

# Auckland Council Investor Update



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# Contents

Overview	4
Principles of Local Government in New Zealand	8
Financial Results Highlights and Forecasts	12
Debt Market Activity and Funding Approach	16
Contact Details	19
Appendices	22



# Overview



# Auckland Council – Credit Proposition

Strong credit ratings of AA/Aa2 from S&P/Moody's – both "Stable" outlook

- Legislated and unlimited ability to raise property taxes (rates) and enforce payment
- Predictable and strong operating cashflows
- Consistently strong financial results and strict financial parameters imposed
- Simple, transparent and supportive governance framework in New Zealand
- Auckland is politically significant and integral to the New Zealand economy
- Mature and advanced funding strategy which includes commitment to
  - Current credit ratings
  - Offshore markets (key currencies – EUR, AUD and CHF)

# New Zealand – Overview

Stronger GDP growth and lower unemployment<sup>1</sup> than OECD average



NZ population  
**4.79 million**

Up 100,000, a rise of 2% on previous year



There were  
**3.6 million**  
international visitors

Up 9% on the previous year

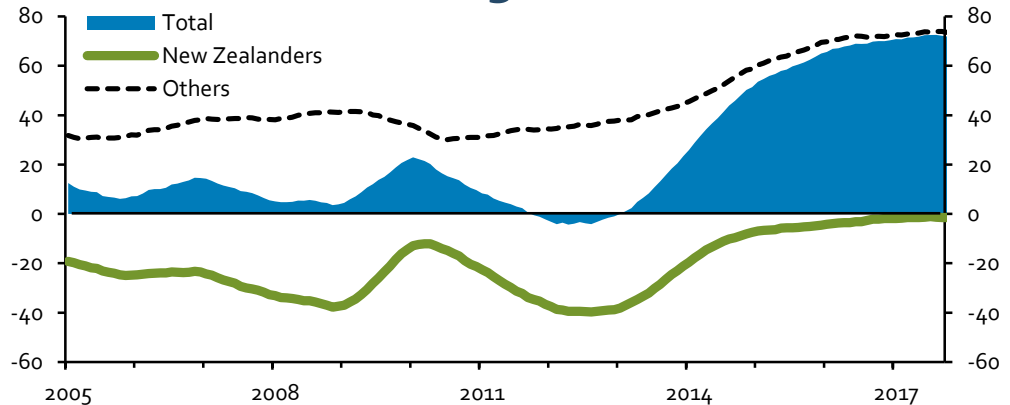


NZ's GDP growth  
**2.5%**



CPI inflation  
**1.7% p.a.**

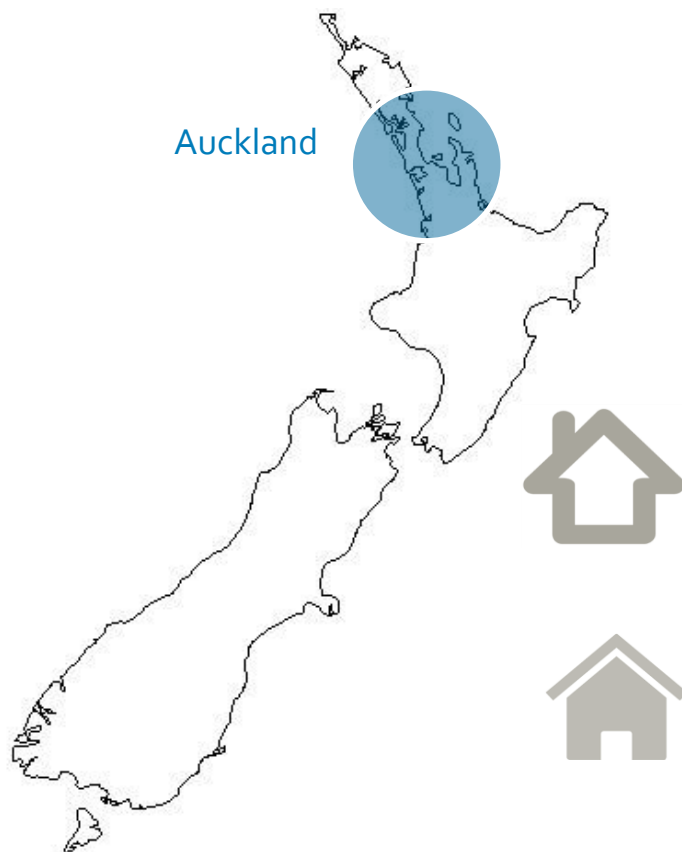
## Net immigration ('000)



