

# Auckland Council Investor Update

September/October 2022



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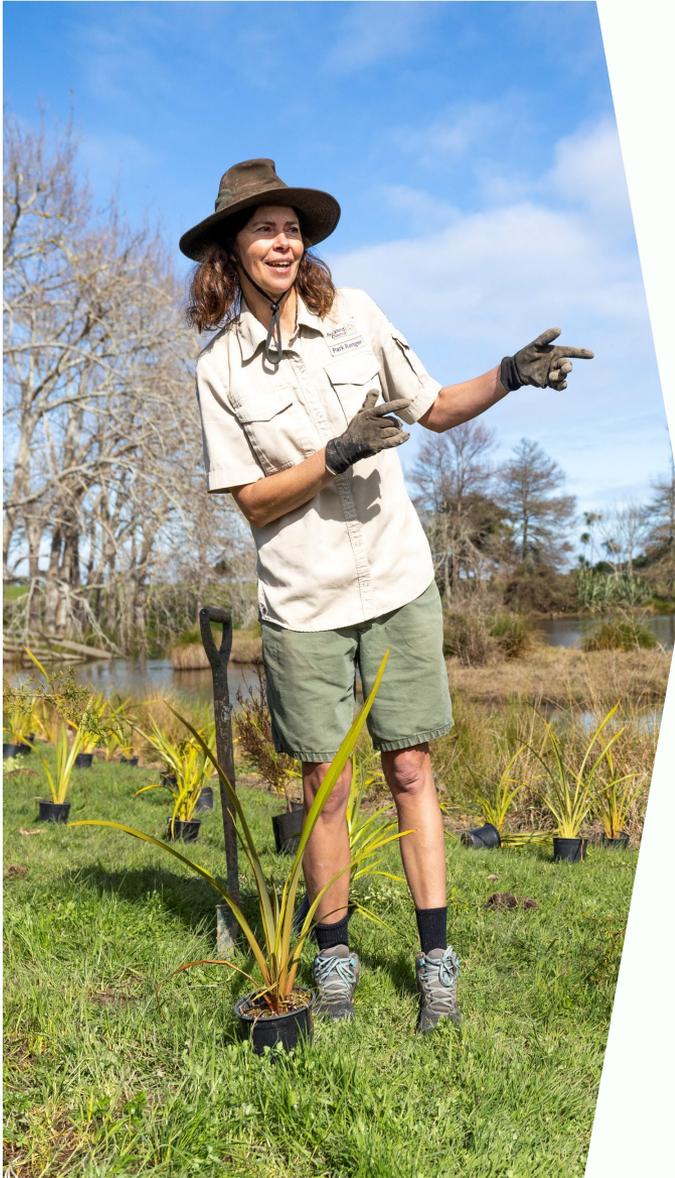
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# Mihi

Noho mai rā Tāmaki Makaurau,  
moana waipiata,  
maunga kākārīki.  
Mai i ngā wai kaukau o ngā tūpuna,  
ki ngā puke kawē i ngā reo o te tini,  
i puta ai te kī mōu  
Tū ana he maunga,  
takoto ana he raora,  
heke ana he awaawa.  
Ko ō wahapū te ataahua,  
ō tāhuna te mahora,  
te taiao e whītiki nei i a koe he taonga tuku iho.  
Tiakina kia meinga tonu ai koe  
ko 'te tāone taioore nui o te ao,  
manakohia e te iwi pūmanawa'.  
Tāmaki Mākaurau tirohia te pae tawhiti  
he whakairinga tūmanako  
mō ngā uri whakaheke o āpōpō,  
te toka herenga mō te hunga ka tahaki ake  
mā ō tomokanga,  
te piriti e whakawhiti ai  
tō iwi ki ngā huarahi o te ora.  
Tāmaki Mākaurau e toro whakamua,  
hīkina te mānuka.  
Tērā te rangi me te whenua te tūtaki.  
Maranga me te rā, he mahi māu me tīmata,  
ka nunumi ana ki te pō,  
whakatārewahia ō moemoeā ki ngā whetū.  
Ko te oranga mutunga mōu  
kei tua i te taumata moana.  
Whakatuwherahia ō ringa, kūmea mai ki i tō uma.  
Tāmaki Makaurau  
he tāone ūmanga kurupounamu koe;  
tukua tō rongō kia rere i te ao.

