

“Co-Governance and Creation” efforts in Yokohama City and Evaluation Measures on Designated Companies for Public Facility Management



October 17, 2013

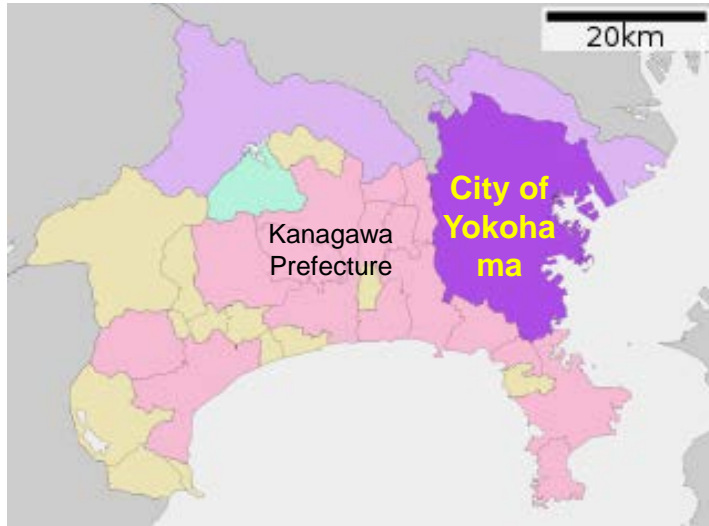
Office of Co-Governance and Creation,
Policy Bureau, City of Yokohama

Today's Presentation



1. About City of Yokohama
 2. Circumstances Surrounding City of Yokohama
 3. About the Office of Co-Governance and Creation
 4. PPP Methods and Measures in the Office of Co-Governance and Creation
 5. Evaluation of Designated Management Company System
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About City of Yokohama



City Hall of City of Yokohama

Largest municipality in Japan (designated city)

As of August 2013

Population: approx. 3.7 million

No. of households: approx. 1.62 million

Area: approx. 435km²

Administrative districts: 18

Budget scale: approx. 3.3098 trillion yen (2013)

[General accounting: approx. 1.4353 trillion yen]

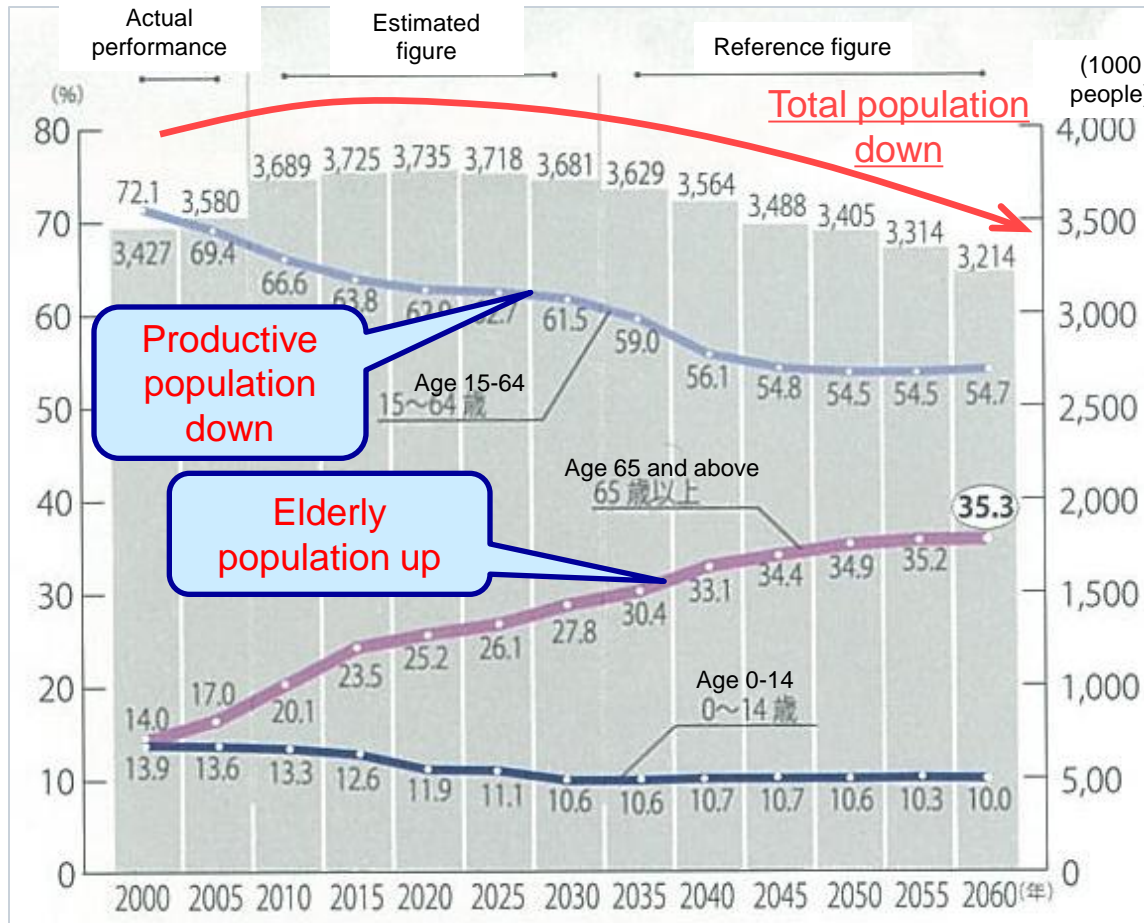
Balance of city bonds: approx. 2.5554 trillion yen
(2013 forecast)