# Auckland – Overview



3rd Most Liveable City in the world<sup>1</sup>



- New Zealand's largest and fastest growing city
- 34% of New Zealand's population – June 2016
- Auckland regions GDP 38% of NZ GDP – June 2017
- Auckland's annual GDP growth rate 3.4% (vs 2.5% for NZ) – June 2017

**50%**

of New Zealand's  
growth in the last year



Home to

**60%**

of New Zealand's Top  
200 companies



**4**

Out of every 10 Kiwis will be  
living in Auckland by 2043



**400,000**

Dwellings needed in the  
next 30 years (currently  
550,000)



# Principles of Local Government in New Zealand





# Local Government Responsibilities

## Low Risk Profile

Central Government	Central and Local Government	Local Government (Auckland Council)
Education (primary, secondary and tertiary)	Public transport operation (typically 53% from Central Government)	<b>Water supply</b>
Police and fire services	Rail infrastructure (negotiated)	<b>Wastewater and sewers</b>
Public healthcare and hospitals	Local roads (construction, maintenance and cleaning)	<b>Storm water</b>
Public housing (vast majority)		<b>Rubbish and recycling collection and disposal</b>
State highways		<b>Street cleaning</b>
Corrective facilities		<b>Health / sanitation inspections</b>
Pensions		<b>Building inspections</b>
Welfare		<b>Public facilities (parks, recreation facilities, swimming pools and sports fields)</b>

# Rates (Property Tax) Certainty

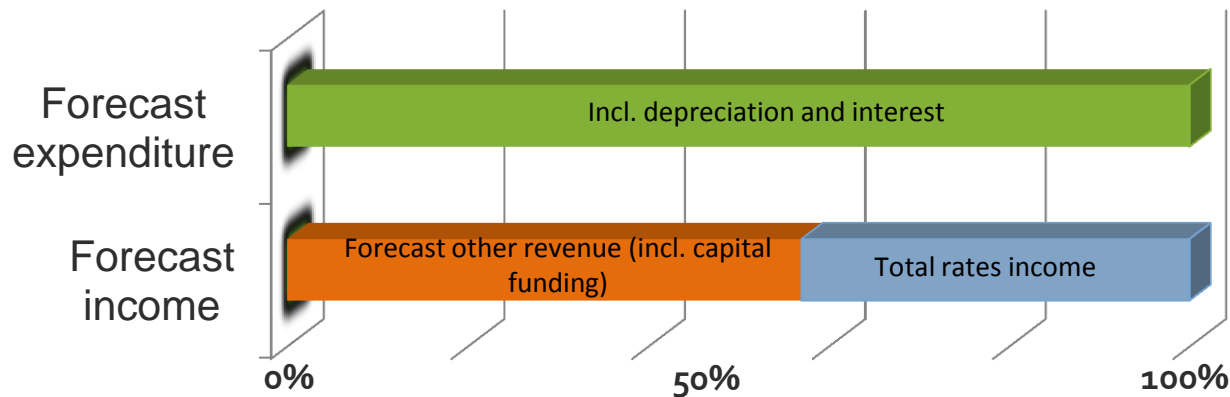
Rates collection ranks ahead of all other claimants on a property

- Council has broad powers to tax (rate) property
- No legal upper limit on rates income
- Ratepayers must pay their rates
  - Mortgaged properties
  - Unmortgaged properties
- > 98% of rates collected when due (remainder largely collected shortly after)
- Rates based on property values – but only for allocation purposes
- Level of rates income unaffected by level of property prices or economic cycle

