



Auckland Council Investor Update

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Auckland - Overview

3rd Most Liveable City in the world¹

Auckland



- New Zealand's largest and fastest growing city (200k new residents in the last 5 years - population 1.7m)
- 35% of New Zealand's population
- Auckland region's GDP 38% of NZ GDP – (\$270b)
- Auckland's annual GDP growth rate 3.9%



40%
of New Zealand's
growth in the last year



4
out of every 10 Kiwis will
live in Auckland by 2043



Home to
60%
of New Zealand's Top 200
companies



313,000
Dwellings needed in the
next 30 years (currently
490,000)

Auckland Council

- Continued infrastructure focus
 - Capital delivery \$872m (half-year) – up 10% on previous year
 - Evidence of rising construction costs and capacity constraints
- Strong operational and cashflow performance
 - Small net debt increase (half-year)
- Local government election



Group Financial Highlights

Comprehensive Revenue and Expenditure - 31 December 2018

For the period (NZ\$m)	31 Dec 2018	31 Dec 2017	30 June 2018
Rates revenue	1,778	1,698	1,707
Services and other revenues	1,483	1,305	2,836
Total revenue	3,261	3,003	4,543
Operating expenses	1,809	1,718	3,412
Finance costs	238	232	472
Total expenses	2,047	1,950	3,884
Operating surplus before gains and losses	1,214	1,053	659
Surplus after tax	1,039	976	660