City GDP: approx. 12.6 trillion yen (nominal, 2010)

Circumstances Surrounding City of Yokohama



Entered super-aged society (population aging rate of more than 21%)



■ Population will peak around 2020 (at 3.74M)

■ Productive population (aged 15-64) already falling

■ Population aging rate already more than 20%, will exceed 35% by 2060!

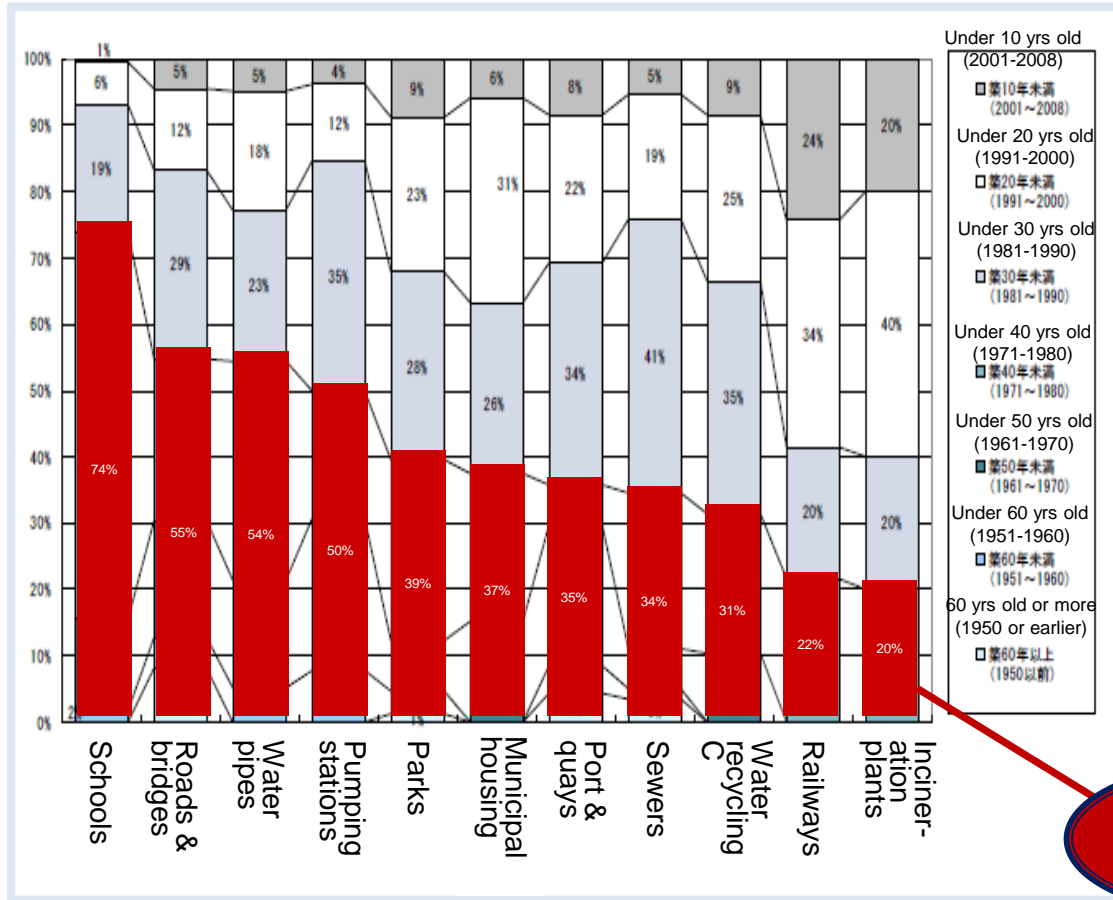
■ Falling birthrate and aging society will lead to reduced tax revenue

From "Population Projection for City of Yokohama"

Circumstances Surrounding City of Yokohama



Decaying and increased maintenance cost of public facilities and infrastructure supporting residents' lives



- Most city-owned facilities and infrastructures were constructed in 1965-1974
- Maintenance cost estimates (including business accounting)
 - 2006-2010: approx. 110B yen/year
 - 2011-2028: approx. 150B yen/year (est.)
 - Total 2006-2028: approx. 3.3 trillion yen
- Need to be much more conscious of lifecycle cost