# Balance Operating Budget

## Legislative requirement to balance operating budget

- Cannot run operating deficits – must balance operating expenditure with operating income
- Budget balanced every year as part of Annual Plan



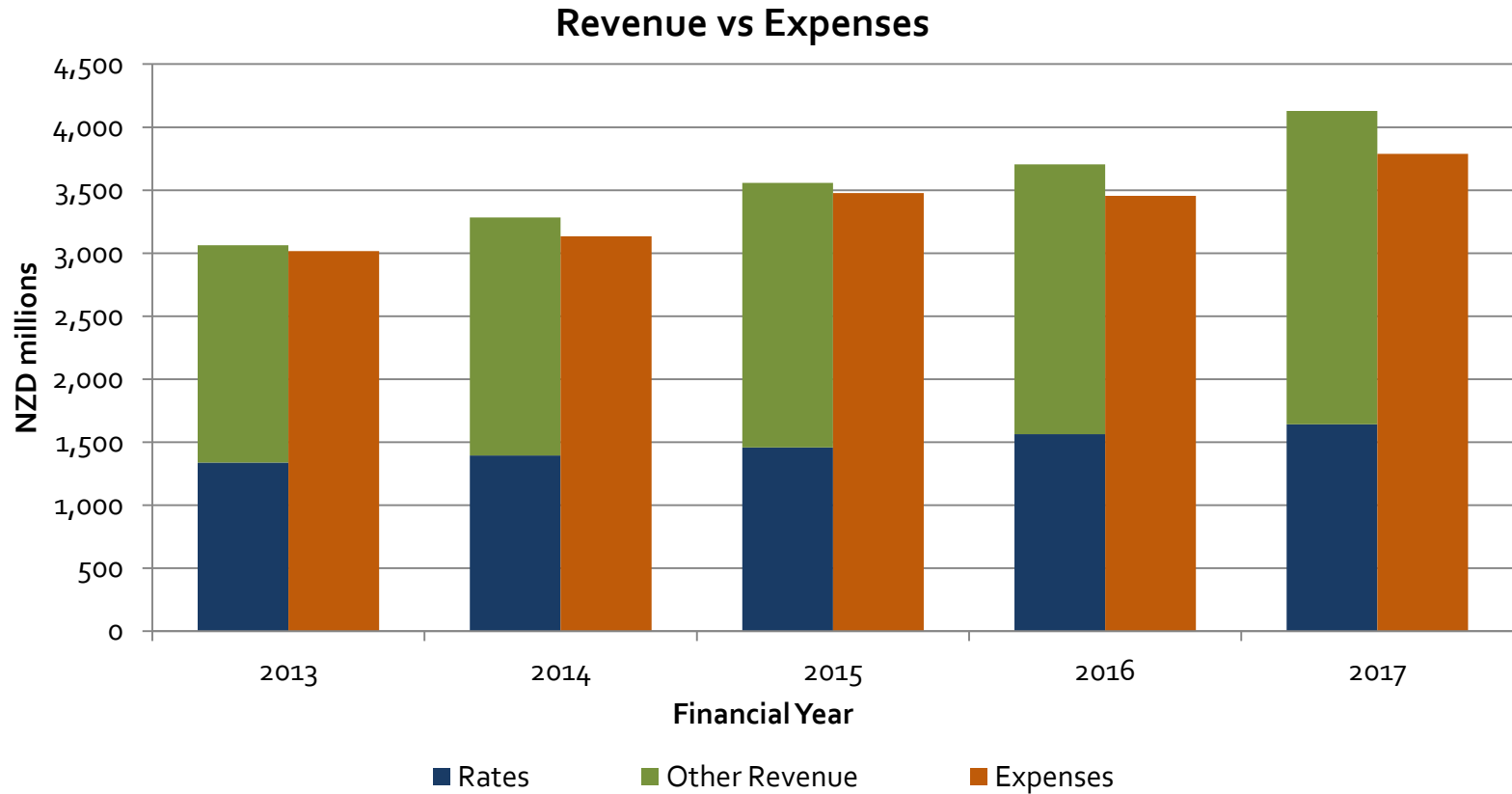
- Implications
  - Level of rates income not impacted by property prices or economic activity
  - Positive operating cash flow - depreciation is largely cash funded
  - Debt only used to fund new assets

