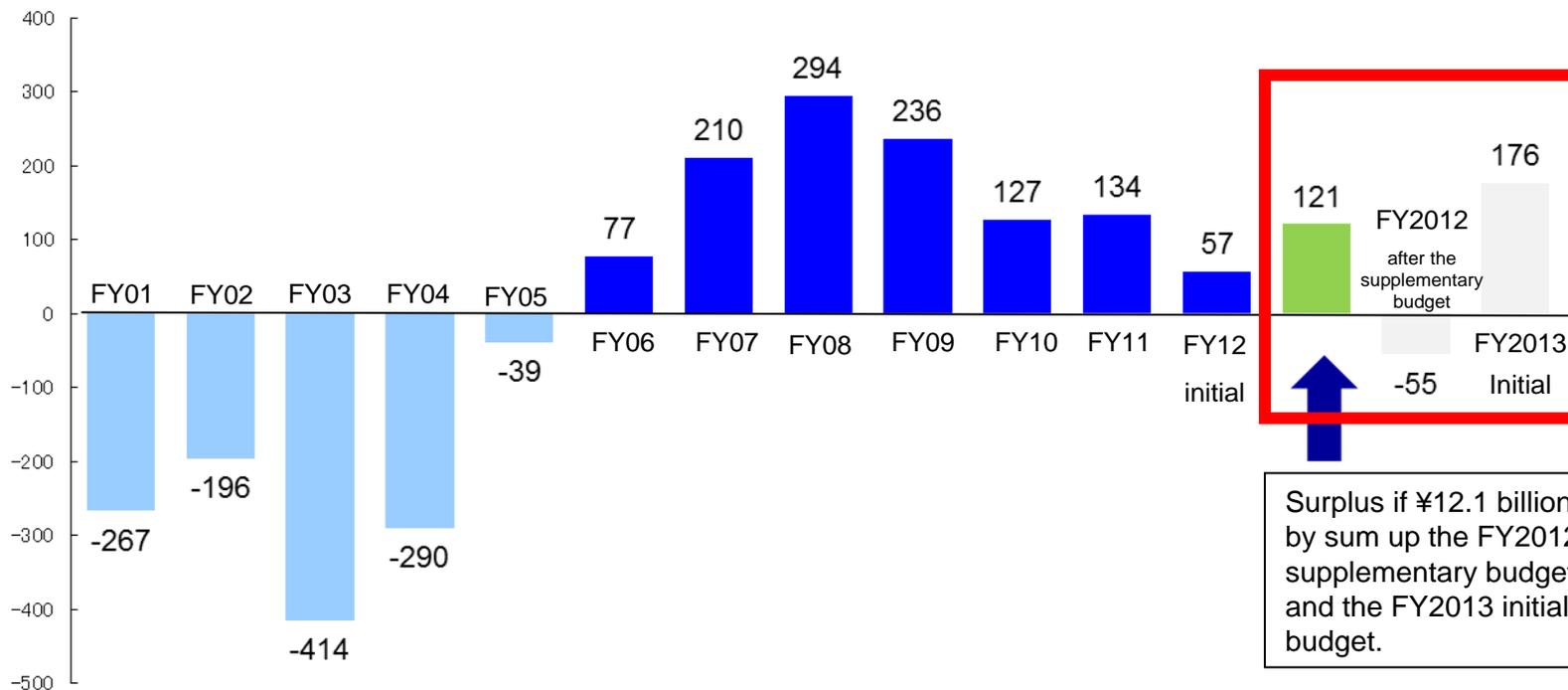
←Over the previous fiscal year
-5%=¥115 billion,
of which ¥11.5 billion
was front-loaded

FY2012 (After the February supplementary budget)

FY2013

(+¥138.3 billion third-sector bonds = ¥257.4 billion)