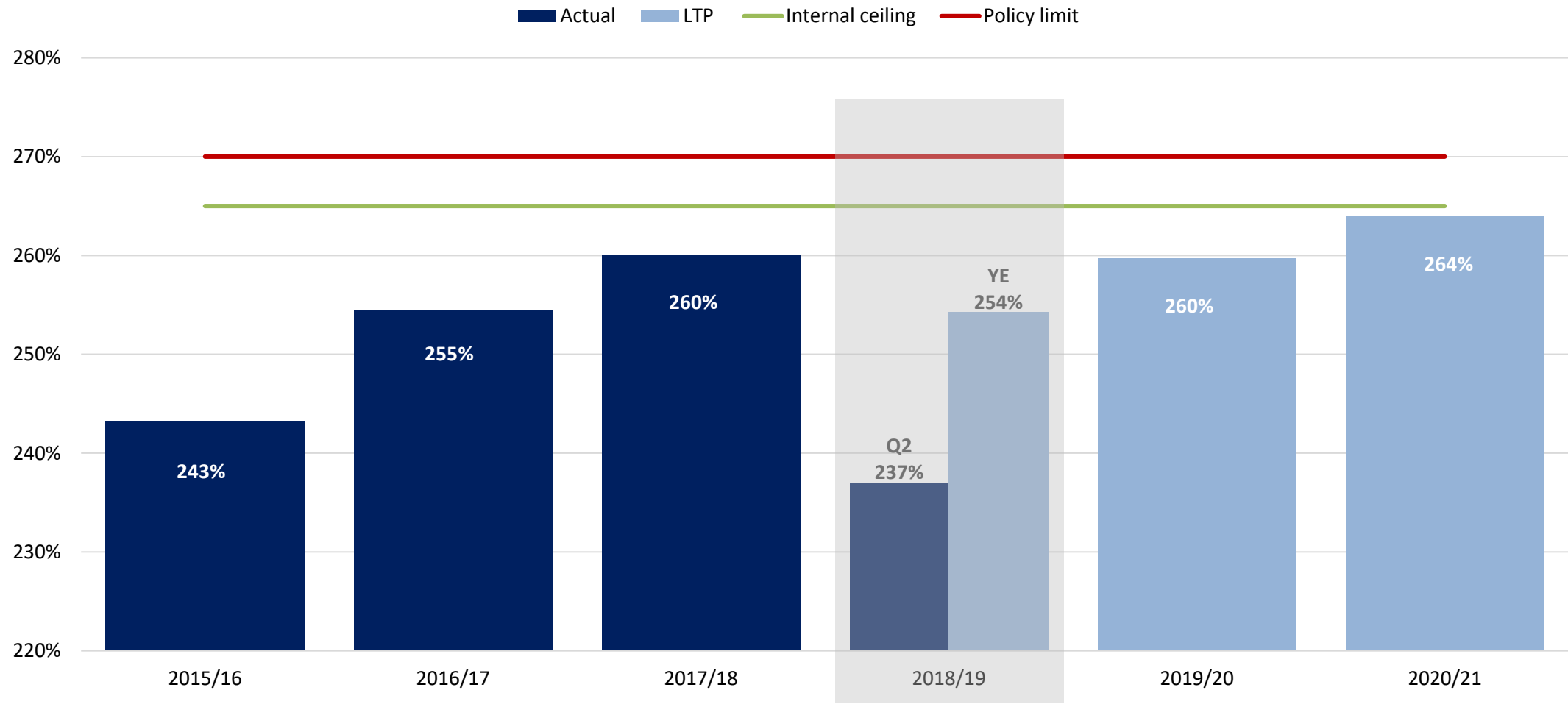
Financial Position - 31 December 2018

As at (NZ\$m)	31 Dec 2018	31 Dec 2017	30 June 2018
Cash	280	774	618
Total assets	52,400	49,163	51,462
Total borrowings	8,564	9,017	8,832
Total liabilities	12,564	12,398	12,660
Net assets	39,836	36,765	38,802
Net borrowings to total assets	15.8%	16.8%	16.0%

Cash Flows - 31 December 2018

For the period (NZ\$m)	31 Dec 2018	31 Dec 2017	30 Jun 2018
Operating cash flow	707	638	1,101
Investing cash flow	(803)	(798)	(1,134)
Funding cash flow	(235)	600	312

Debt to Revenue Ratio



A circular inset image showing a group of people, likely Māori, wearing green robes and large flower crowns (hāngi). They are looking towards the left. The text "Long Term Plan (LTP)" is overlaid in white.

Long Term Plan (LTP)

Financial Overview - Key Points

- Over \$26 billion of capital investment, focused on transport and water infrastructure to support new housing areas and intensification of existing areas
- General rate increases of 2.5% for next two years and 3.5% thereafter
- Funding raised through new targeted rates ring-fenced to protect the environment and improve water quality
- Debt limit set at 265% of revenue

