



Kyoto Prefecture Financial Profile and Fiscal Reforms (Data)

京都府



2013 Oct.

Contents



- FY2013 General Account Initial Budget ——— 2
- Public Sector and Affiliate Organizations ——— 8

FY2013

General Account

Initial Budget



Kyoto's basic policy on the fiscal 2013 budgeting



- In consideration of the continued severe economic and job market conditions in the country, Kyoto Prefecture formulated its initial fiscal 2013 budget according to the following key policies

Three key policies for the budget formulation process

1

Aim to facilitate economic revitalization through adopting a continuous 14-month budget

- ◆ Formulate the fiscal 2012 supplementary budget and the fiscal 2013 initial budget simultaneously in view of the economic package introduced by the Japanese government

2

Make well-focused investments in present challenges to be addressed urgently

1. Disaster prevention and curb priority measures
2. Emergency economic package (assistance to small- to medium-sized enterprises and development of local social infrastructure)
3. Emergency job market package based on worker development promotion programs

3

Formulate a constructive budget for building “the Kyoto of Tomorrow”



Outline of the fiscal 2013 budget (General Account, Revenues & Expenditures)



- Strongly promote activities to reinvigorate the local economy by adopting a continuous 14-month budget
The fiscal 2012 supplementary budget (emergency economic package) of 47,945 million yen + the fiscal 2013 initial budget of 900,637 million yen = 948,582 million yen (106.0% compared to the fiscal 2012 initial budget)

Revenues Breakdown

(¥mm)

Items	FY2013	FY2012	Difference
Prefectural Tax	236,000	235,000	1,000
Corporate inhabitant, enterprise taxes	54,986	51,827	3,159
Others	181,014	183,173	-2,159
Local Tax Grants	169,000	170,000	-1,000
Special Grants on Local Governments	1,086	1,145	-59
Adjustment of Local consumption tax	54,460	54,500	-40
Local Transfer Tax	38,167	35,700	2,467
National Government Disbursements	80,420	72,769	7,651
Provisions	32,841	25,597	7,244
Rents and Fees	8,714	8,751	-37
Other Revenues	122,649	123,564	-915
Local Bonds	157,300	167,523	-10,223
Of which bonds for extraordinary financial measures	84,700	83,700	1,000
Total	900,637	894,549	6,088

Expenditures Breakdown

(¥mm)

Items	FY2013	FY2012	Difference
Personnel Expenses	280,772	287,452	-6,680
Salaries	255,683	259,431	-3,748
Retirement Allowances	25,089	28,021	-2,932
Supplies Expenses	29,990	28,177	1,813
Repairing Expenses	3,364	3,304	60
Subsidy Expenses, Social Assistance Expenditures	364,126	364,987	-861
Ordinary Construction Works Expenditures	100,703	96,219	4,484
Works w/ Govt Assistance	44,001	44,849	-848
Works w/o Govt Assistance	56,702	51,370	5,332
Expenses for Restoration Work from Disaster	649	706	-57
Debt Service	114,479	106,385	8,094
Transfer to other accounts	5,005	5,115	-110
Reserves	1,249	1,904	-655
Others	300	300	0
Total	900,637	894,549	6,088

FY2013 Administrative and Fiscal Reform



- Kyoto government will cut 12.7 billion yen from overall costs as a part of its Citizen Satisfaction Maximization Plan
- Efforts are now underway to lower personnel expenses further compared with those for fiscal 2012 through a personnel headcount reduction program and employee retirement benefit system revision

Reform worth 12.7 billion yen

Further reduction of personnel expenses

-¥5.0bn

- Personnel headcount reduction (reduction of 40 persons) and employee retirement benefit system revision
* Personnel expenses (excl. retirement costs) accounted for 50.0% (FY1988) → 37.0% (FY2002) → 28.4% (FY2013:Record a new low) of the total expenditures.

Review Operations to Meet Citizens Needs

-¥6.1bn

- "Scrap & Build" based on the operation sorting and assessment (suspend or downsize 257 operations)

Review Operations Not Directly Satisfying Citizens

-¥1.1bn

- Reduce internal management expenses by reviewing operation processes

Utilizing Government Assets

¥0.5bn

- Sale of unutilized land, etc.