Tāmaki Makaurau  
who bestrides shimmering seas,  
and verdant mountains.  
From the bathing waters of our forebears,  
and hills that echo with voices  
that acclaim.  
Your mountains stand lofty,  
your valleys spread from them  
and your streams run freely.  
Your harbours are majestic,  
your beaches widespread,  
the environment that surrounds you is a legacy.  
Take care of it so that you will always be known  
as 'the world-class city  
where talent wants to be'.  
Tāmaki Makaurau looking to the future,  
repository of our hopes  
for generations to come,  
anchor stone for those who venture  
through your gateway,  
and the bridge that connects  
your citizens to life.  
Tāmaki Makaurau moving on.  
accepting all challenges.  
Where even heaven and earth might meet.  
Rise with the sun as there is work to be done  
and when evening comes,  
allow your dreams to glide among the stars.  
Perpetual health and growth  
is beyond the horizon of cresting waves.  
Open your arms and pull them to your embrace.  
Tāmaki Makaurau, you are a city  
where valued business and enterprise thrives;  
let your good name traverse the world.



# Contents

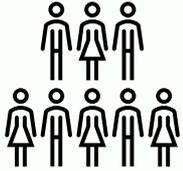
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# Overview



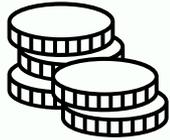
# New Zealand overview



**5.1m**<sup>1</sup>

New Zealand's population

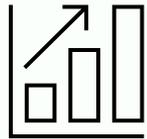
**0.58**<sup>2</sup>  
NZD/USD Exchange  
Rate



**NZ\$360b**<sup>3</sup>

New Zealand's GDP

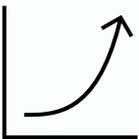
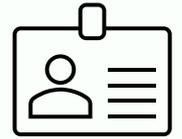
**1.69**<sup>2</sup>  
EUR/NZD  
Exchange Rate



**1.0%**<sup>3</sup>

Annual GDP Growth

**3.3%**<sup>4</sup>  
Unemployment  
Rate



**7.3%**<sup>4</sup>

New Zealand's annual CPI

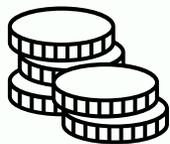
**3.0%**<sup>4</sup>  
Official Cash Rate



1. Statistics New Zealand June 2022
2. Bloomberg as at 22 September 2022
3. Statistics New Zealand June 2022
4. RBNZ as at 15 September 2022



# Auckland overview



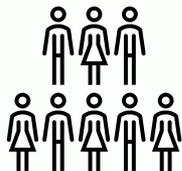
**37%**<sup>1</sup>  
of New Zealand's GDP

**1.72m**<sup>2</sup>  
Auckland population



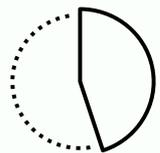
**200+**<sup>3</sup>  
ethnicities in Auckland and  
40% of the workforce born  
overseas

**34%**<sup>2</sup>  
of New Zealand's  
population



**13.5%**<sup>4</sup>  
annual increase in  
residential building  
consents for the year  
to 31 July 2022

**38%**<sup>5</sup>  
of New Zealanders are  
forecast to live in  
Auckland by 2048



1. Infometrics Quarterly Economic Monitor (regional GDP provisional estimate) June 2022  
2. Statistics New Zealand June 2022  
3. Statistics New Zealand 2015  
4. Auckland Council Economic Update September 2021 (actual number 21,743 consents)  
5. Statistics New Zealand (provisional estimate) June 2022



# Drivers of Auckland Council's credit profile



# Local government responsibilities



Central Government	Central and Local Government	Local Government
Education	Public transport operation	Water supply
Police and fire services	Local roads (construction, maintenance and cleaning)	Wastewater and sewers
Public healthcare and hospitals		Storm water
Public housing		Rubbish and recycling collection and disposal
State highways		Street cleaning
Corrective facilities		Regulatory Functions
Pensions and welfare		Public facilities (parks, recreation facilities, libraries, community halls and sports fields)