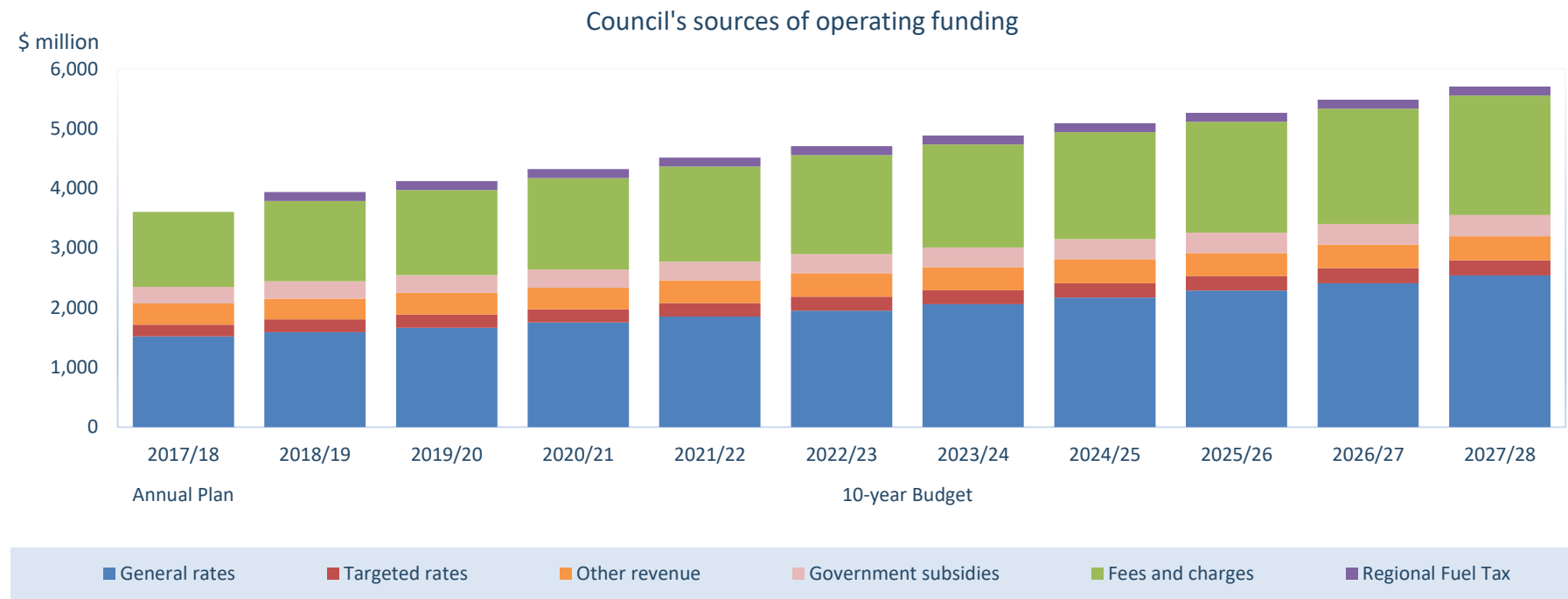
Operating Revenue

Government subsidies

- Updated commitment to transport subsidies through Auckland Transport Alignment Project (ATAP)

Other fees and charges (e.g. consenting fees, public transport fares)

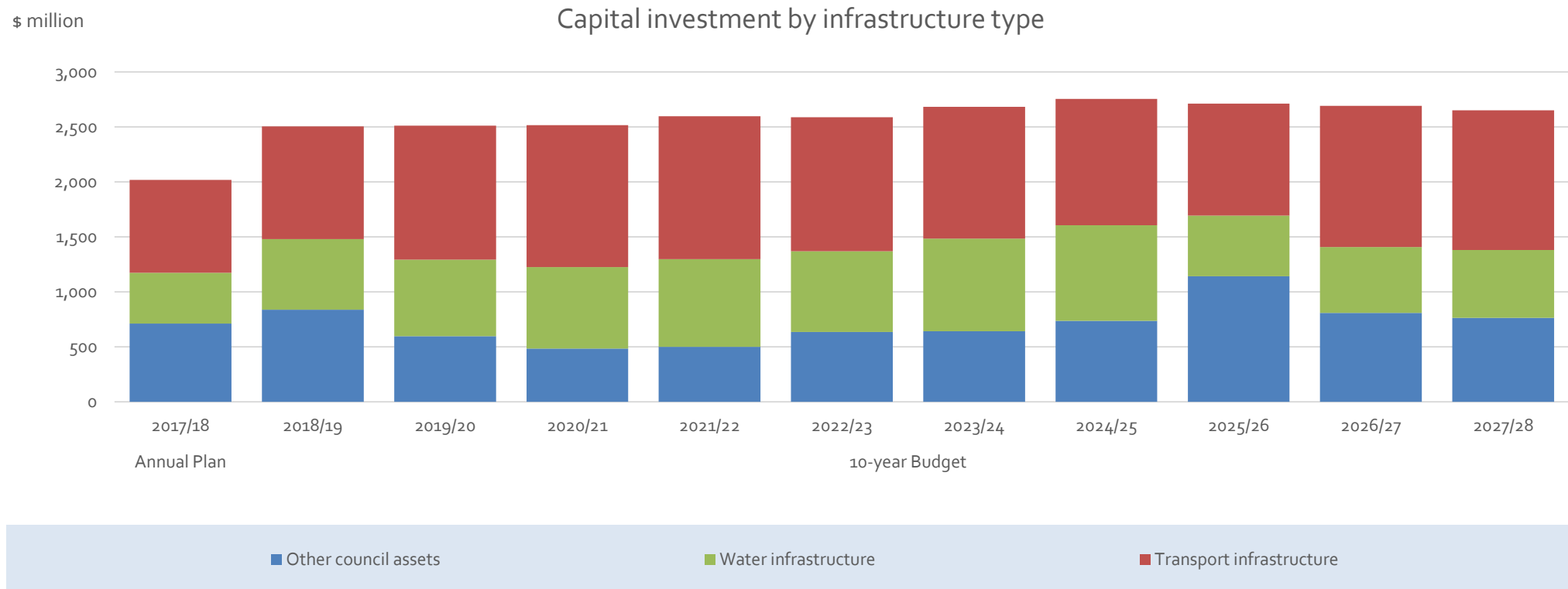
- Set to represent appropriate levels of cost recovery
- Increases with inflation each year