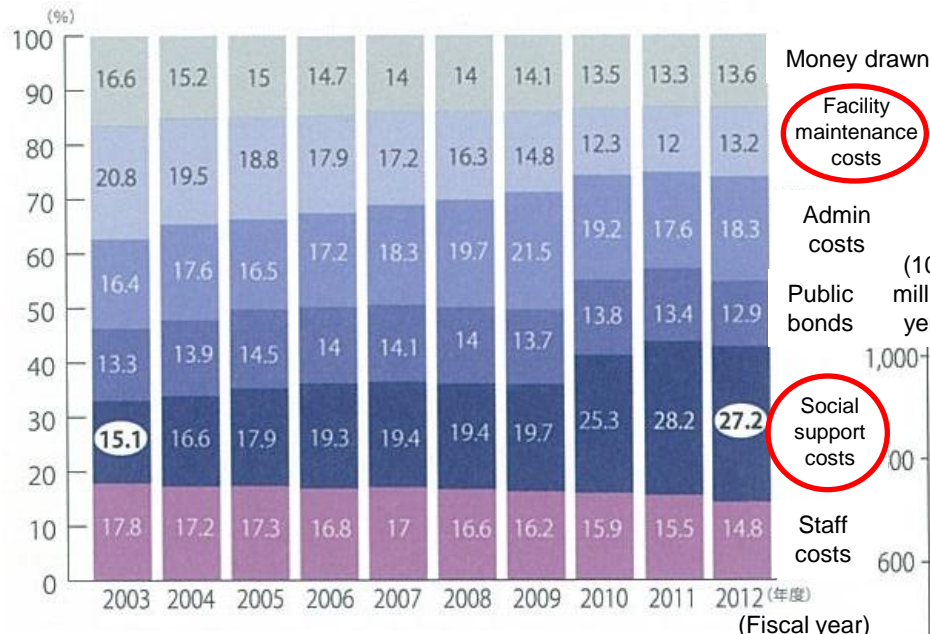
Built 30+ years ago

From "Ratios of Public Facilities by Year of Construction" (as of March 2009)

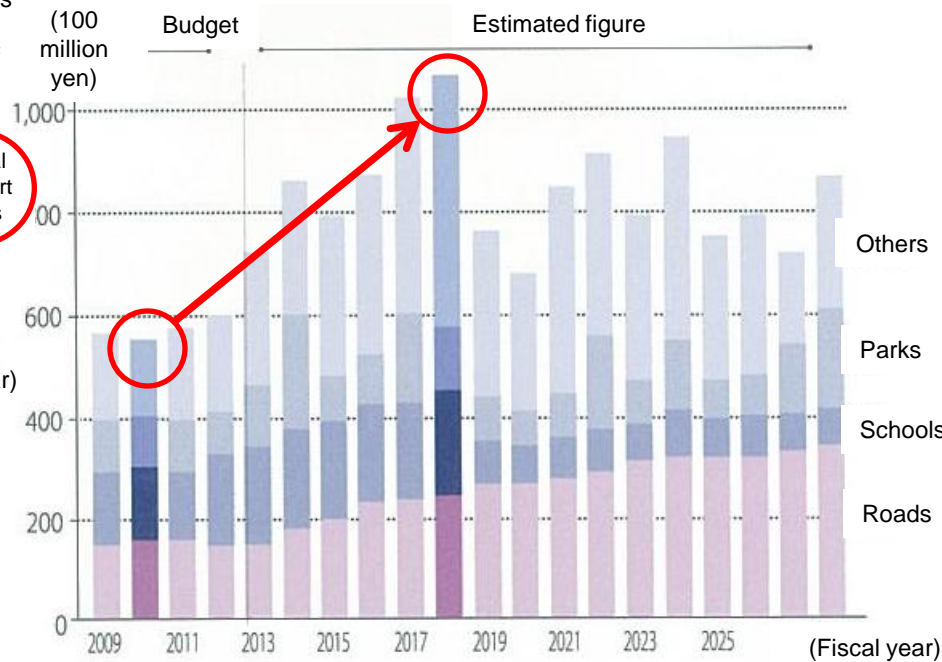
Circumstances Surrounding City of Yokohama



The ratio of social support costs has nearly doubled in the last nine years, while the ratio of maintenance costs of facilities has nearly halved



When maintenance costs of public facilities peak (in 2018), they will be about double their 2010 level



↑ Trends in composition ratio of types of costs in expenditure budget of general account

Estimated maintenance cost of public facilities (general account) →

About the Office of Co-Governance and Creation



From the Circumstances Surrounding City of Yokohama

- Far-sighted, realistic measures urgently needed to deal with a falling birthrate and aging society, a weakening financial base, decaying social infrastructure, etc.
- Complication of the administrative challenges of scale and diversity that come with being the largest municipality
- To respond precisely and continuously to citizens' needs for public services, within the confines of administrative resources and knowhow, it is important to utilize the power of diverse entities (especially private businesses)