# Institutional framework

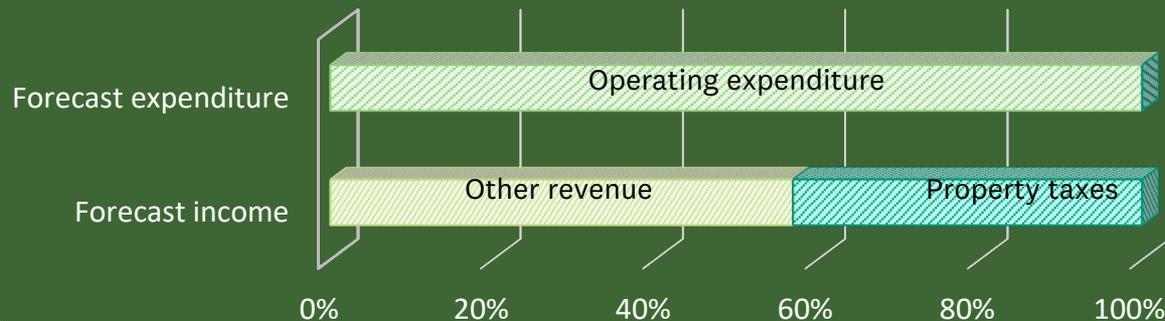
## Council has broad powers to tax (rate) property

- No legal upper limit on property taxes
- Property taxes rank ahead of all other claimants on property
- Security offered to banks/bond
- Property taxes not linked to house prices

## High levels of financial disclosure

- Requirement to publish 10 year and annual plans
- Transparency and consultation
- Plans and reports audited
- Governance oversight by the Audit Committee and Auditor General
- Results public

## Requirement to balance operating budget



# Credit ratings - AA/Aa2 (S&P/Moody's)

<b>Positives</b>	<b>Negatives</b>
Economy	Elevated debt
Financial management	Budgetary performance (i.e. level of cash deficit after capex)
Liquidity	
Diverse funding sources	
Growing partnership with central government	