Capital Investment for Auckland

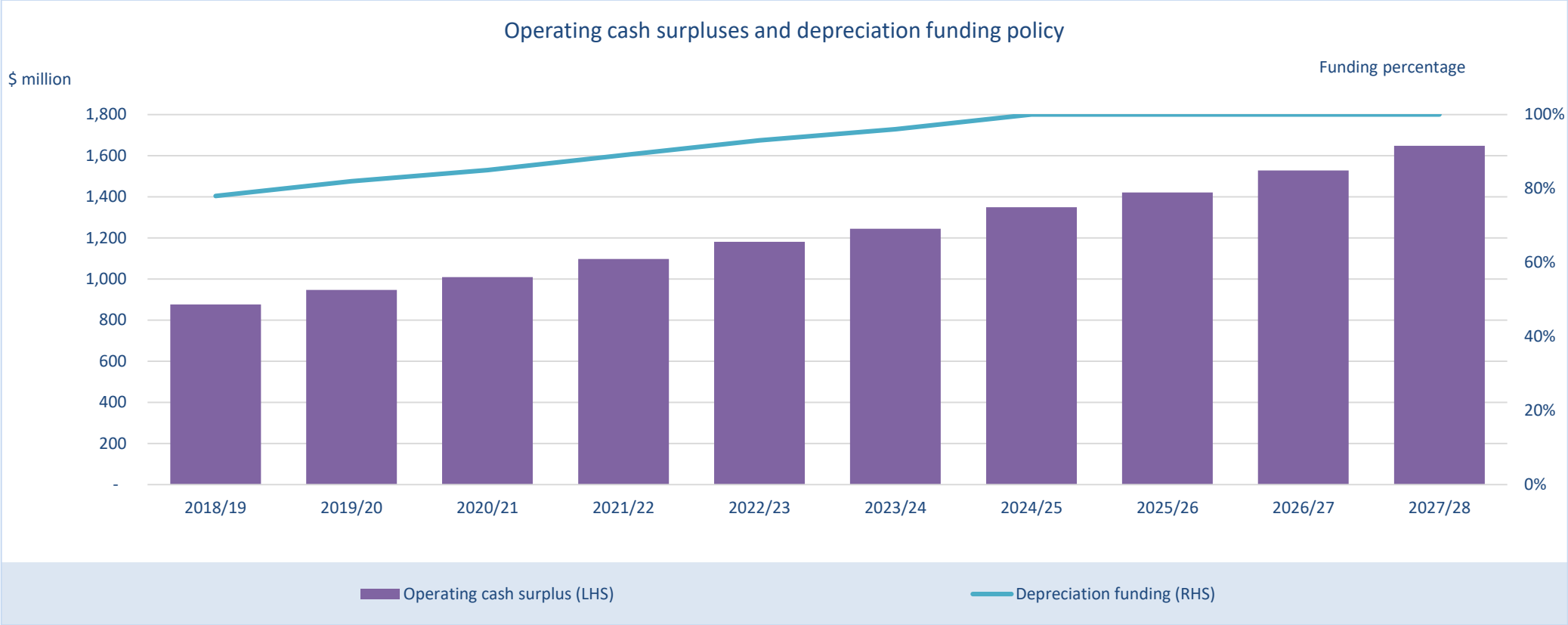
Investment focused on transport and water infrastructure to:

- deliver expected service levels in the face of significant population growth
- support new housing areas and intensification of existing areas