# Financial Results Highlights and Forecasts

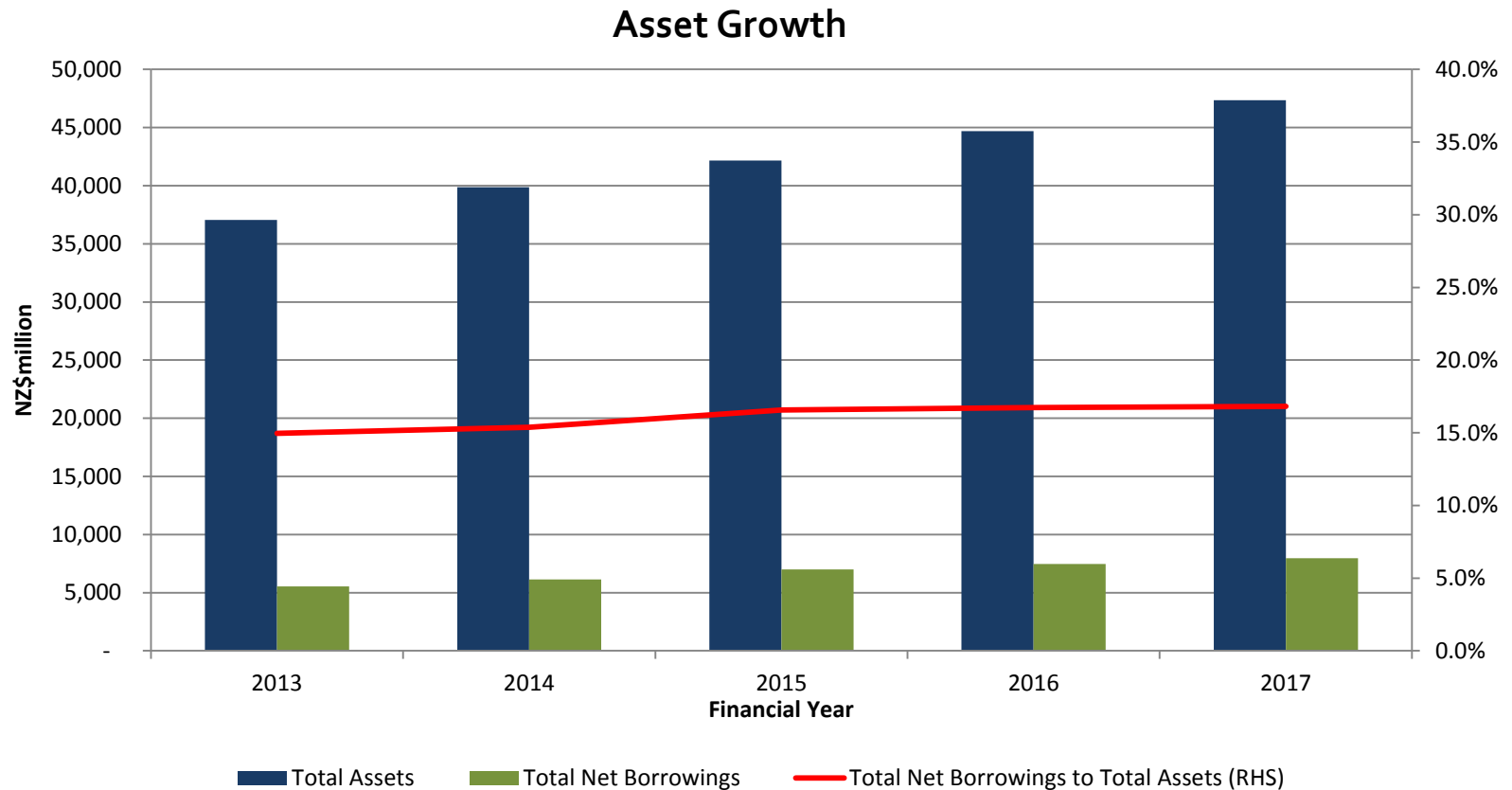