Outlook for FY 2013 fiscal administration



- In fiscal 2013, a further reduction of municipal government personnel expenses is scheduled as part of each municipal fiscal administration plan.
- The debt outstanding of Kyoto Government will begin to decrease starting from fiscal 2013 as planned.

Personnel expenses-related measure

(The issue was resolved by reducing personnel expenses in the June 2013 supplementary budget)

- The amount of the salary reduction proposed is tentative since this will need to be discussed further.
 1. In order to reduce salaries, it is necessary to deliberate this with the Kyoto Prefectural Assembly and enter into negotiations with the prefectural government employee organization.
 2. The Japanese government requested that the personnel expenses reduction should be carried out sometime after July 2013

The effect for Kyoto Prefecture of a reduction in national tax revenue allocations to municipal governments:	-10.0 billion yen
The portion of Kyoto Prefecture's compulsory education costs that is assumed by the National Treasury:	-1.5 billion yen

To compensate for the reduced national tax revenue allocation to municipal governments, Kyoto Prefecture has its funds to the budget in the amounts shown below, respectively:

Kyoto Prefecture Bond Management Fund	8.0 billion yen
Green Culture Fund	1.2 billion yen
Local Community Welfare Fund	0.8 billion yen

Appropriate management of the outstanding balance of the municipal bonds

- Manage the debt outstanding of Kyoto Prefecture according to the public bond cost program

The local government debt outstanding per resident is projected to decline (with the exception of bonds for extraordinary financial measures and of bonds issued due to disaster)
487,000 yen (estimate) as of the end of fiscal 2012 -> 484,000 yen (estimate) as of the end of fiscal 2013



Reduction of personnel expenses



Reduction of personnel expenses

- ▶ National government has curtailed its national tax revenue allocations to municipalities and the proportion of municipal compulsory education costs assumed by the National Treasury
- ▶ Kyoto Prefecture allocated 10.0 billion yen of its funds to the fiscal 2013 initial budget on a provisional basis
- ▶ Avoid imposing a resultant burden on Kyoto Prefecture taxpayers = Resolve the provisional state

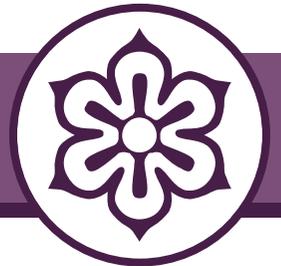


(Details of monthly salary reductions of Kyoto's local government employees)

Regular employee	Managerial employee (employee receiving manager allowance) * Manager allowance reduction of 10%	▲ 10.0%
	Employee in a position equivalent to Unit Chief or Assistant Section Manager	▲ 7.5%
	Employee in a position equivalent to Deputy Section Chief or Assistant Unit Chief	▲ 7.2%
	Employee in other grades	▲ 4.3%
Special position employee	Governor	▲ 20%
	Vice-Governor	▲ 15.0%
	Superintendent of Education and Representative Audit Committee Member	▲ 10.0%