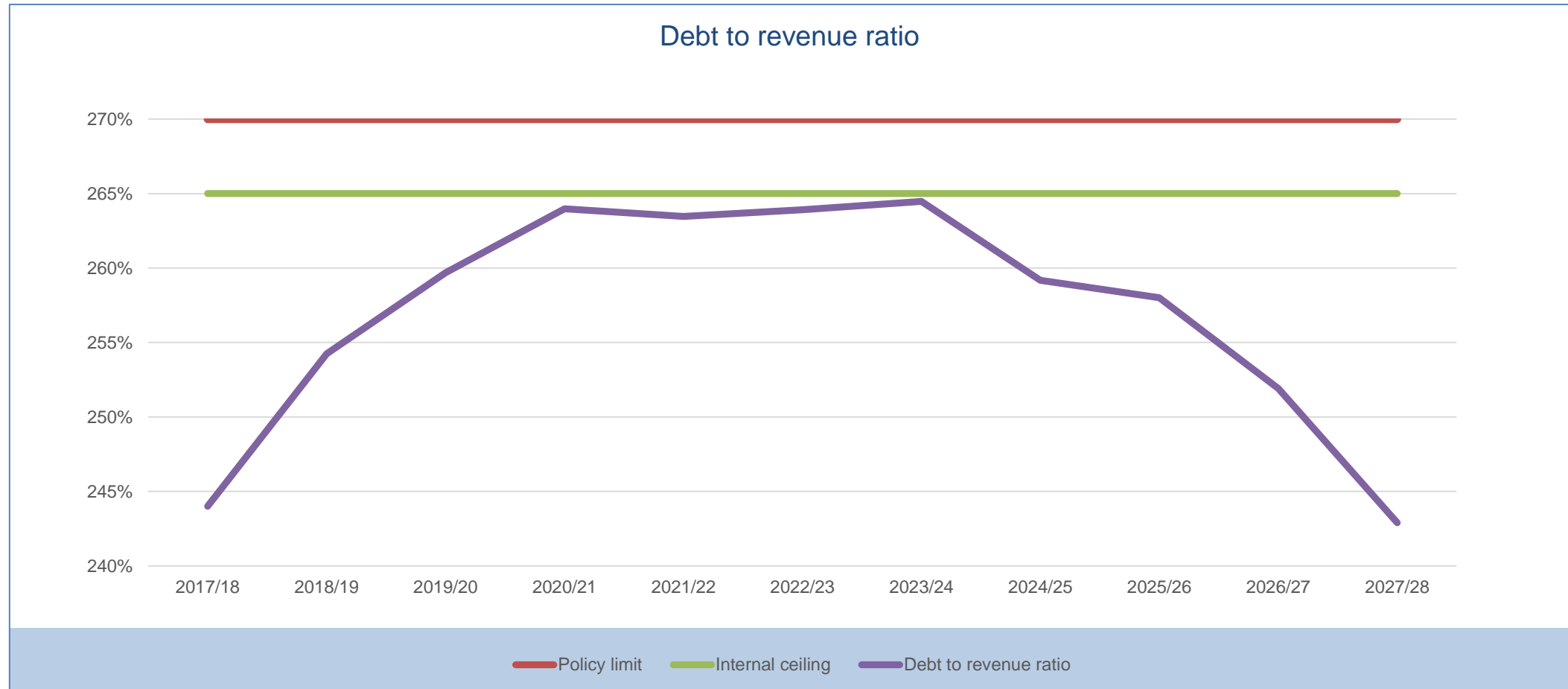


Operating Cash Surplus

- Growing operating cash surplus:
- aligned with depreciation funding policy
 - allows continued capital investment with prudent growth in debt



Debt to Revenue Ratio



Auckland Council has set a prudential target of debt below 265% of revenue.



Funding Approach and Debt Market Activity

Funding Approach

- Diversity important – across domestic, Local Government Funding Agency (LGFA) and offshore
- Spread of debt maturities
- Continue to develop offshore markets
- Commitment to AA / Aa2 credit rating
- Development of a Green Bond Framework

Security and Credit Ratings

Security

- Lenders have benefit of Debenture Trust Deed giving a charge over rates revenue and future rates income
- Rates ranks ahead of all other claimants on property
- Ability to appoint Commissioner and to levy special rate