# Key focus areas and group financial highlights



# Key focus areas



Climate action

Addressing inequality

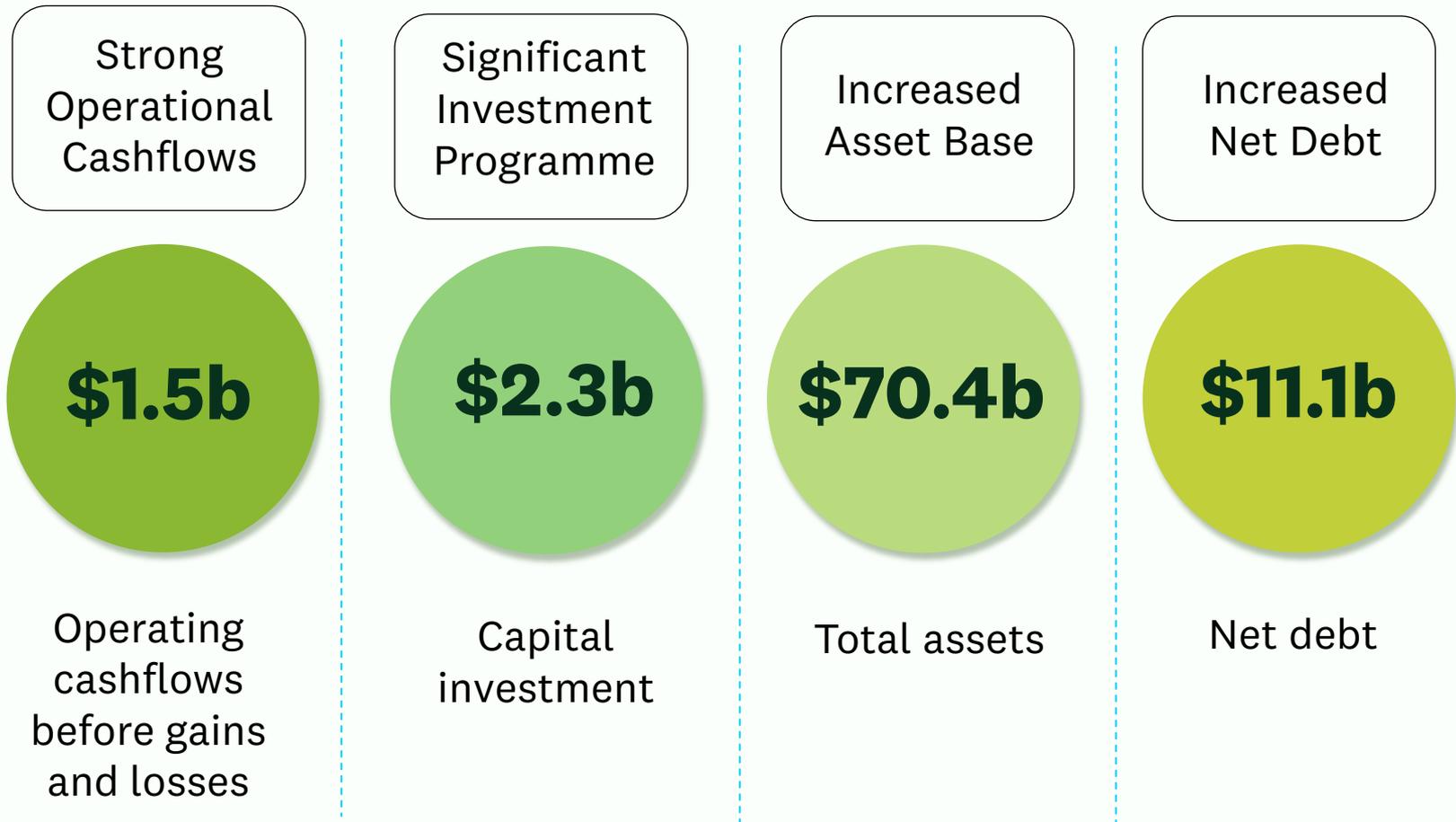
Funding / budget challenges