Need for business solution through Co-Governance and Creation (public-private partnerships)

Office of Co-Governance and Creation established

*Name when established (2008) was Co-Governance and Creation Operation Department

Role of Office of Co-Governance and Creation

- To **control various public-private partnership methods all together**
- To be a **public-private partnership hub** that provides matching and coordination services, receiving ideas and proposals from the private sector and internal administration

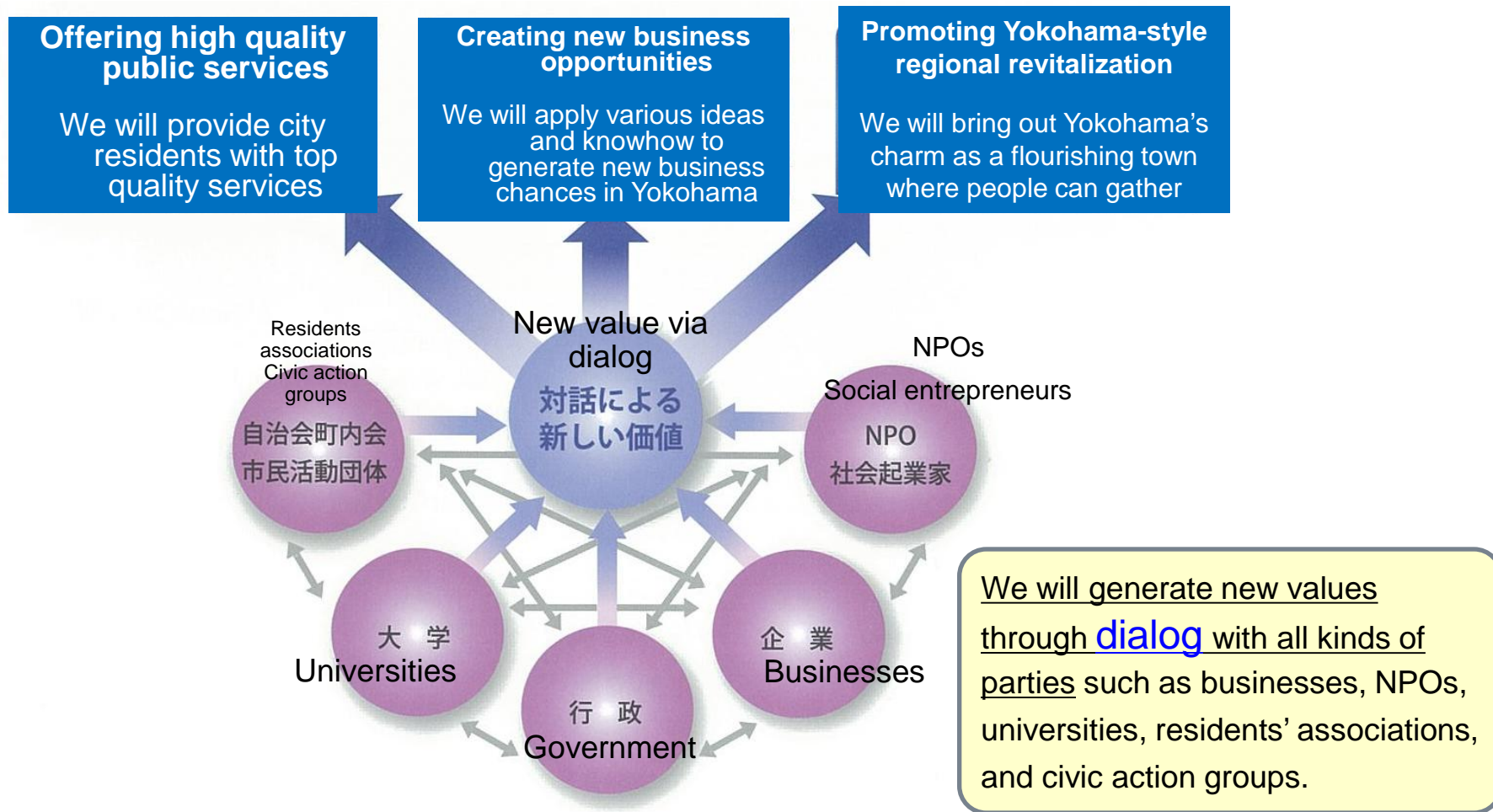
Concept of Co-Governance and Creation

- ◆ Move forward from existing government-led public-private partnerships and **seek more active participation and suggestions from the private sector**
- ◆ Government and the private sector **provide top-class services efficiently and continuously** by combining their knowledge, knowhow, and other management resources in an optimum form through a **two-way dialog** .
- ◆ **Government and the private sector create new value together** by assertively interworking their differing senses of value to generate new values.