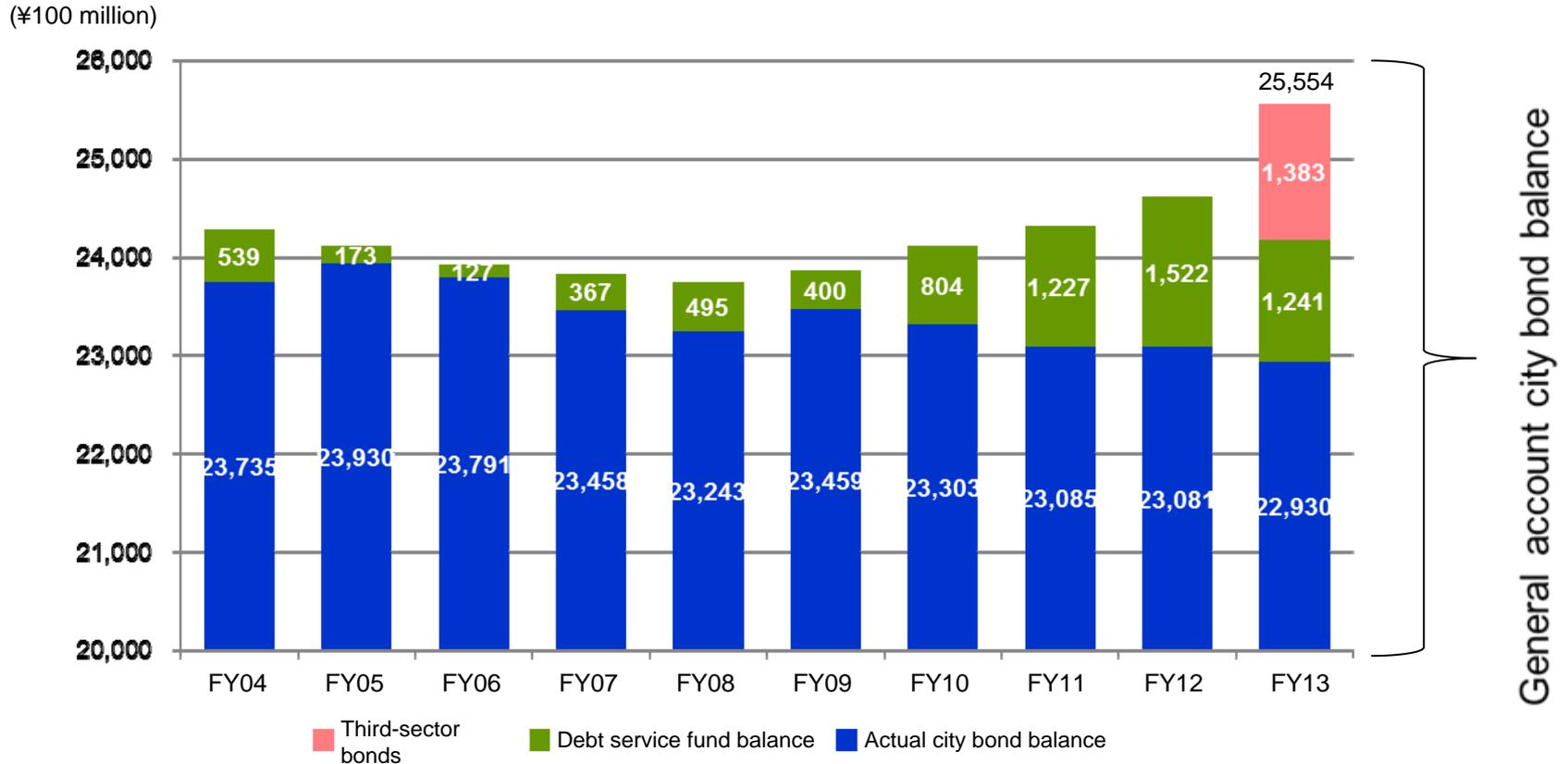
(¥100 million)



*The figures up to FY2011 are based on the initial budget. For FY2012, the figures are shown for single year and by totaling two years due to the integral utilization of the supplementary budget of February 2012 and the initial budget of FY2013.

*In line with Yokohama City University's shift to the status of an Independent Administrative Institution in April FY2005, the city succeeded their debt. Because of this, the figures prior to FY2005 are counted by including the figures for Yokohama City University for comparison.