Government reforms (e.g. water, future of local government, etc.)

Local government election  
October 2022



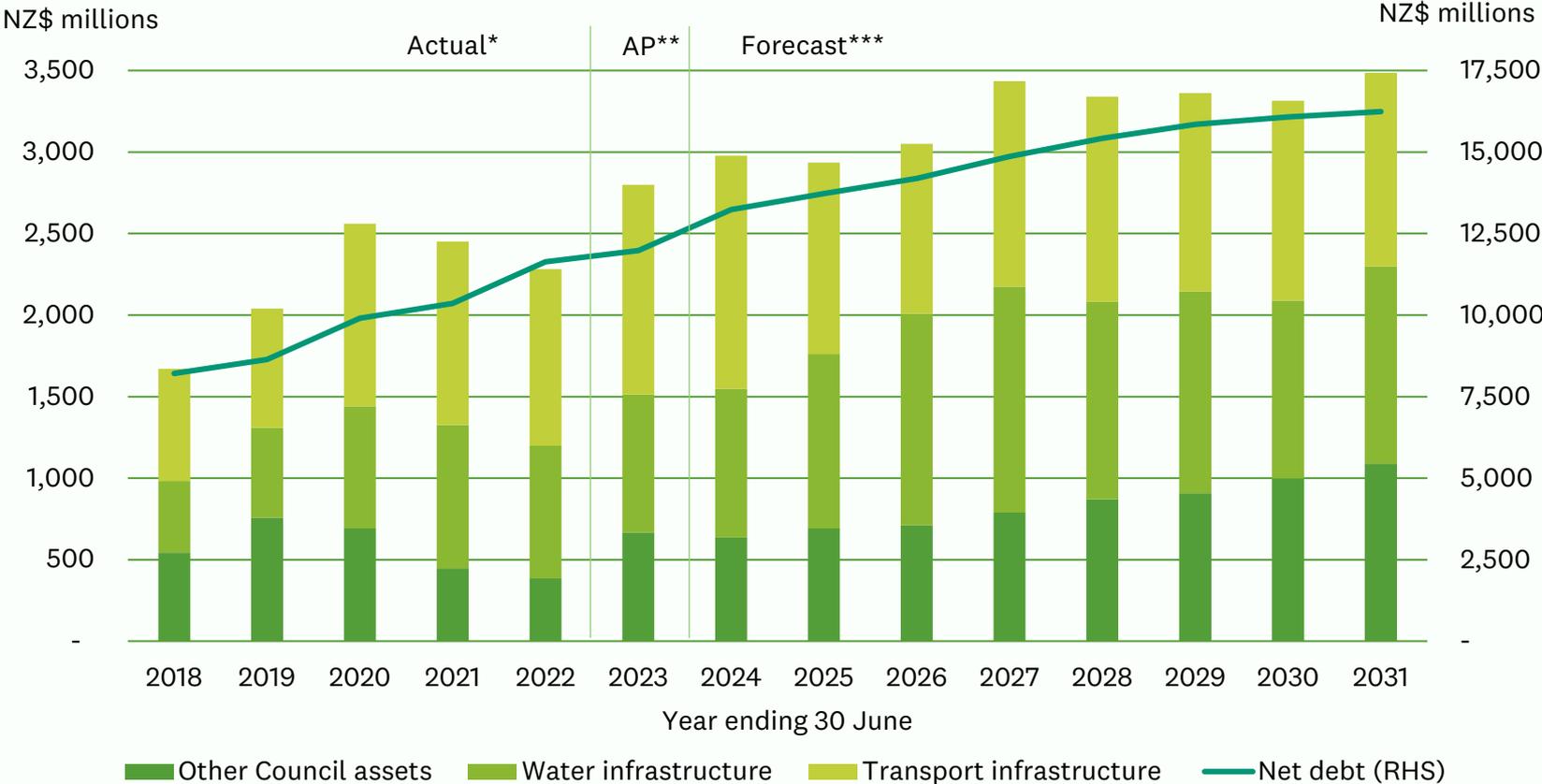
# Group financial highlights (30 June 2022)



