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OP-ACT Workshop Leoben

Good Practice examples on financing models and cooperation



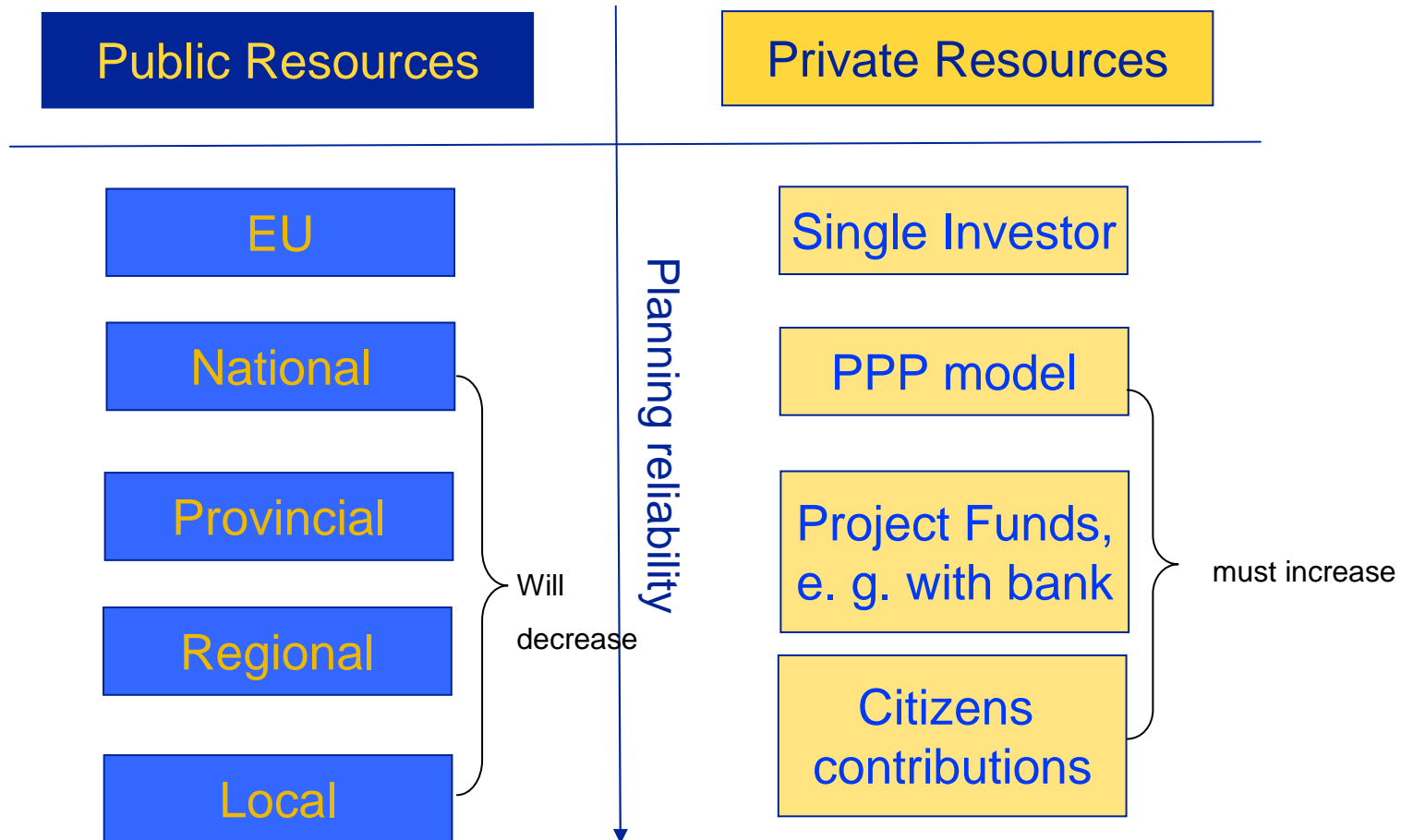
Connecting cities
Building successes



Negative effects of shrinking on municipal financial resources

- Less inhabitants – less tax revenues for the city
- Less inhabitants - less businesses in a municipality
- This is made worse because of economic crisis
- Still the same amount of municipal tasks
- Stabilisation of the financial situation in the city – development of new financial strategies through
 - synergies and cooperation
 - new structures of subsidies and government aid
 - new financial models

Financial Resources of Municipalities



Good Practice Example - Citizens contribution

■ Bürgerkredit – Citizen loan (Quickborn/Germany)

- As the municipality had no money for the renovation and/or new construction of the school and the fire station they had the innovative idea to borrow money from the citizens.
- With a citizen loan for one year and a fixed interest rate of 3%, citizens gave their municipality 4 Mio. Euros only in a few days.
- Minimum amount of one citizen to lend the city = € 5,000
- 1st phase: Contracts only between city and citizens without bank → big success
- 2nd phase: bwi-Bank had to be involved, lower interest rate, additional fees → not such a success

Good Practice Example - Citizens contribution

■ **Statt – Aktie (Stadt Langen / Germany)**

- With the purchase of a “Statt-Aktie” the citizens support the voluntary communal tasks in the field of social services, culture, services for senior citizens and young people, sport and environment, for which the municipality is only allowed to spend very little money.
- The citizens can buy a share with the value of € 10, € 20 or € 50
- They will not get back any money.
- This is not a loan and there is no dividend or yield.
- 400 citizens have bought shares amounting to € 10,000 so far.
- It was also possible to abolish the fees for the public library for children and young people totally with the help of these shares.