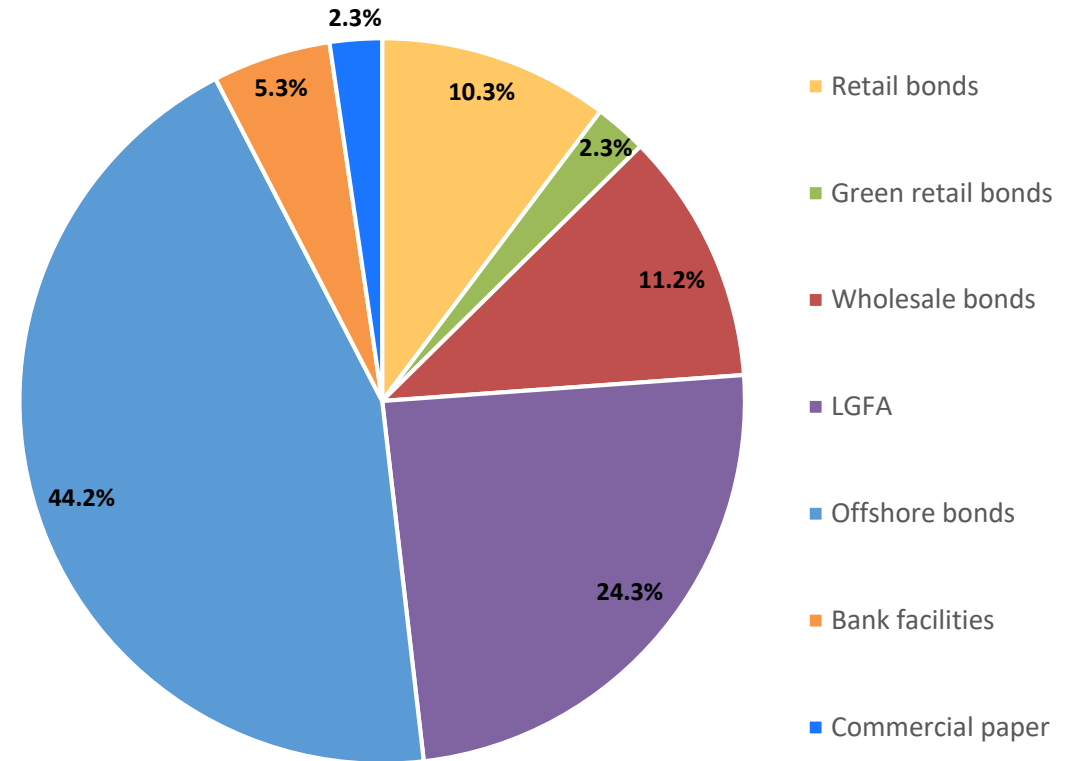
Credit ratings

- Standard and Poor's: AA (Stable Outlook)
- Moody's: Aa2 (Stable Outlook)
- Both ratings affirmed Sept/Oct 2018
- Rating target AA/Aa2 now part of core treasury policy