* Applicable period: From July 1, 2013 to March 31, 2014

Public Sector and Affiliated Organizations

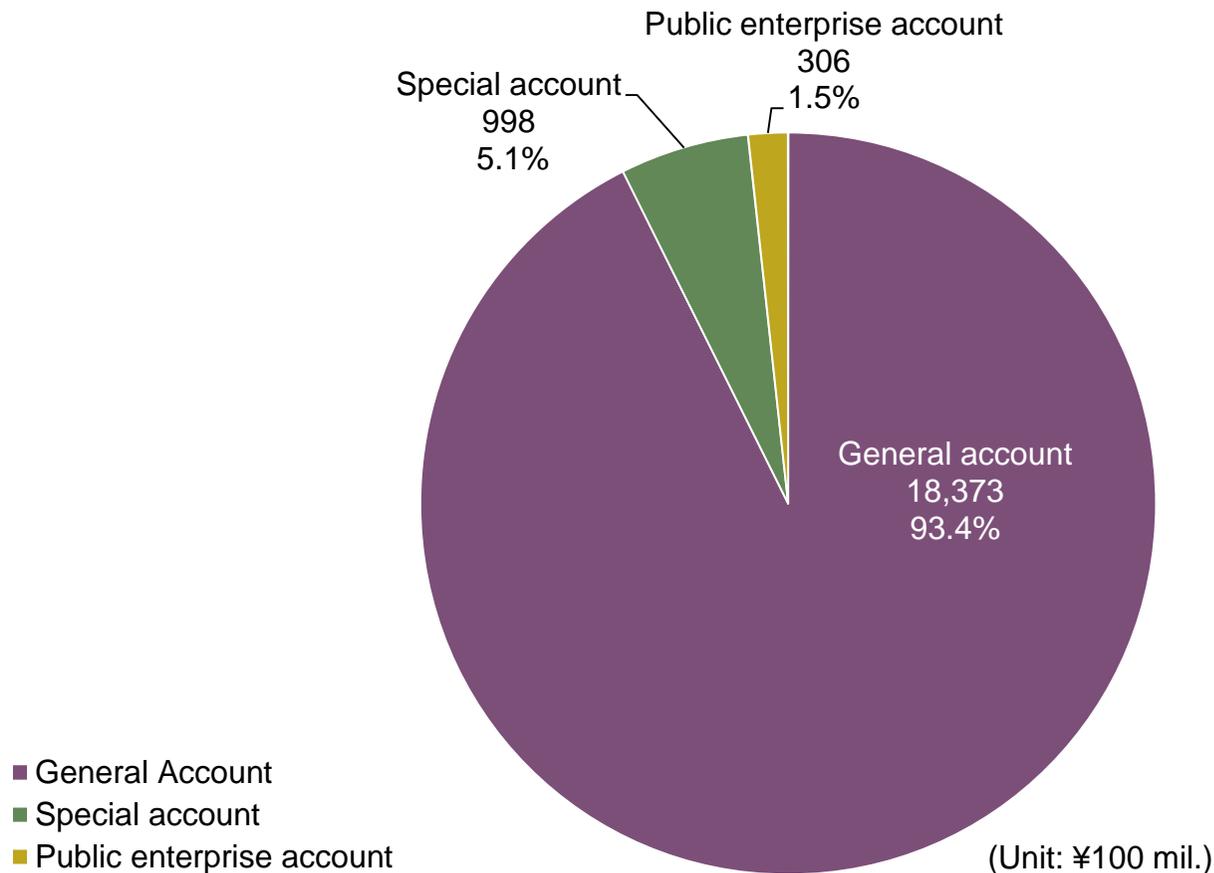


Outstanding Bond Issuances by Account



- General account accounts for 90% of the total local government debt outstanding.

Bond Issuances Outstanding by account as of the end of FY2012



Public Corporation Account (1)



Hospitals

(¥MM)

Category	Revenue Balance (P/L Account)			Capital Balance (Capital Account)					(Reference)		
	Revenue	Expense	Difference	Revenue	Corp Bonds	Expense	Corp Bond Redemption	Difference	Depreciation	Corp Bonds Outstanding	Surplus (Shortfall)
FY2008	7,848	8,898	-1,050	1,024	627	1,164	630	-140	700	4,746	-15,542
FY2009	7,856	8,425	-569	865	508	888	651	-23	598	4,603	-16,114
FY2010	8,056	8,539	-483	1,579	472	784	656	795	460	4,419	-16,599
FY2011	8,274	8,688	-414	939	327	1,983	570	-1,044	413	4,176	-17,017
FY2012	8,309	8,634	-325	1,090	302	1,099	515	-9	522	3,963	-17,350

Electricity Business

(¥MM)

Category	Revenue Balance (P/L Account)			Capital Balance (Capital Account)					(Reference)		
	Revenue	Expense	Difference	Revenue	Corp Bonds	Expense	Corp Bond Redemption	Difference	Depreciation	Corp Bonds Outstanding	Surplus (Shortfall)
FY2008	519	513	6	0	0	91	91	-91	137	675	-16
FY2009	483	479	4	0	0	92	92	-92	129	583	-12
FY2010	405	423	-18	0	0	172	93	-172	124	490	-34
FY2011	416	408	8	100	0	152	85	-52	125	405	-28
FY2012	373	431	-58	0	0	170	65	-170	125	340	-91

Public Corporation Account (2)