Good Practice example - Intracting

■ Intracting method (Stuttgart / Germany)

- Stuttgart Environmental Protection Department in close cooperation with the Financial Department developed the “intracting” method for financing energy saving projects.
- This method is based on the idea of contracting but operates entirely within the city administration. It consists of a special budget item (a revolving fund) to which the cost savings are later returned. The Environment Department thus grants an earmarked, interest-free loan to the host department. The amount of the loan depends - as with the conventional Contracting- on the energy and cost saving potential.
- Today, the annual “intracting” budget represents approximately EUR 1.3 million in Stuttgart.
- No additional costs of possible risks and no interest charged on the invested capital.
- Lacking an external contractor, transaction and administration costs of contract management are substantially reduced.
- Small volume projects can be promoted as well, which otherwise would not be attractive enough for an external Contractor. “Intracting” also offers the possibility for partial financing of projects.

Good Practice example - Contracting

- **Especially used for energy saving projects in municipalities**

- A private company invests in modern energy technology und re-finances its costs through reduced energy costs or through the margin between buying and selling of energy performance

- Two different types of contracting:

- a) Energy contracting: The contractor gets paid for the delivered energy to a fixed prize. The municipality saves costs because they do not have to pay for the system and the fuel. The contractor bears the risk alone.

- b) Energy saving contracting: The contractor optimizes the energy efficiency of a public building. He plans, finances and organises the energy saving measures. He gives a fixed saving guarantee. He re-finances the work through a contracting-rate, which derives from the reduced energy costs.

Good Practice Examples – PPP model

■ **Start-UP Center - Building a Start-UP Centre for young entrepreneurs on the premises of the former Brewery Reininghaus (Graz/Austria)**

- Building with 1.000 m² useable space, ca. 25 offices and a centre management
- Reduced rents during the first 3 years
- The project partners could be won over by clearly defining personal added value yielded to each individual and specifying assignment of roles and competencies in an unequivocal manner. Cooperation and Subsidizing Agreements served to establish clear objectives and targets, services to be provided and performance to be achieved as well as financial structures.
- **Partners:**
 - City of Graz - Department for economic and touristic development,
 - City of Graz – Department for City Development
 - Brau-Beteiligungs-AG (BBAG) - (Brewery and Participation Inc.)
 - Innofinanz Styrian Research and Development Ltd.
 - SFG – Steirische Wirtschaftsförderungsgesellschaft

Good Practice Examples - PPP models

■ Porto com Pinta (Porto/Portugal)

- Porto com Pinta is a PPP established by Porto city council to improve and renovate important facades and monuments in the historical city centre.
- It used a company largely owned by the city (APOR -Agência para a Modernização do Porto SA) to bring together building owners and sponsor companies - and establish contracts between the two parties.
- The building owner allowed the sponsor company to advertise outside their building for a six month period, in exchange for the sponsor company paying the majority costs of restoring the building facade.

Good Practice Examples – PPP models

■ Espace grand rue (Roubaix/Lille – France)

- The Espace grand rue project, constructed between 2000 - 2003, included 32,000 m² of new retail, commercial and office development combined with extensive street enhancements and public realm.

- The project was undertaken as a PPP involving the following partners:
 - Roubaix City Council
 - Lille Métropole Communauté Urbaine
 - Several private sector organisations
 - Caisse des Dépôts et Consignations - a unique French institution that is part banker / financier and part implementer of public policy in urban renewal, SME /jobs growth, sustainable communities, and social cohesion.

Good practice examples – Cooperation

■ INKOBA (inter-communal settlement of companies) (Upper Austria)

Cooperation of 8 municipalities in the field of location management and attraction of new businesses

- The real estate of 8 ha is entirely on the grounds of one municipality; it was not purchased but assured by option contracts of € 10,-/m² for a longer period.
- The costs for the development of the area were partly financed through regional and EU funds, the rest was passed on to the new companies with 35% or € 5,-/m².
- The 8 municipalities divide the revenue according the following key: 20% for the municipality that provides the real estate, 5 municipalities get 12% and 2 get 10%.
- The yearly costs for operating INKOBA are divided with the same scheme.

Good practice examples – Cooperation

■ Munich Metropolitan Region Initiative (Germany)

- Voluntary regional cooperation platform of counties and municipalities of southern Bavaria
- It provides an umbrella for partners from the worlds of business, politics, education and science, culture, and government to meet and contribute their involvement and commitment for the region
- Any participant willing, above all, to play an active part in a project is welcome to join (Principle of Openness).
- Participants cooperate on a voluntary basis and on equal terms, aware of their mutual responsibilities (Principles of Voluntariness and Equal Rights).
- Cooperation in the following fields: Knowledge and Information, Business and Marketing, Environment and Health, Transportation and Mobility

Good practice examples – Cooperation

■ Cooperation of municipal administration in Oberhünigen and Zäziwil (Switzerland)

- The overall administration of the municipality of Oberhünigen is now made by the municipality of Zäziwil.
- The cooperation is regulated by a contract.
- Both municipalities stay politically independent and have both their own councils.
- Oberhünigen pays a small compensation to Zäziwil and the administrative employees work for both municipalities.
- Costs are reduced, know-how is increased, jobs are secured

Conclusions

- Municipalities have to be innovative to find new ways of financing
- Co-operations with other municipalities can help to split tasks and to reduce costs, but the framework should be clearly defined and trust is built up
- Partnerships with private partners can only be successful if a win-win-situation for all parts is created and the roles and responsibilities are defined in a contract
- Citizens are willing and able to help