About the Office of Co-Governance and Creation



Image of the Co-Governance and Creation that we aim for



PPP Methods and Measures in the Office of Co-Governance and Creation



- **PFI**
 - **Public Asset Utilization**
 - **Advertising and Naming Rights**
 - **Y-PORT (International Technical Cooperation using Public-Private partnerships)**
 - **Co-Governance and Creation Forum and Co-Governance and Creation Desk**
 - **Designated Management Company System**
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PFI (Private Finance Initiative) is...

...a public-private partnership business method for improving public services and lowering total costs by implementing the design, construction, operation, maintenance and management of public facilities efficiently and effectively utilizing private funding and knowhow.

■ In City of Yokohama, implemented at nine facilities to date

■ Total contracts of about 94 billion yen, fiscal cost reduction of about 13 billion yen (calculated from present value)

Facility category	Project name	Project period (approx.)	Contract amount (million yen)	VFM	Form of ownership
Water and sewerage	① Sewage work station soil improvement plant extension and operation	11 years	414	240M yen (self-support accounting)	BTO
	② Hokubu Sludge Treatment Center, digestion gas power generation facility maintenance	22 years	8,254	8.5%	
	③ Kawai Purification Plant redevelopment	25 years	27,679	6.2%	
	④ Nanbu Sludge Treatment Center, producing fuel from sewage sludge	24 years	14,915	20.8%	
Schools	⑤ Tokaichiba Elementary School development	15 years	2,872	29.6%	
	⑥ Science Frontier High School development	15 years	9,396	40.6%	
Government buildings, etc.	⑦ Seya Ward Administration Office and Futatsubashi park development	17 years	10,898	9.1%	
	⑧ Totsuka Station West Exit redevelopment, public facility construction	17 years	16,903	16.7%	
Others (commercial facilities)	⑨ Totsuka Station West Exit redevelopment, temporary store construction, etc.	8 years	2,320	13.8%	

Public Asset Utilization

Public asset utilization (effective utilization of owned assets that proceeds in dialog with private sector) is...

...work aimed for the effective use of a city's assets (land and buildings) at the utilization review and contractor recruitment stages, such as providing place selection for direct dialog with private businesses, understanding marketability and utilization ideas, and setting recruitment conditions to facilitate entry of private contractors.

“Two dialog methods” developed uniquely by City of Yokohama

① Sounding market research

■ Conduct dialog with private contractors at an **early directional review stage** of asset utilization

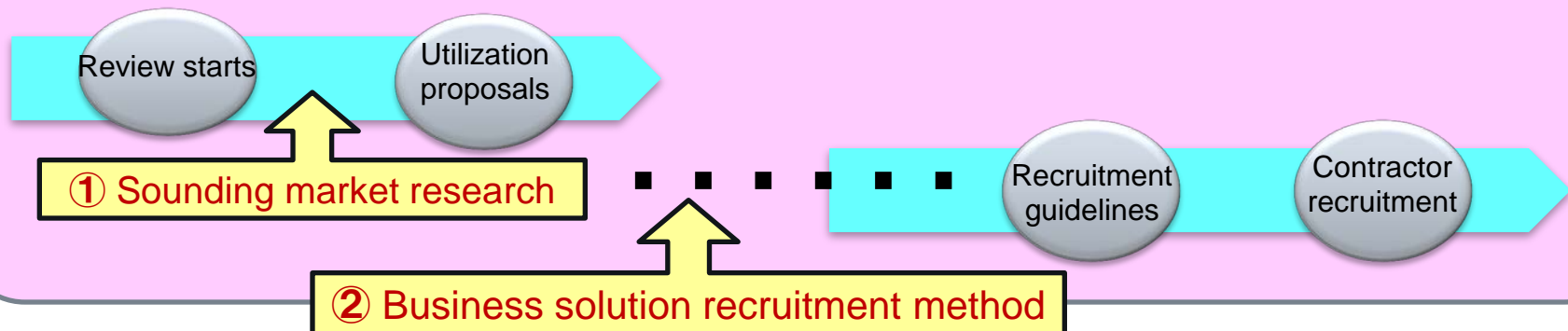
■ **Understand ideas for utilization** from the perspective of private contractors

② Business solution style recruitment

■ Conduct dialog with private contractors **before recruitment**

■ Invite business proposals **which respond to local issues**

Flow from the review of owned asset utilization to contractor recruitment



Advertising and Naming Rights



Advertising and naming rights means...

...utilizing various city-owned assets such as public facilities, advertising publications, and websites as advertising media to secure new financial revenue and reduce costs.