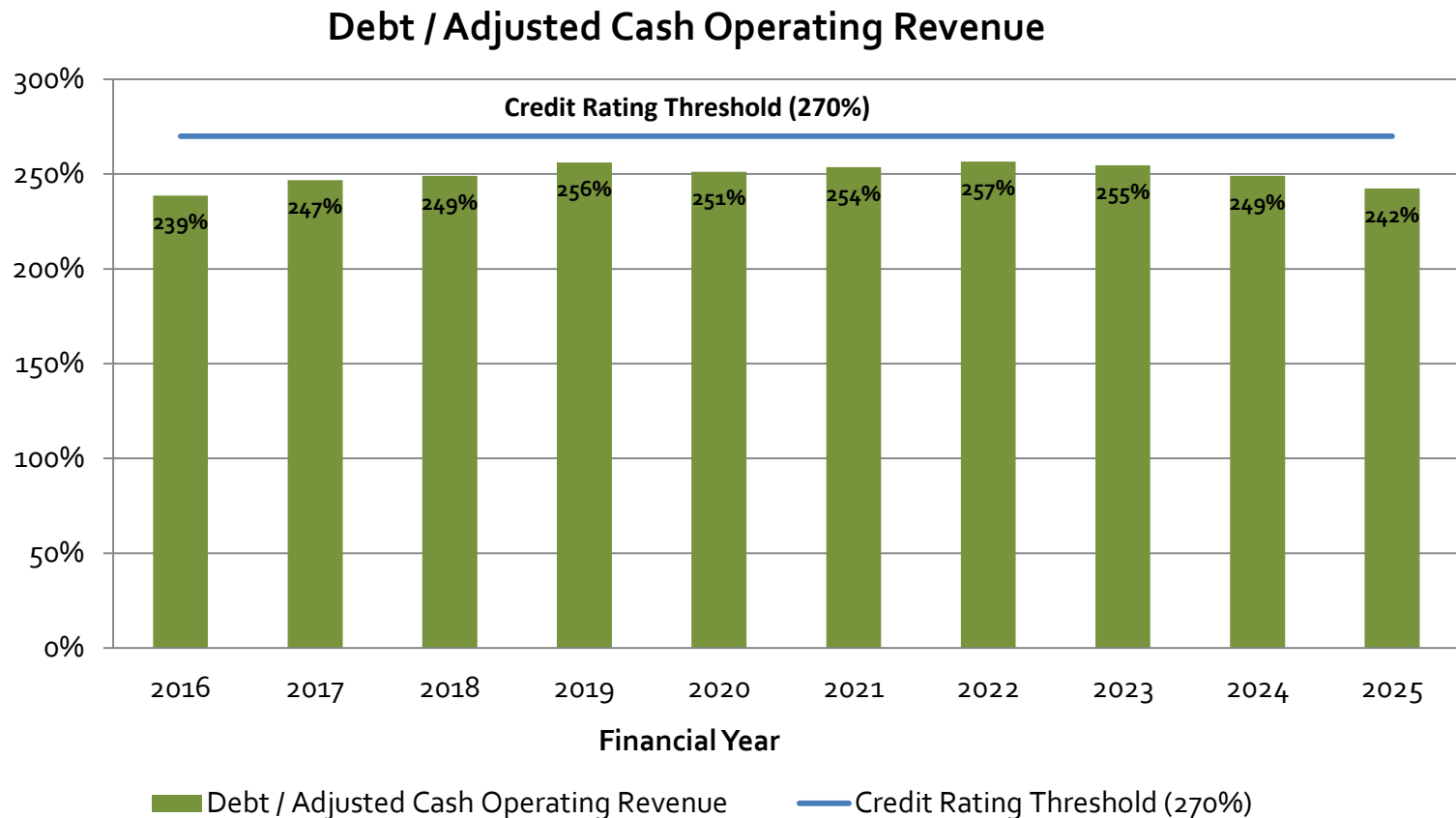
# Financial Results – Stable and Predictable