General Account City Bond Balance



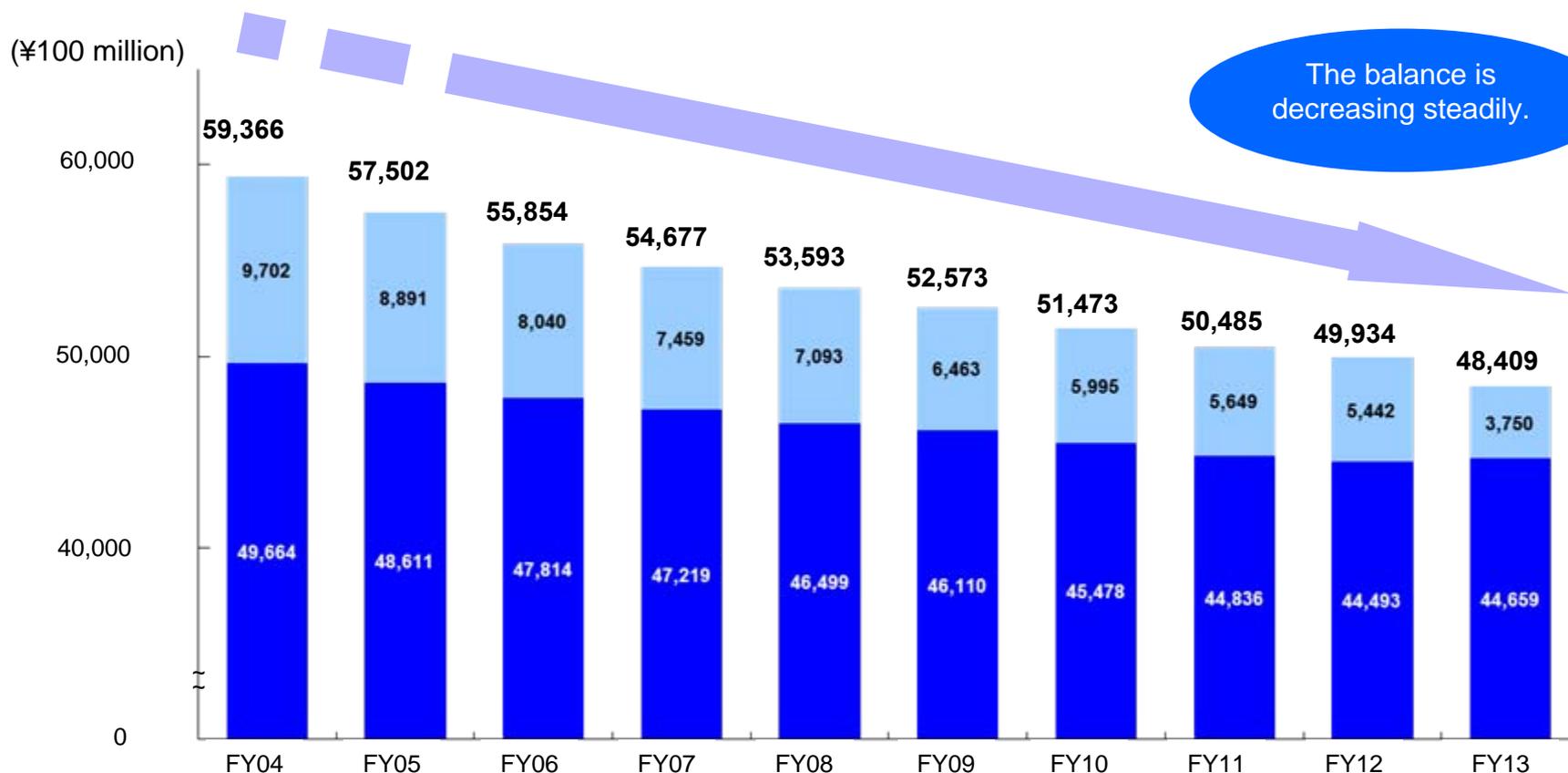
* The figures up to FY2011 are based on the closing account, those for FY2012 are based on estimates and those for FY2013 are based on the initial budget.

The general account city bond balance is increasing, while the actual balance deducting third-sector bonds, the debt service fund balance and special factors reduced the general account city bond balance by ¥15.1 billion over the previous fiscal year.

Entire City Debt Balance, including Affiliated Entities

◎ Overall city debt balance, including affiliated entities: ¥5,936.6 billion (end of 2004) ⇒ ¥4,840.9 billion (end of 2013) (-18.5%)

◎ Yokohama's city bond balance in all accounts: ¥4,966.4 billion (end of 2004) ⇒ ¥4,465.9 billion (end of 2013) (-10.1%)



* The figures up to FY2011 are based on the closing accounts, those for FY2012 are based on the estimates and those for FY2013 are based on initial budget.

* The figures for each item are rounded off, so the sum of these figures may not add up exactly to the total.

■ All accounts ■ Affiliated entities

Reduce the general account city bond balance, as well as special/public enterprise accounts and affiliated entities debt covered by the general account.

(Unit: ¥100 million)

	FY2009	FY2010	FY2011	FY2012 (projected)	FY2013 (projected)
General Accounts City Bond Balance	23,859	24,106	24,312	24,604	25,554
Special/public enterprise accounts city bond balance covered by the general account	9,134	8,669	8,235	7,786	7,305
Affiliated entities city bond balance covered by the general account	2,547	2,346	2,206	2,069	620
Total	35,540	35,122	34,753	34,458	33,479

* Debts covered by the general account include: city bonds in special/public enterprise accounts repaid from the general account due to changes in the national standards or the social situation, etc.; borrowings of affiliated entities made on the premise of the city's support for repayment.