	Advertising revenue (exc. NR) (approx.)	Cost reduction (approx.)
FY 2004	71M yen	22.8M yen
FY 2005	98M yen	55M yen
FY 2006	132M yen	51M yen
FY 2007	143M yen	63M yen
FY 2008	148M yen	68M yen
FY 2009	151M yen	55M yen
FY 2010	132M yen	51M yen
FY 2011 (budgeted)	151M yen	57M yen
FY 2012 (budgeted)	142M yen	58M yen
Total	1,168M yen	480.8M yen

***Revenue from naming rights is a separate 3.3 billion yen in total (2006-2013)**

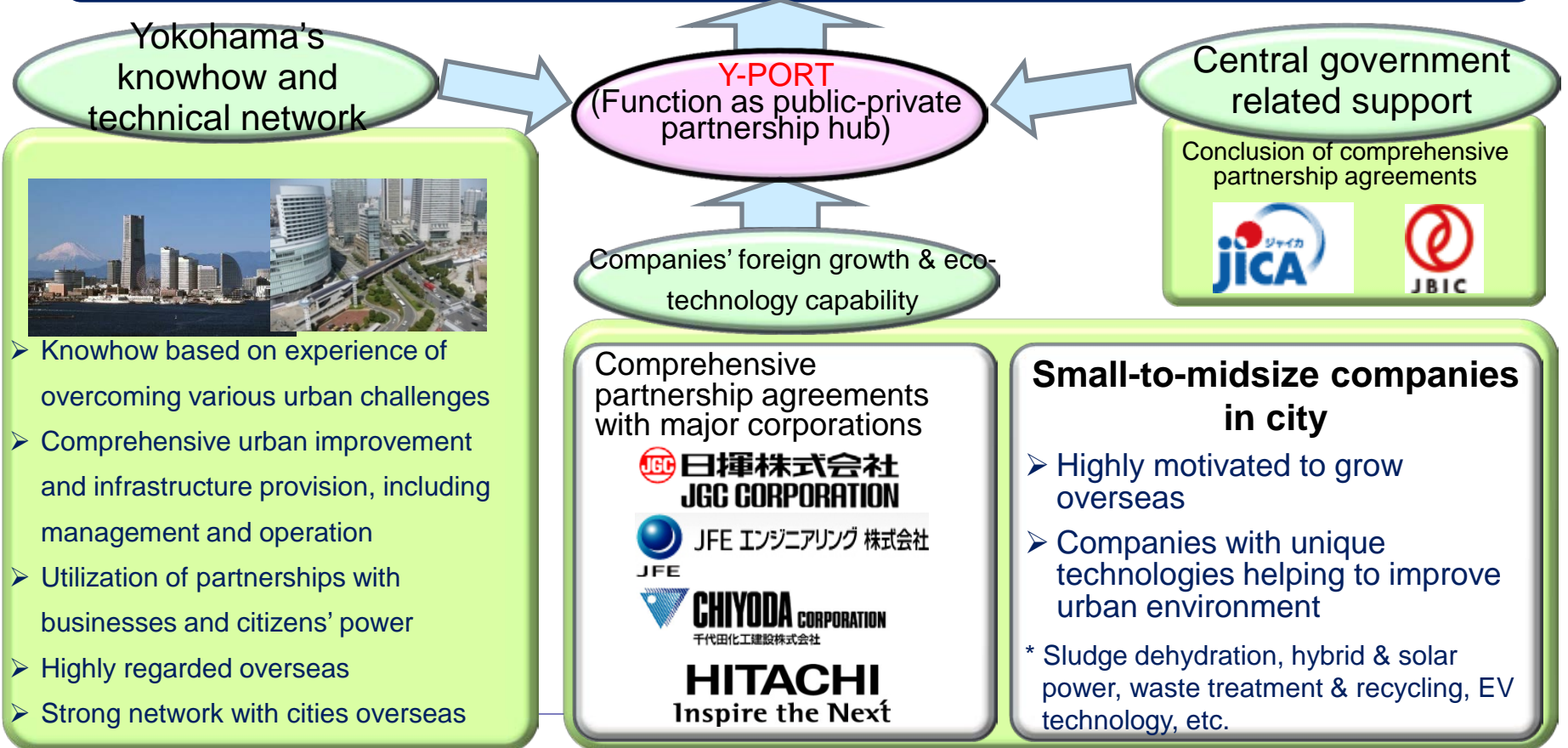
(International Technical Cooperation using Public-Private partnerships)

Yokohama Partnership of Resources and Technologies



Promotes international contribution through public-private partnerships utilizing the urban development knowhow and network of Yokohama and the technical and overseas growth capability of corporations

Support for sustainable **urban development** in emerging nations
Support for business growth of companies in Yokohama



Y-PORT (International Technical Cooperation using Public-Private Partnerships)



1. Promotion of Yokohama

- Share Yokohama's knowhow of urban development abroad through international conferences, overseas seminars, etc.
- Receive visitors to the city's urban infrastructure facilities, etc.