# Financial Results – Strong Balance Sheet



# Forecasts Consistent with AA / Aa2 Rating



# Debt Market Activity and Funding Approach

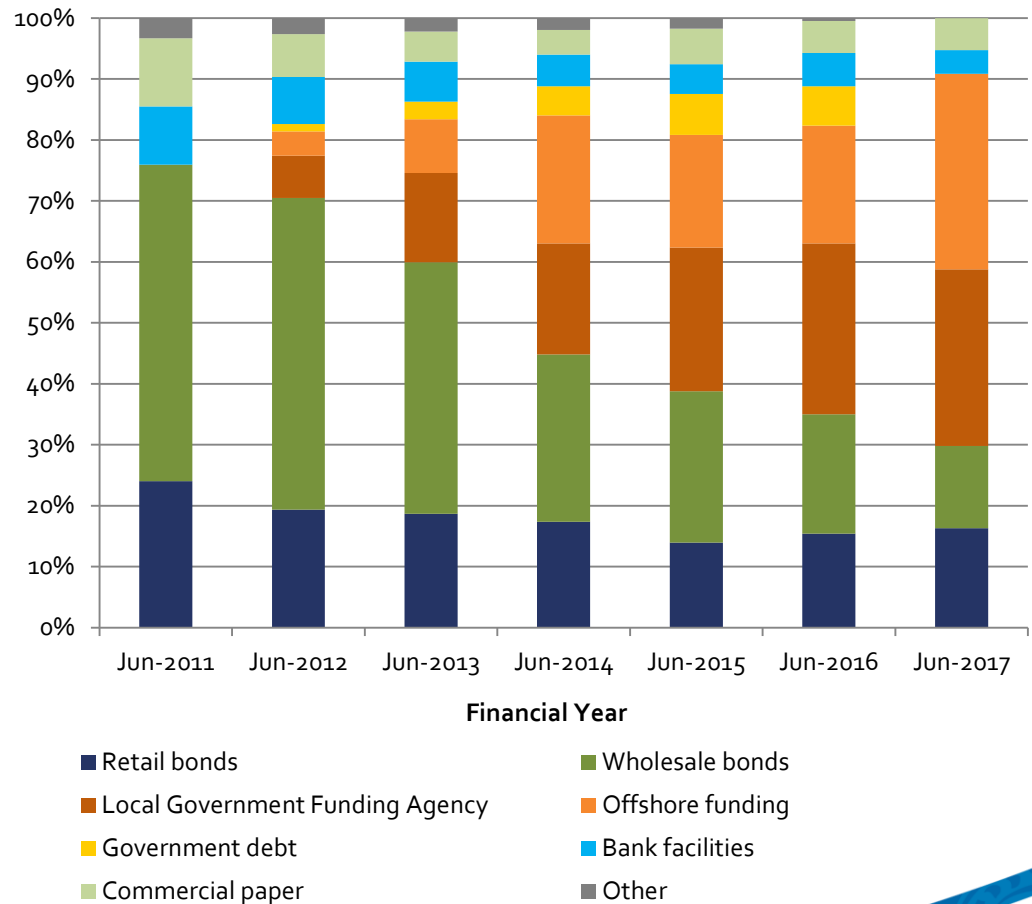




# Funding Strategy – Diversity

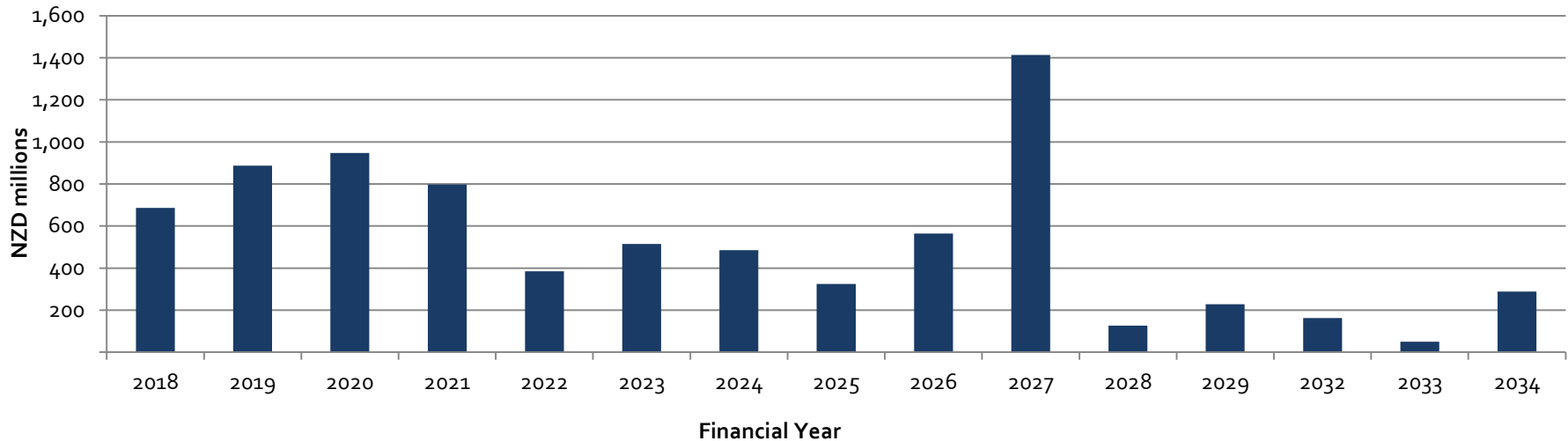
- 9 offshore transactions – (EUR, AUD, NOK and CHF)
- Weighted average term of 5.7 years
- Backed by NZD1.2 billion standby facility
- Funding via LGFA capped at 40% of their lending (currently 29%)
- Government debt refinanced in October 2016