* The figures for each item are rounded off, so the sum of the figures may not add up exactly to the total.

The outstanding balance has been reduced by ¥40 billion per year on average in the past. Reduction at the same steady pace will be continued under the Medium-Term 4-Year Plan.



The goal for the debt balance covered by the general account under the Medium-Term 4-Year Plan

FY2013: Expected to reduce to less than ¥3.4 trillion

Implementation of drastic reductions mainly in internal administrative expenses

709 reviews/¥10.2 billion reduction (502 reviews/¥7.8 billion reduction in FY2012)

◎ Major reductions

○ Further reduction in the employee quota

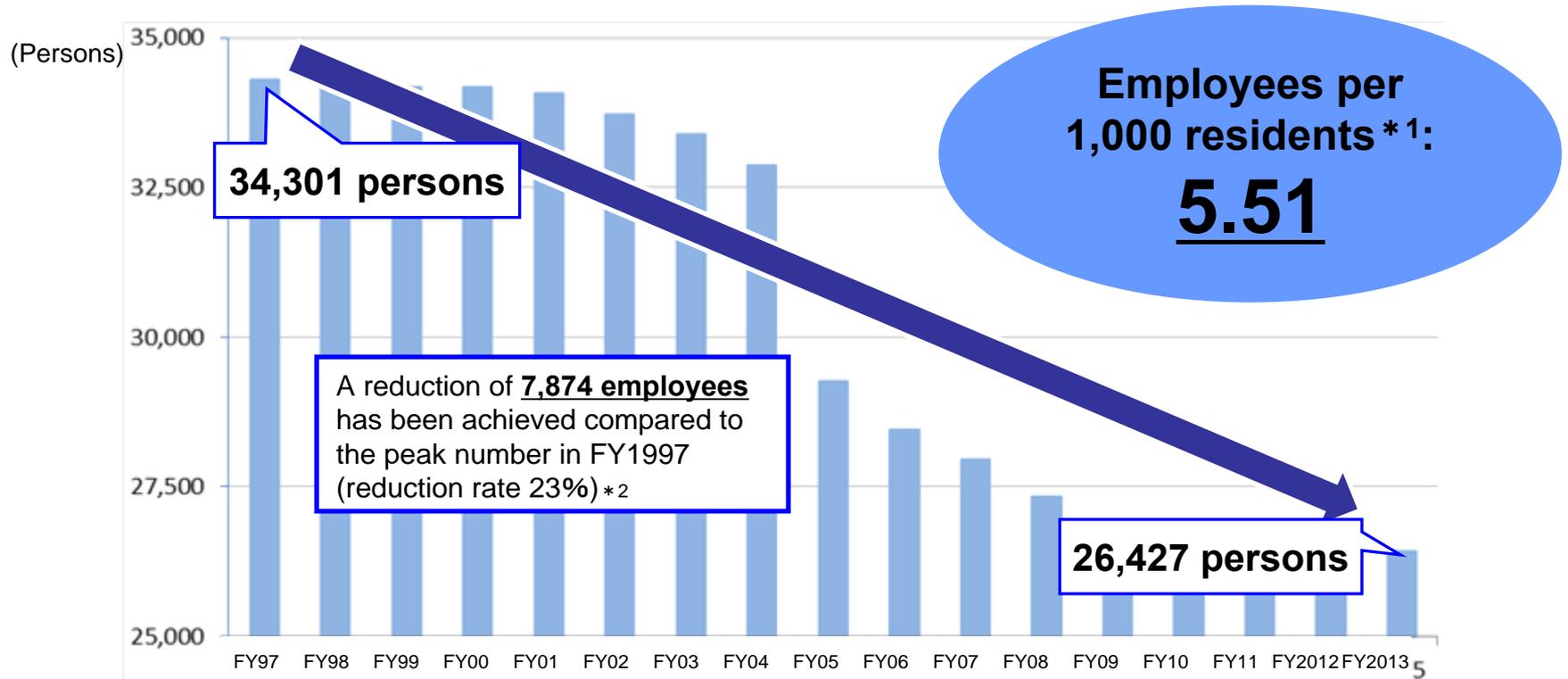
Implement further reductions through efforts with regard to privatization/outsourcing and greater business efficiency

○ Abolishment of the housing allowance (portion for an owned home)

Abolishment of the housing allowance pertaining to an owned home (¥8,500 monthly), provisional measure for 2 years
FY2013 - ¥400 million, FY2014 - ¥800 million, FY2015 - ¥1.2 billion (abolishment): - ¥2.4 billion for 3 years in total