[Link to draft unaudited 30 June 2022 results NZX release \(https://www.nzx.com/announcements/397785\)](https://www.nzx.com/announcements/397785)



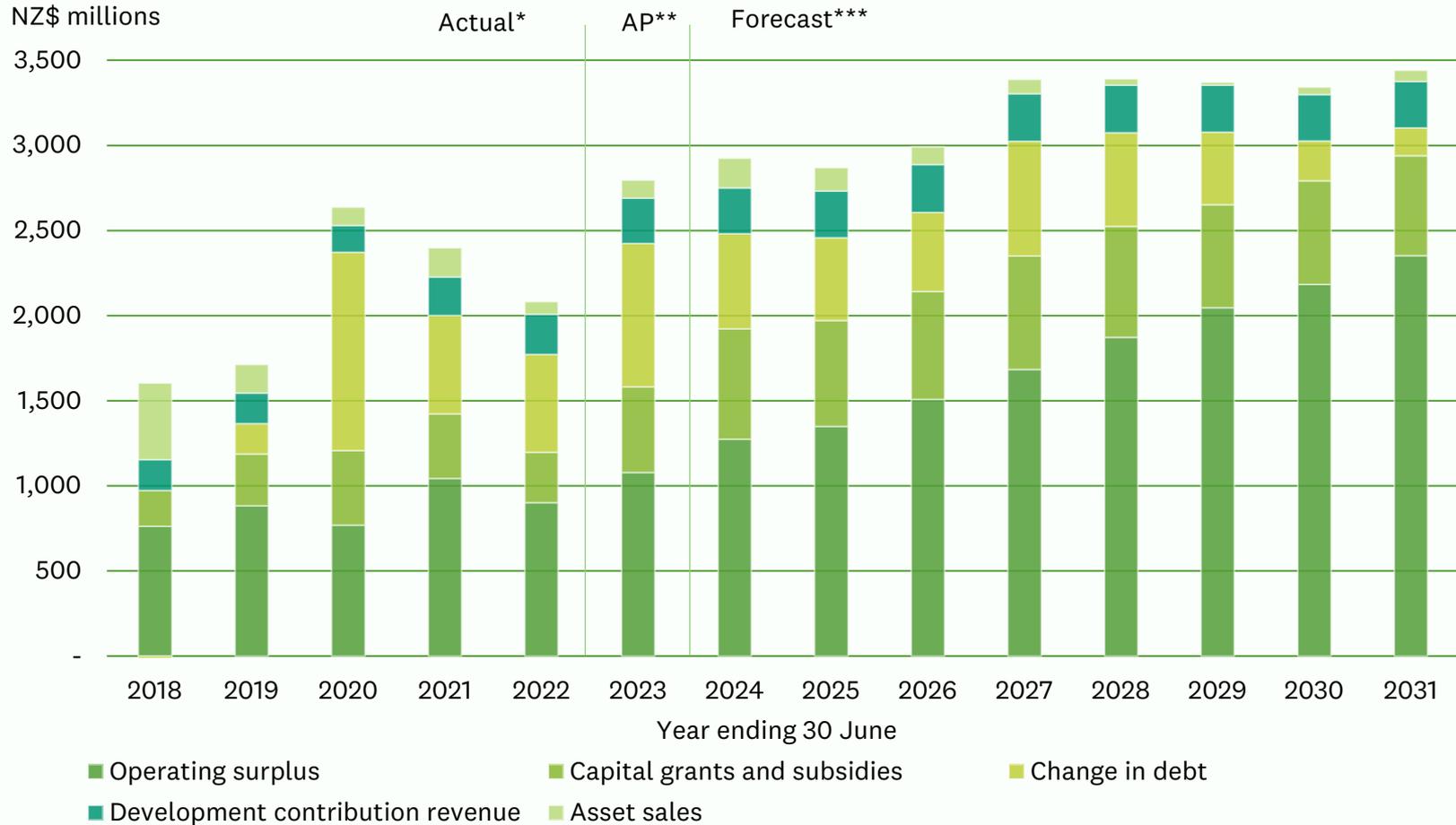
# Capital investment



\*Actual for 2022 are unaudited  
 \*\*AP (Annual Plan) based on Annual Budget 2022/2023  
 \*\*\*Forecast based on Long Term Plan 2021-2031