**Auckland Council Group Funding Mix**

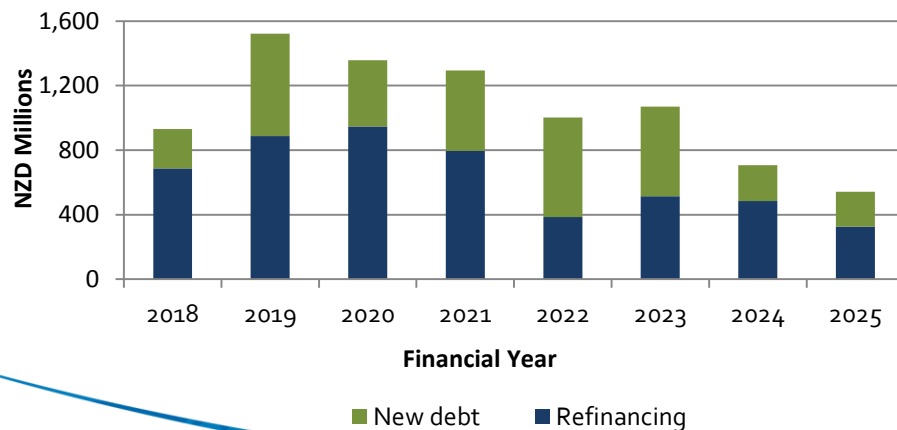


# Funding Strategy – Refinancing and New Debt

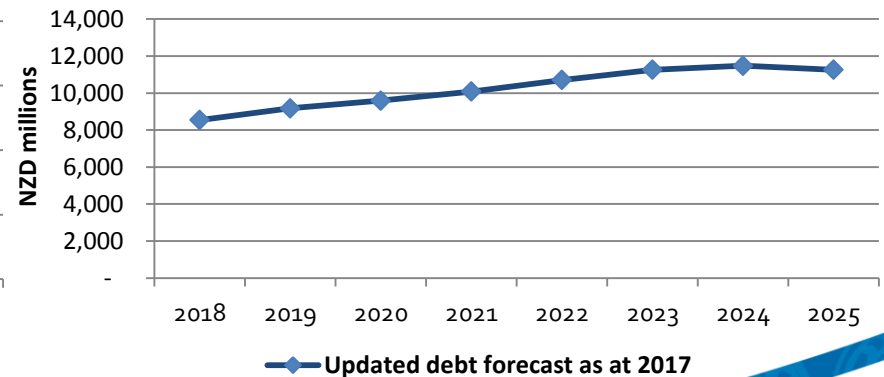
Long Term Debt Maturity Profile (as at 30 June 2017)



Annual forecast group long-term borrowing



Projected group debt (financial years)



◆ Updated debt forecast as at 2017

# Contact Details



# Contact Details



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# Questions?



# Appendices





# Financial Results – 30 June 2017

Stable and Predictable

For the period (NZDm)	30 June 2017	30 June 2016	30 June 2015	30 June 2014	30 June 2013
Rates	1,641	1,564	1,458	1,395	1,337
Other revenue	2,488	2,141	2,100	1,888	1,743
<b>Total Revenue</b>	<b>4,129</b>	<b>3,705</b>	<b>3,558</b>	<b>3,283</b>	<b>3,080</b>
Depreciation	874	828	778	737	681
Other expenses	2,444	2,210	2,278	2,024	1,990
Finance Costs	471	417	422	372	345
<b>Total Expenses</b>	<b>3,789</b>	<b>3,455</b>	<b>3,478</b>	<b>3,133</b>	<b>3,016</b>
<b>Operating Surplus</b>	<b>340</b>	<b>250</b>	<b>80</b>	<b>150</b>	<b>64</b>
<b>(Deficit) / Surplus after adjustments</b>	<b>640</b>	<b>(231)</b>	<b>(72)</b>	<b>676</b>	<b>257</b>

# Financial Results – 30 June 2017

## Strong Balance Sheet

As at (NZDm)	30 June 2017	30 June 2016	30 June 2015	30 June 2014	30 June 2013
Cash	337	137	345	206	336
<b>Total assets</b>	<b>47,359</b>	<b>44,679</b>	<b>44,167</b>	<b>39,874</b>	<b>37,055</b>