○ Review of financial supports to affiliate entities

Review of financial supports to affiliated entities, which goes a step further such as the utilization of assets possessed by affiliated entities and the reversal of funds for allocation to subsidy projects and donations to the city, etc. FY2013 - ¥1.2 billion (FY2012 - ¥0.8 billion)



Employees per 1,000 residents



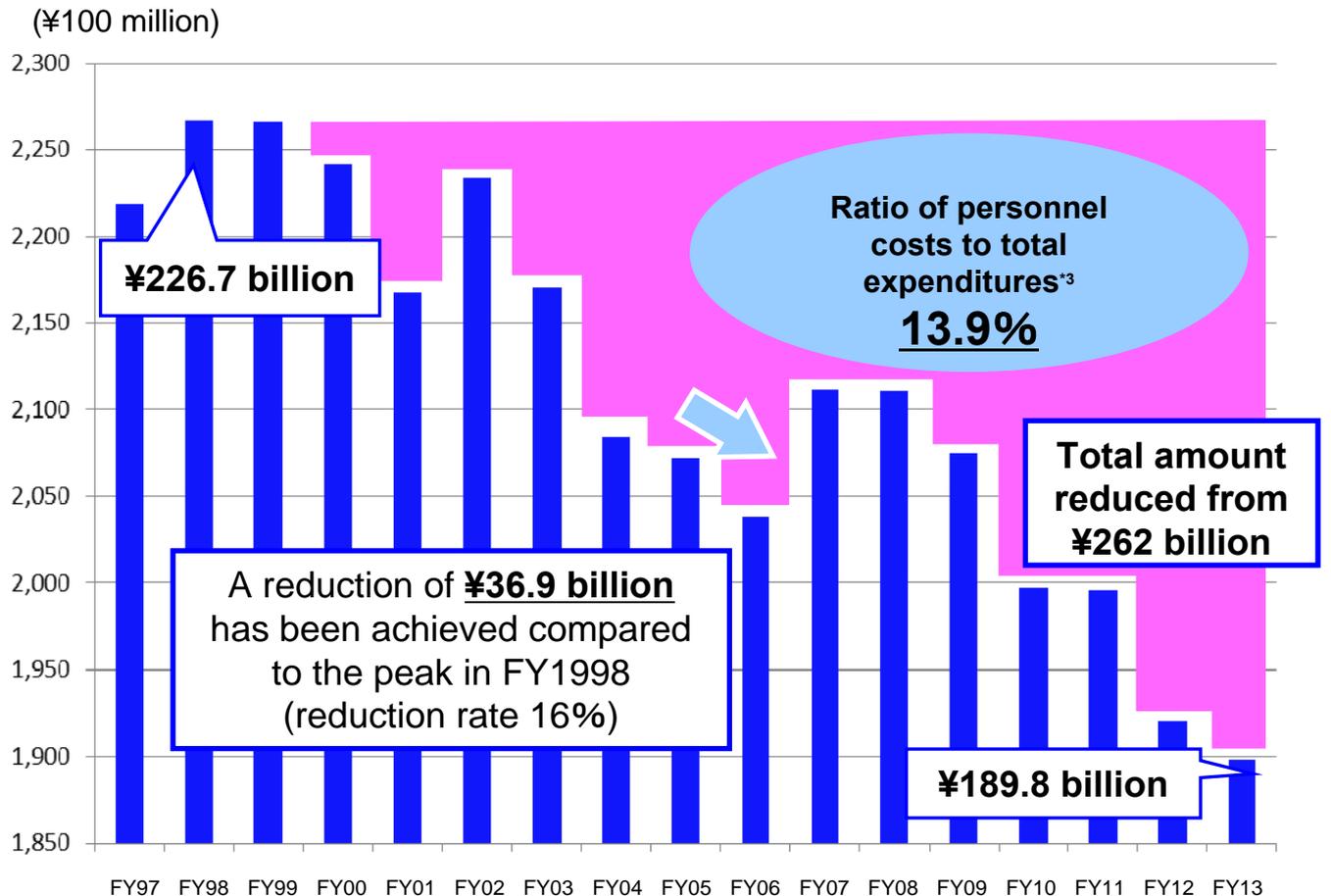
The lowest number among the 19 government-ordinance designated cities (for 3 consecutive years)

*1 Ordinary account basis for FY2011(The ordinary account is an accounting category that enables the Ministry of Internal Affairs and Communications to adjust and compare accounts on the basis of a unified standard as each municipality has a different scope of operations such as the general account and special accounts.)