Water Supply Business

(¥MM)

Category	Revenue Balance (P/L Account)			Capital Balance (Capital Account)					(Reference)		
	Revenue	Expense	Difference	Revenue	Corp Bonds	Expense	Corp Bond Redemption	Difference	Depreciation	Corp Bonds Outstanding	Surplus (Shortfall)
FY2008	5,610	5,091	519	6,099	4,224	9,132	2,689	-3,033	1,819	26,048	275
FY2009	5,600	5,292	308	6,479	4,253	8,400	1,612	-1,921	1,805	28,689	46
FY2010	5,595	5,464	131	2,101	1,146	4,383	1,299	-2,282	2,081	28,536	-9
FY2011	5,665	5,715	-50	1,656	756	4,651	1,493	-2,995	2,081	27,799	-184
FY2012	5,211	5,251	-40	1,607	0	4,013	1,576	-2,406	2,027	26,223	-282

Industrial Water Supply Business

(¥MM)

Category	Revenue Balance (P/L Account)			Capital Balance (Capital Account)					(Reference)		
	Revenue	Expense	Difference	Revenue	Corp Bonds	Expense	Corp Bond Redemption	Difference	Depreciation	Corp Bonds Outstanding	Surplus (Shortfall)
FY2008	228	197	31	0	0	11	2	-11	62	40	31
FY2009	208	191	17	0	0	93	3	-93	60	37	12
FY2010	226	195	31	0	0	132	3	-132	61	34	26
FY2011	222	197	25	300	0	81	3	219	62	32	21
FY2012	224	209	15	0	0	66	3	-66	63	29	12

Financial Results of 3 Local Public Corporations



<As of March 31, 2013>

(¥MM)

Category		Kyoto Pref. Land Develop Public Corp.		Kyoto Pref. Roads Corp.		Kyoto Pref. Housing Supply Corp.		
		FY2012	FY2011	FY2012	FY2011	FY2012	FY2011	
Capital Injection		20	20	9,471	9,471	10	10	
Balance Sheet	Assets	Current Assets	5,626	7,149	1,817	1,343	1,217	1,246
		Fixed Assets	1,484	1,484	28,981	29,343	1,666	1,711
		Total Assets	7,110	8,633	30,798	30,686	2,883	2,957
	Liabilities	Current Liabilities	1,228	1,025	14,983	13,686	421	391
		Fixed Liabilities	4,295	5,847	8,257	9,437	422	478
		Allowances under Special Law	-	-	1,280	1,094	-	-
		Total Liabilities	5,523	6,872	24,520	24,217	843	869
	Capital	Capital Stock	20	20	9,471	9,471	10	10
		Capital Surpluses	-	-	-3,193	-3,002	2,030	2,078
		Legal Reserve	1,567	1,741	-	-	-	-
Total Capital		1,587	1,761	6,278	6,469	2,040	2,088	
Total Assets and Liabilities		7,110	8,633	30,798	30,686	2,883	2,957	
Income Statement	Operating Revenue (a)		2,885	4,375	3,481	2,899	1,912	2,045
	Operating Expenses (b)		3,023	4,443	3,290	2,726	1,913	2,035
	General and Administrative Expenses (c)		17	17	187	190	54	53
	Operating Profit (d=a-b-c)		-155	-85	4	-17	-55	-43
	Non-operating income (e)		5	4	3	52	12	7
	Non-operating Expenses (f)		24	25	198	197	6	3
	Recurring Profit (g=d+e-f)		-174	-106	-191	-162	-49	-39
	Extraordinary Profit (h)		-	-	-	-	-	-
	Extraordinary Losses (i)		-	-	-	-	-	-
	Transfer from Specific Reserve (j)		-	-	-	-	-	-
Extraordi nary Profits and Losses	Transfer to Specific Reserve (k)		-	-	-	-	-	-
	Current Income (g+h-l)		-174	-106	-191	-162	-49	-39
	(g+h-l+j-k)						-49	-39
Debt balance related to debt guaranteed by the local government		3,251	2,954	19,293	19,569	-	-	

Financial Results at Corporate



(¥1000)