Total borrowings	8,300	7,611	7,334	6,341	5,881
<b>Total liabilities</b>	<b>11,583</b>	<b>11,027</b>	<b>10,088</b>	<b>8,729</b>	<b>8,227</b>
<b>Net assets</b>	<b>35,776</b>	<b>33,652</b>	<b>32,079</b>	<b>31,145</b>	<b>28,828</b>
Total borrowings (gross) to total assets	17.5%	17.0%	16.6%	15.9%	15.9%
Total borrowings (net) to total assets	16.8%	16.7%	15.8%	15.4%	15.0%



# Financial Results – 30 June 2017

## Strong Operating Cash Flows

For the period (NZDm)	30 June 2017	30 June 2016	30 June 2015	30 June 2014	30 June 2013
Operating cash flow	814	771	726	823	572
Investing cash flow	-1,325	-1,338	-1,445	-1,540	-1,302
Funding cash flow	714	358	854	586	851
Net (Decrease) / Increase in Cash	203	-209	135	-131	121

# Supportive Operating and Governance Framework

Proven, simple and transparent

- Two tier government framework
  - Central Government
  - Local Government Councils (governed by the Local Government Act/oversight from Ministry of Local Government)
- Single source of tax revenue (property tax or “rates”) for councils
- Central government receives all other tax revenue
- No sharing of tax revenues
- Legislative requirement to run balanced operating budget
- Extensive planning and financial disclosure regime
  - Audited annual, ten year and thirty year plans subject to public consultation
  - Half year and annual financial statements (NZ IFRS compliant and signed off by NZ Auditor General)
  - Monthly public financial reporting