Smart City Week



Receiving visitors to City's facilities

2. Overseas business growth support

- Provide places for public dialog
- Yokohama Day, a place for interaction among various stakeholders



Yokohama Day (a place for stakeholders to interact)



Co-Governance and Creation Y-PORT Working (a place for exchanging views)

3. Urban development advisory

- Partnership with international related bodies
- Partnership with foreign cities
- Partnership with corporations



Partnership agreement signed with JICA



Partnership agreement signed with Cebu City

Co-Governance and Creation Forum and Co-Governance and Creation Desk



Distinctive measures by City of Yokohama for promoting Co-Governance and Creation

Co-Governance and Creation Forum (since July 2008)

A public-private interaction arena for government and the private sector to discuss the resolution of social issues and generate ideas from their differing perspectives and values

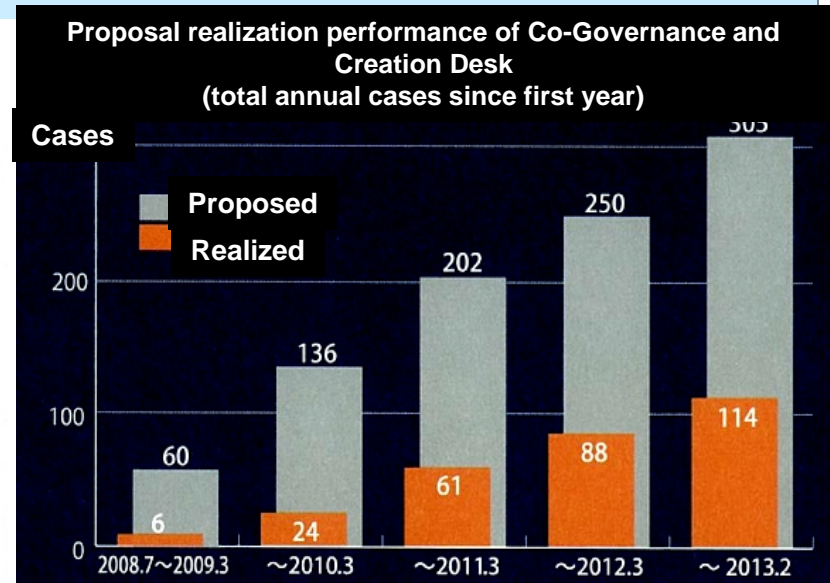
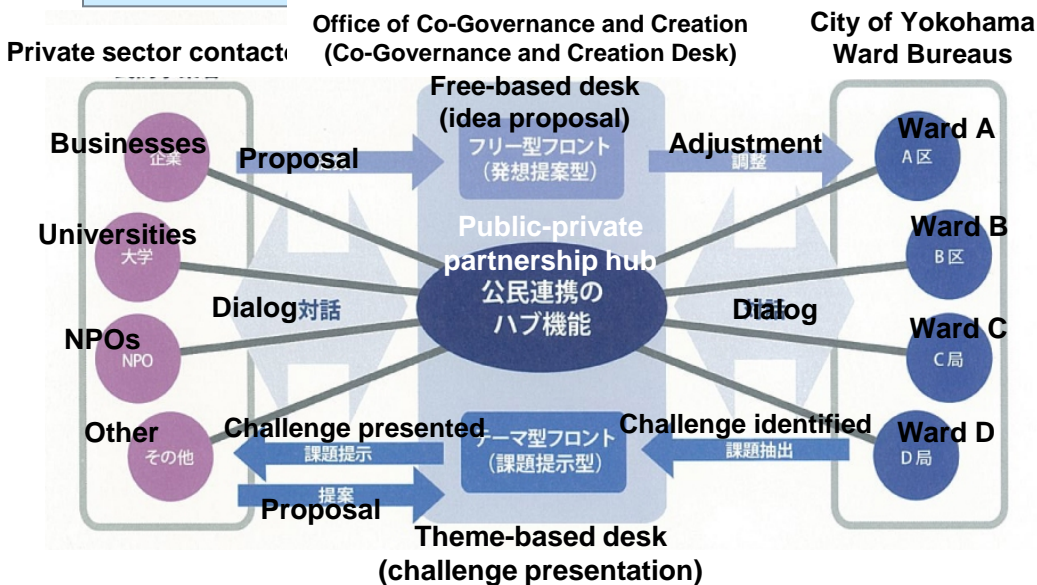
Co-Governance and Creation Desk

(established June 30, 2008)

An advisory and proposal service to promote dialog between government and the private sector, create new business opportunities, and tackle social issues

Co-Governance and Creation Desk

- Establish the Co-Governance and Creation Desk, a system for implementing Co-Governance and Creation
- The Co-Governance and Creation Desk is a counter for receiving ideas and proposals from anyone in the private sector in order to promote dialog between City of Yokohama and its citizens and to tackle the issues faced by City of Yokohama, the creation of new business opportunities, and the like.
- The Office of Co-Governance and Creation conducts reviews and adjustments in an intermediary role toward the realization of proposals.
- Of the 305 proposals received from the private sector from 2008 up to the end of 2013, 114 have been implemented.