Organizations	Capital		FY2012			FY2011		
		Investment from Kyoto	Net Assets	Of which ordinary net assets	Year-on-year change	Net Assets	Of which ordinary net assets	Year-on-year change
Kyoto Prefectural International Center	100,000	(100,000)	212,448	55,480	-13,561	226,263	69,041	-21,717
Kyoto Culture Foundation	176,800	(56,000)	900,675	644,875	7,227	893,448	637,648	12,803
Kyoto Prefectural Social Welfare Agency	10,000	(10,000)	922,562	464,776	26,631	911,550	438,145	1,935
Kyoto Prefecture SME Center	4,000	(2,000)	360,469	360,469	12,577	347,892	347,892	19,928
Kyoto Industrial Support Organization 21	210,000	(65,000)	2,412,085	268,279	6,897	2,558,837	261,382	-45,394
Kyoto Prefecture Residents' Exchange Agency	44,000	(25,000)	63,168	19,168	5,289	57,879	13,879	22,575
Kyoto Agriculture Conference & Kyoto Agriculture Comprehensive Support Corp.	309,310	(299,400)	310,031	721	-4,118	314,149	4,839	-3,812
Tango Ajiwai no Sato	20,000	(10,000)	48,811	28,811	-1,035	49,846	29,846	97
Kyoto Prefecture Forest and Greenery Corp	13,340	(10,000)	60,659	13,340	0	13,340	13,340	0
Kyoto Prefecture Park Corp	10,000	(10,000)	45,601	35,601	24,874	20,727	10,727	-14,642
Kyoto Prefecture Youth Education pr	10,000	(10,000)	39,081	29,081	12,738	26,343	16,343	5,913
Kyoto Prefecture Research Center for Archaeological Properties	10,000	(10,000)	126,785	116,785	-469	127,254	117,254	- 4,814

Debt Guarantee and Compensation



- The amount of Kyoto local government's debt guarantee and remaining compensation total ¥75.2bn which accounts for 4% of the outstanding local debt .

(¥100 million)

Guarantor	FY2012 Guarantee Balance	Details
Kyoto Industrial Support Organization 21	1	Compensation for loss related to equipment purchases by small businesses (excluding those covered by Japan Finance Corporation for Small Businesses)
Kyoto Agriculture Conference & Kyoto Agriculture Comprehensive Support Corp.	1	Compensation for loss related to rationalizing agricultural land transactions
Kyoto Prefecture Forest and Greenery Corporation	185	Compensation for loss related to forestation projects
Kyoto Prefecture Fisheries Promotion Agency	8	Compensation for loss related to financing for measures to support fishery cooperatives
Kyoto Land Development Corporation	175	Guarantees of debt related to land procurement
Kyoto Prefecture Roads Corporation	382	Guarantees of debt related to toll road facilities
Others	-	
Total	752	

Key Financial Indicators



- Key financial indicators are listed as below. Kyoto is ranked relatively high in terms of Financial Capability Index, which indicates a degree of financial independence, and Net Bond Cost Ratio, which shows size of burden of redemption