*2 The reduction in the number of employees includes a reduction of 2,633 employees accompanying the shift of Yokohama City University to the status of an Independent Administrative Institution (FY2004 → FY2005)

Cutbacks in Personnel Costs

Reduction Efforts	FY
Review of business trip costs	2003
Review of retirement allowances	2004-05
Review of special duties allowances (abolished, in principle)	2004-06
Review of various allowances	2007
Efforts to reduce overtime work	2009-13
Abolishment of housing allowances (portion for an owned home)	2013-15



A reduction of **¥66.3 billion** has been achieved in total through a review of the salary system, etc. since FY2003.

Average monthly salary including various allowances

Ratio of personnel costs to total expenditures



The fourth lowest among 19 government-ordinance designated cities

*2 Trends in personnel costs exclude temporary workers, etc.
 *3 Ordinary account basis for FY2010

Yokohama City AA- / Negative
Tokyo AA- / Negative
Aichi Prefecture AA- / Negative
Niigata City AA- / Negative
Osaka City AA- / Negative
Chiba City A+ / Stable
Kyoto City A+ / Stable
Miyazaki City A / Stable
Japanese national bond AA- / Negative



STANDARD & POOR'S

Top rating among local governments

- ◎ The **Yokohama Land Development Public Corporation**, which acquired land to be used by the city in advance, **will be liquidated in FY2013** due to the end of its role.
- ◎ Third sector pro-reform bonds will be utilized (¥138.3 billion will be issued) in FY2013 for liquidation. In doing so, the city will **promote sound fiscal management by substantially reducing the prospective financial burden** compared to cases where the city buys back land from the Corporation over a long period of time.

Liquidation of the Land Development Public Corporation through the utilization of third sector pro-reform bonds



Maintain fiscal soundness
by substantially reducing the prospective financial burden

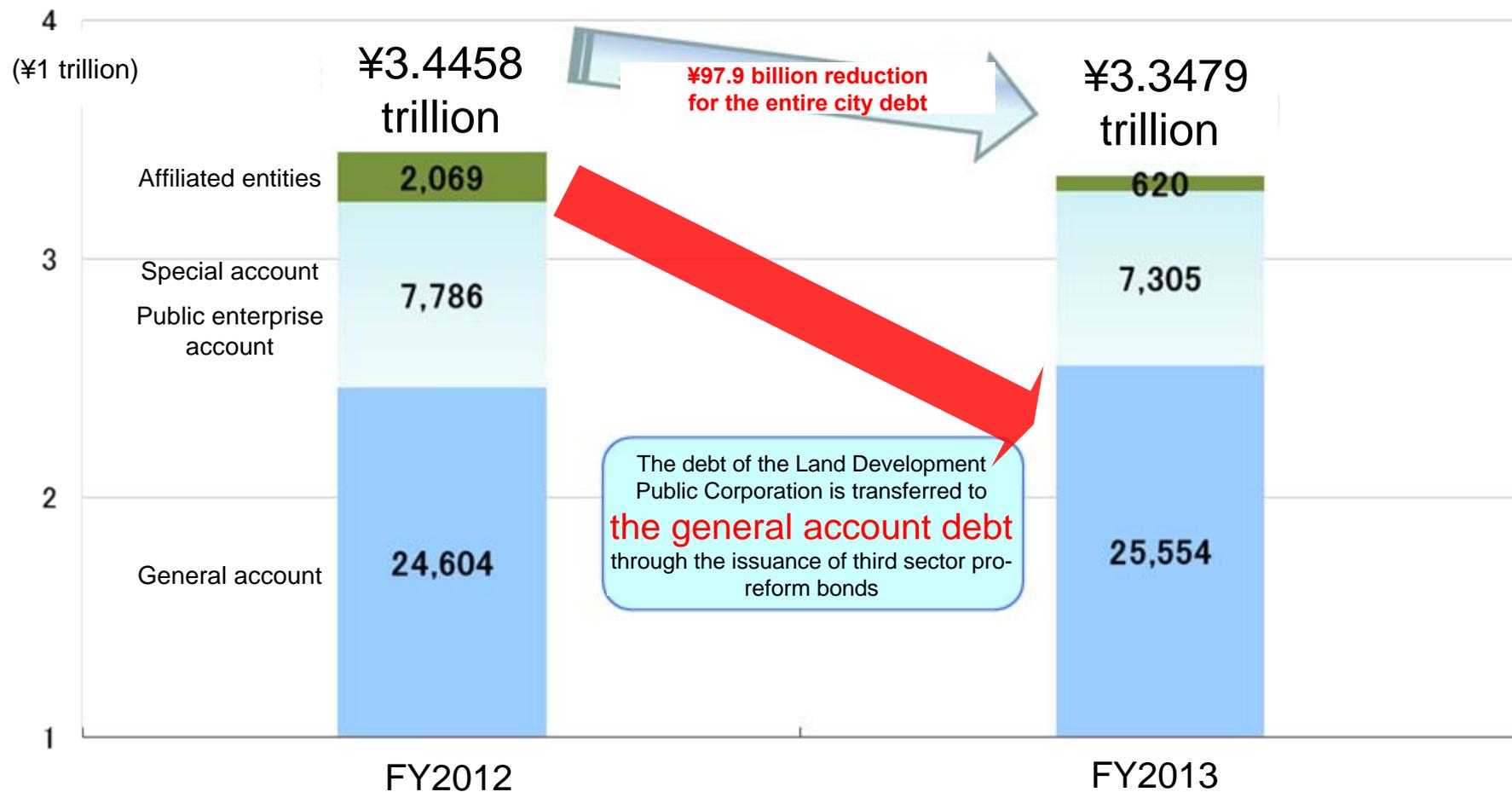
***Amount of the planned issuance of third sector pro-reform bonds ¥138.3 billion (FY2013)**

