

22 May 2020

## COVID-19 Update

### Background

Auckland Council (Council) is experiencing the unprecedented impacts of the COVID-19 crisis in terms of both operational disruption and the flow-on impacts on economic activity.

In particular, this includes revenue reductions for public transport, regulatory revenue, water charges, fuel tax receipts, revenue from events and community facilities and dividends from Auckland International Airport. This has been exacerbated by the current drought situation and associated water restrictions.

### Potential outlook and budgetary response

The severity, duration and longer-term implications of the disruption remain highly uncertain and therefore the financial implications for Council are also highly uncertain. While the Council had a strong financial and liquidity position going into the COVID-19 situation, the revenue reductions present challenges for Council's core financial strategy parameters in the near-term.

The Council's Emergency Committee has reviewed updated financial projections reflecting the most likely implications of the COVID-19 crisis and yesterday agreed a revised draft Emergency Budget 2020/2021 for further public consultation. This consultation will include options for an average general rates increase of both 2.5% and 3.5%.

The revised draft budget reflects:

- a projected reduction in cash operating revenue for the group of around \$550 million
- a range of proposed operating and capital expenditure reductions for the coming year with some service levels temporarily reduced and many capital investments delayed or slowed down
- a proposed increase in the target for the disposal, lease or concessionary arrangement for non-strategic property assets
- a strong commitment to long-term financial prudence and sustainability, but a temporarily elevated debt to revenue ratio that is projected to be 290% for 2020/2021, with this projected to return to the council's policy limit of 270% in 2021/2022.

### Credit rating

Council currently has credit ratings of AA/Aa2 from S&P Global and Moody's respectively, both on stable outlook. The Moody's rating with stable outlook was recently affirmed.

Given the financial impact of the COVID-19 crisis, Council will continue to hold discussions with the rating agencies regarding its proposals for managing the financial impacts resulting from the crisis. At a time of uncertainty in global financial markets, Council is working to ensure it can maintain a prudent and sustainable approach to long-term financial management.

**Next steps**

The council's Governing Body will be asked to adopt material for public consultation on 28 May 2020. Following consideration of public feedback, the Governing Body will make decisions, adopt a final budget and set rates for 2020/2021 by 31 July 2020.

End

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