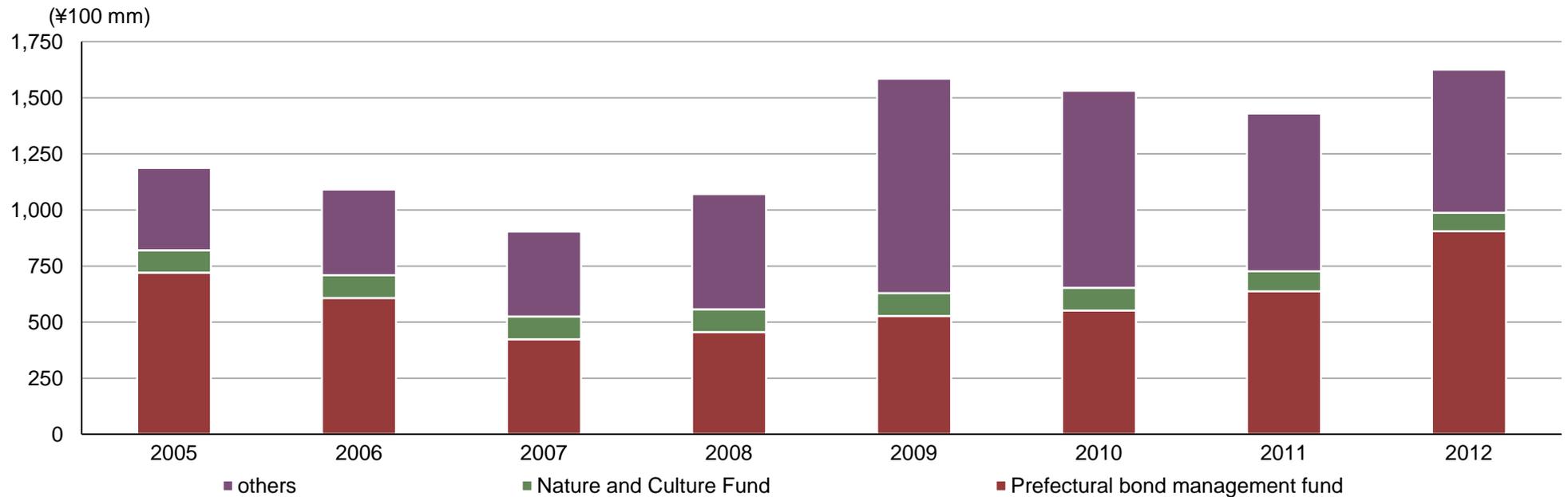
Category		2005	2006	2007	2008	2009	2010	2011	2012
Financial strength index	Kyoto	0.48049	0.53867	0.59363	0.65084	0.63844	0.60998	0.57038	0.55732
	Japan	0.42806	0.46305	0.49715	0.52062	0.51568	0.48985	0.46523	-
	Rank	16th	13th	11th	10th	10th	9th	11th	-
Recurring Profit Ratio	Kyoto	86.9	96.5	98.8	96.9	95.8	93.6	95.4	95.0
	Japan	92.9	93.5	96.4	95.3	95.3	90.9	93.9	-
	Rank	2nd	42nd	36th	31st	28th	38th	36th	-
Net Bond Cost Ratio	Kyoto	10.3	10.7	10.9	11.3	11.7	12.8	14.2	14.6
	Japan	14.5	14.4	14.0	13.9	14.4	14.8	13.9	-
	Rank	1st	4th	6th	9th	9th	10th	13th	-
Public Debt Service Burden Ratio	Kyoto	15.5	15.8	15.3	15.4	14.9	16.1	17.0	18.0
	Japan	21.7	21.4	21.5	21.8	21.0	21.2	21.7	-
	Rank	3rd	6th	5th	4th	4th	5th	7th	-
Laspeyres Index	Kyoto	98.2	100.5	100.2	100.3	100.0	99.3	99.2	107.6
	Japan	99.6	99.2	99.6	99.1	98.6	98.8	99.3	107.5
	Rank	37th	13th	20th	19th	20th	24th	29th	28th

- Financial strength index is 3-year moving average. Ranking is best down.
- Financial strength index: Demand minus revenue used in calculation of local allocation tax; higher index indicates more ample resources.
- Recurring Profit Ratio: Ratio of general resources allocated to operational expenses to recurring revenue in general resources. Approx. 70-80% is desirable. Gauges elasticity of fiscal structure
- Net Bond Cost Ratio: Together with public debt payments used in calculating "Debt service payment ratio used for permission to issue local bonds," adds meaning to public debt payments (expenditures related to public debt burden) and balance of amortization funds (theoretical shortfall versus balance). Bond issuance must be approved if ratio exceeds 18%.
- Burden ratio of public debt service: Ratio of general resources allocated to public debt payments to the total amount of general resource. Alert level is 15%, critical level is 20%

Fund Balance



■ Kyoto secures adequate debt management fund.



(¥100mm)

Category	2005	2006	2007	2008	2009	2010	2011	2012
Financial adjustment fund	0	0	0	0	0	0	0	0
Prefectural bond management fund	721	608	424	456	528	552	638	905
Nature and Culture Fund	100	101	101	102	102	102	89	82
Others	367	383	379	513	956	878	703	639
Total	1,188	1,092	904	1,071	1,586	1,532	1,430	1,626

* Figure 0 for Financial Adjustment Monies stands for remaining debt less than 100 million yen