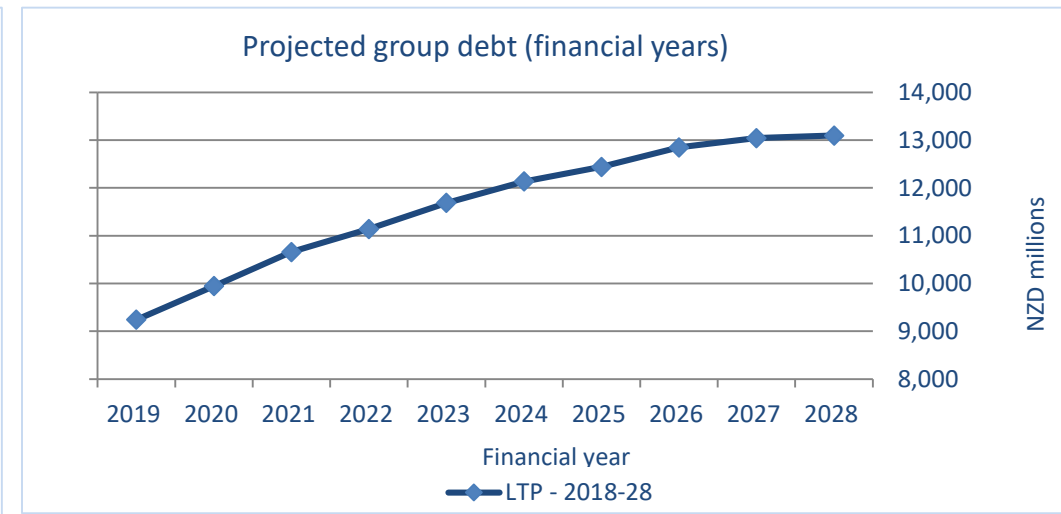
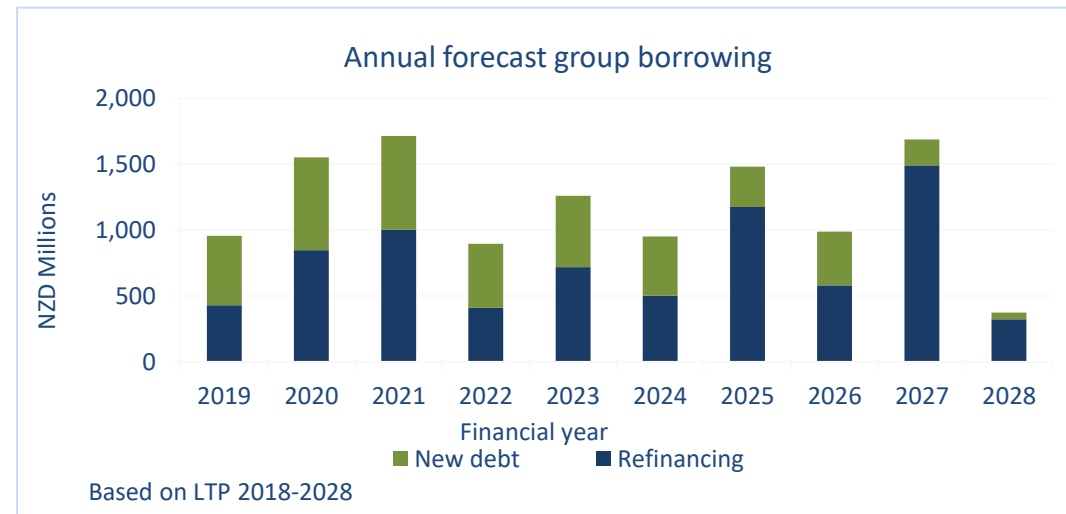
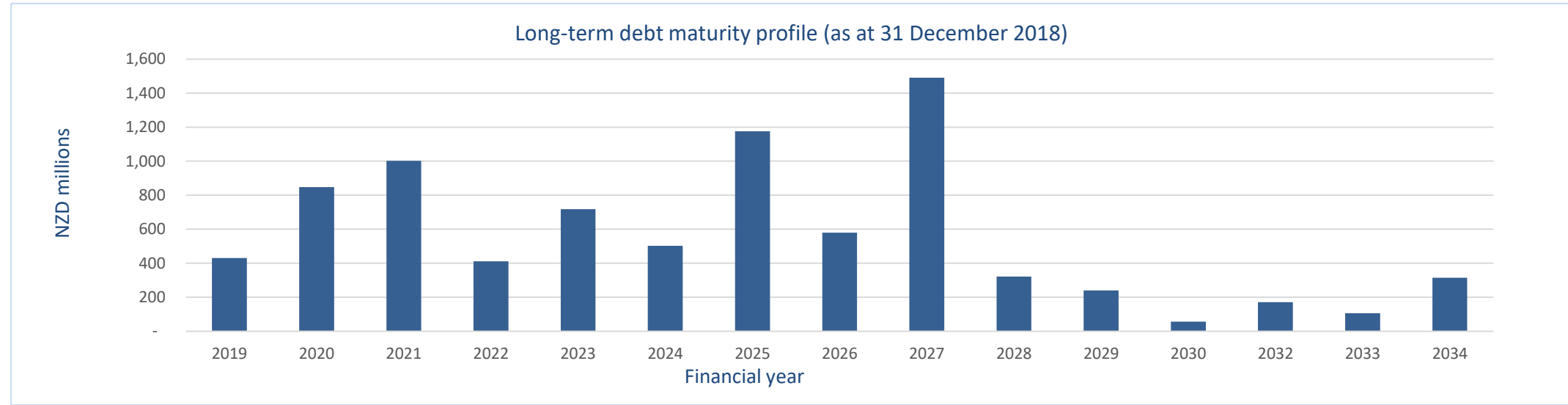
Funding Diversity

- Gross debt of \$8.6 billion (56% NZD domestic and 44% offshore)
- Multiple offshore issues
- Weighted average term of 5.8 years
- Backed by NZD1 billion standby facility
- Funding via LGFA capped at 40% of their lending (currently 24%)

Auckland Council Group funding mix - December 2018



Refinancing and New Debt





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