Fiscal effect of settlement with the issuance of third-sector pro-reform bonds
Interest burden is expected to be reduced by some ¥12 billion – ¥16 billion.

When comparing the estimates for cases where Yokohama City continues operation of the Corporation and buys back land owned by it the same as before with about ¥7 billion each year and for cases where third sector pro-reform bonds are issued with redemption over 20 years, thus the interest burden is expected to be reduced by some ¥12 billion – ¥16 billion.

Impact of the Third Sector Pro-Reform Bond Issuance on the Debt Balance

[Debt balance covered by the city (general account)]



© The debt of the Corporation to be settled by the issuance of third sector pro-reform bonds has already been recorded as the debt of the entire city debt, **which does not mean that the balance of the entire city's debt will increase as a result.**

	FY2013 Initial budget	FY2014 Estimate	FY2015 Initial budget	FY2016 Estimate	FY2014 - FY2016 3 years in total
Revenues	15,370	14,040	14,030	13,920	41,990
Revenues from general sources	8,410	8,110	8,080	8,090	24,280
City taxes	6,980	7,080	7,010	7,030	21,120
Local allocation taxes	230	200	220	210	630
Other revenues (prefectural grants, etc.)	1,200	830	850	850	2,530
City bonds	2,570	1,410	1,400	1,240	4,050
General city bonds	1,030	1,150	1,150	1,150	3,450
City bonds needed for the project for an earthquake disaster reduction strategy	160	260	250	90	600
Third-sector bonds	1,380	0	0	0	0
Specific revenue sources	4,390	4,520	4,550	4,590	13,660
Expenditures	15,370	14,440	14,590	14,440	43,470
Personnel costs	2,070	2,050	2,070	2,050	6,170
Retirement allowances	180	170	190	170	530
Bond repayments	1,790	1,920	1,920	1,950	5,790
Social benefit expenditures	4,000	4,090	4,170	4,260	12,520
Mandatory expenditures	1,520	1,560	1,600	1,650	4,810
Maintenance costs for facilities, etc.	1,740	1,950	1,960	1,660	5,570
<small>Figures exclude the project for an earthquake disaster reduction strategy</small>	1,530	1,530	1,530	1,530	4,590
Administrative management expenses/optional expenditures	2,870	2,870	2,870	2,870	8,610
Expenses necessary for the abolishment of the Land Development Public Corporation	1,380	0	0	0	0
Balance:	0	- 400	- 560	- 520	- 1480
Revenues - Expenditures <budgetary deficit>	0	- 400	- 560	- 520	- 1480

Vision for the issuance of city bonds

Based on the idea of -5% over the previous fiscal year, which is the goal of the Medium-Term 4-Year Plan, city bonds are to be issued by adding those required for the projects for earthquake disaster reduction strategy.

The income deficit will be eliminated steadily by continuously working on the reduction of administrative costs through a drastic review of businesses and securing revenue resources.