Designated Management Company System

Designated Management Company System

A system of utilizing the private sector's knowhow to improve municipal services and cut costs, by entrusting the management of public facilities such as cultural, sport and welfare facilities to various groups such as private businesses and NPOs.

Types and numbers of facilities with entrusted management (908 diverse facilities in total)

Facilities for ward resident use	<u>Ward centers</u> (community houses, meeting places, etc.)	116
	<u>Sport facilities</u> (ward sports centers, sports halls, etc.)	29
	<u>Welfare facilities</u> (community care plazas, health and welfare activity centers, senior citizens' welfare centers, day-care centers, etc.)	159
	<u>Other facilities for ward resident use</u>	41
Facilities for city resident use (large scale or specialized facilities)	<u>Culture facilities</u> (art museums, concert halls, etc.)	11
	<u>Sport facilities</u> (Yokohama International Swimming Pool, Yokohama Cultural Gymnasium, etc.)	3
	<u>Welfare facilities</u> (Sports and Cultural Center for the Disabled, etc.)	33
	<u>Medical facilities</u> (Yokohama City Minato Red Cross Hospital, Yokohama Sports Medical Center, etc.)	5
	<u>Zoos, parks, etc.</u> (Yokohama Zoological Gardens, Shin-Yokohama Park, etc.)	86
	<u>Other facilities for city resident use</u>	60
Other facilities	<u>Municipal housing, port facilities, etc.</u>	365
Total		908

Designated Management Company System (Types of Evaluation)



① Self-evaluation by designated management company

- Is the facility run in accordance with its installation purpose, agreements, specifications, etc.?
- Are target values against benchmarks achieved?
- Regular (annual, etc.) self-inspections and submission of their results within business reports are stipulated by agreement

② Evaluation by City (section in charge of facility)

- Are the items written in agreements and business reports handled properly?
- Proper monitoring of designated management companies is obligatory under the Local Autonomy Law. (Article 244-2-7)

③ Evaluation by 3rd party evaluation organization or assigned evaluation committee

- Implemented to raise management standards by taking an objective viewpoint that differs from the City and designated management companies
- Involves the following three evaluation methods, depending on the characteristics of the facility:
 - ① Evaluation by designated management company 3rd party evaluation organization
 - ② Evaluation by welfare service 3rd party evaluation
 - ③ Evaluation by assigned evaluation committee

④ Evaluation by users, etc.

- Monitoring methods used continuously on a day-to-day basis (user meetings, user questionnaires, suggestion phone lines) to strive for further improvements, reflecting users' opinions in facility management

Designated Management Company System

(Aims and Types of 3rd Party Evaluation)



Aims of 3rd party evaluation

For inspection and evaluation to be conducted by objective third parties and a PDCA cycle set up for designated management companies to reform their own operations, in order to maintain and improve the management level of public facilities.

Three 3rd party evaluation methods,
depending on characteristics of facility

908 facilities already with designated management companies

Same/similar types of facilities
for ward resident use

333 facilities

◆ District centers,
community halls, sports
centers, etc.

3rd party evaluation by
designated management
company 3rd party evaluation
organization

System under control of
Office of Co-Governance and Creation

Welfare facilities
subject to 3rd party
evaluation

18 facilities

◆ Special nursing homes

Welfare service 3rd party
evaluation

Other

557 facilities

◆ Highly specialized
facilities
◆ Facilities subject to
differing respective
evaluation perspectives

3rd party evaluation by assigned
evaluation committee

Designated Management Company System

(3rd Party Evaluation of Facilities for Ward Resident Use)



Aims of 3rd party evaluation

- To raise facility management standards
- To find improvement points, help raise designated management companies' awareness, and recognize optimum measures

Evaluation period

- At least once within a designated period (further evaluations optional)
- In principle, second or third year of the designated period

Release of results

- Results of 3rd party evaluations released on the website of City of Yokohama
- Designated management companies instructed to display results inside facilities, etc., for facility users to see them too

Designated Management Company System

(3rd Party Evaluation of Facilities for Ward Resident Use)



Evaluation organization

Designated Management Company 3rd Party Evaluation Organization (23 groups as of August 1, 2013)

⇒ Authorized organization, City reviews qualification requirements (authorization validity lasts 3 years)

Qualification requirements

- At least 2 evaluators
- Have not been appointed as designated management companies
- Can operate business stably ...and others

Evaluators and evaluation assistants

Evaluators, Evaluation Assistants

⇒ Belong to evaluation organization, authorized by City (authorization validity lasts 3 years)

Authorization requirements

- Evaluators: Take evaluator training, pass effectiveness assessment
- Evaluation assistants: Take evaluation assistant training

*Thank you for
your attention*