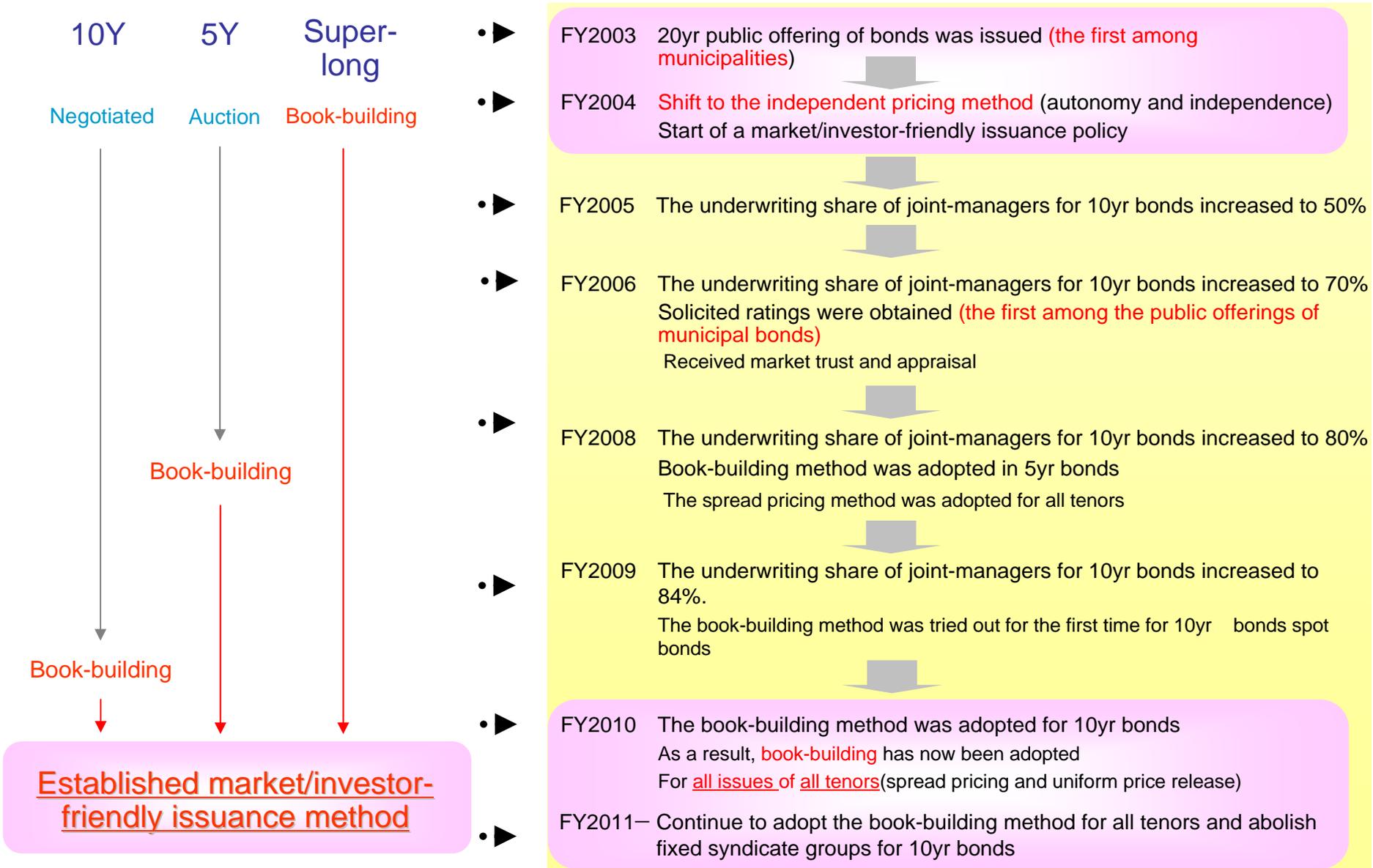
The debt will be repaid steadily with stable city tax revenues providing the financial resources.

(Reference) Estimate of the real debt service ratio

Real debt service ratio	The ratio is generally expected to rise from around 16% to around 22%.
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4. FY2013 Bond Issue Policy and Plans

History of the “Dialogue with the Market” in the Public Bond Offering



◎ Issue Policy

- **Continue** to adopt the “**book-building method** (spread pricing and uniform price release),” in public bond issues for all tenors and aim for **adequate sales** through a dialog with a wide range of investors.
- Promote meetings with investors to **strengthen the relationship** with investors through the proactive provision of information.

◎ Issuance Plans

FY2013: ¥250 billion issuance (¥180 billion in FY2012)

(Unit:¥100 million)

	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Annual total	
Medium-term bonds (*)	100			700 (Portion of third-sector bond)						800			For institutional investors 2,300	
10-year bonds	400			500						900				
Super-long-term bonds	100			100						200				
Flex quota	400													400
Hama-Bonds (aimed at Yokohama residents)	50		50		50		50		200			For retails investors 200		

* Medium-term bond: bond over 1 year and less than 5 years



© Contact Information

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URL : (Yokohama City Home Page)

www.city.yokohama.lg.jp

: (Yokohama City Bonds Home Page)

www.city.yokohama.lg.jp/zaisei/sisai