# Capital funding sources



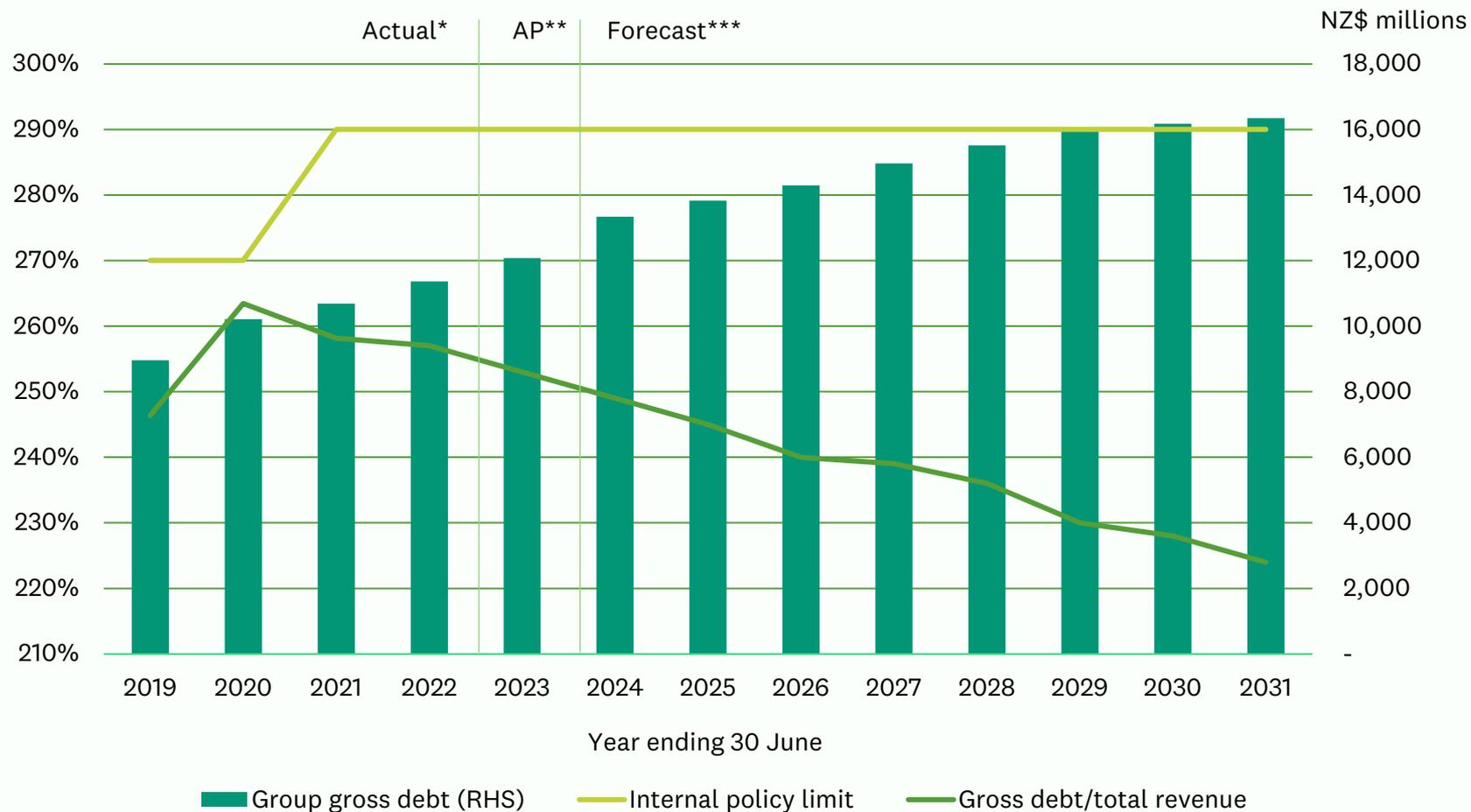
\*Actual for 2022 are unaudited

\*\*AP (Annual Plan) based on Annual Budget 2022/2023

\*\*\*Forecast based on Long Term Plan 2021-2031



# Gross debt to revenue ratio and annual debt



\* Actual for 2022 are unaudited

\*\*AP (Annual Plan) based on Annual Budget 2022/2023

\*\*\* Gross debt to total revenue figures based on forecasts published in Annual Budget FY23, new debt and refinancing figures obtained from Long-Term Plan 2021-2031



# Funding approach and debt market activity

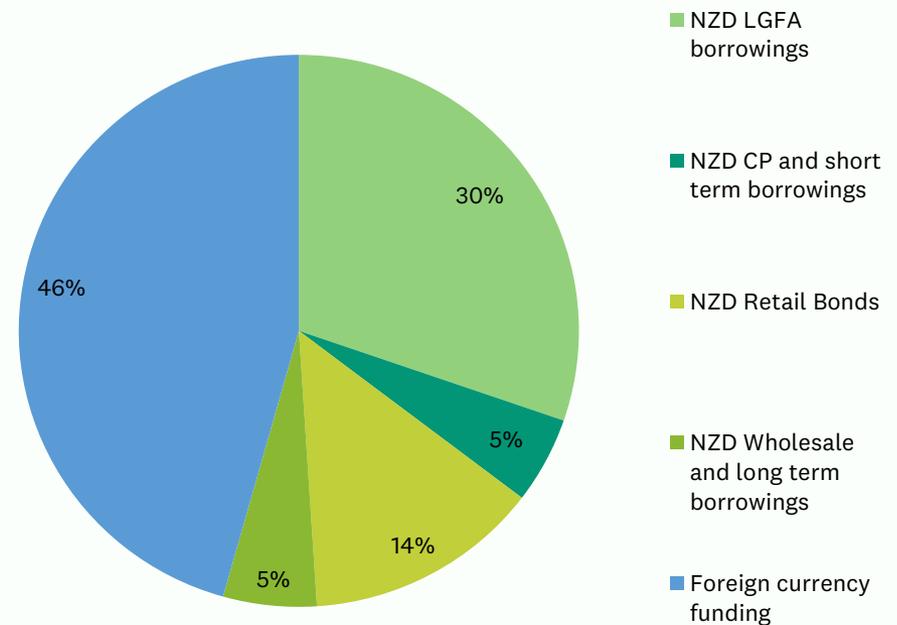


# Funding diversity

(as at 30 June 2022)

- Gross debt of NZ\$11.4 billion
- Weighted average term of 6.05 years
- LGFA\* - 24% of LGFA's total lending vs cap of 40% of LGFA's total lending
- Backed by up to NZ\$1.4 billion LGFA and bank standby facilities
- 5 Green bonds of NZ\$2.0 billion (NZD and EUR issues) = 17.5% of total debt

Auckland Council Group funding mix

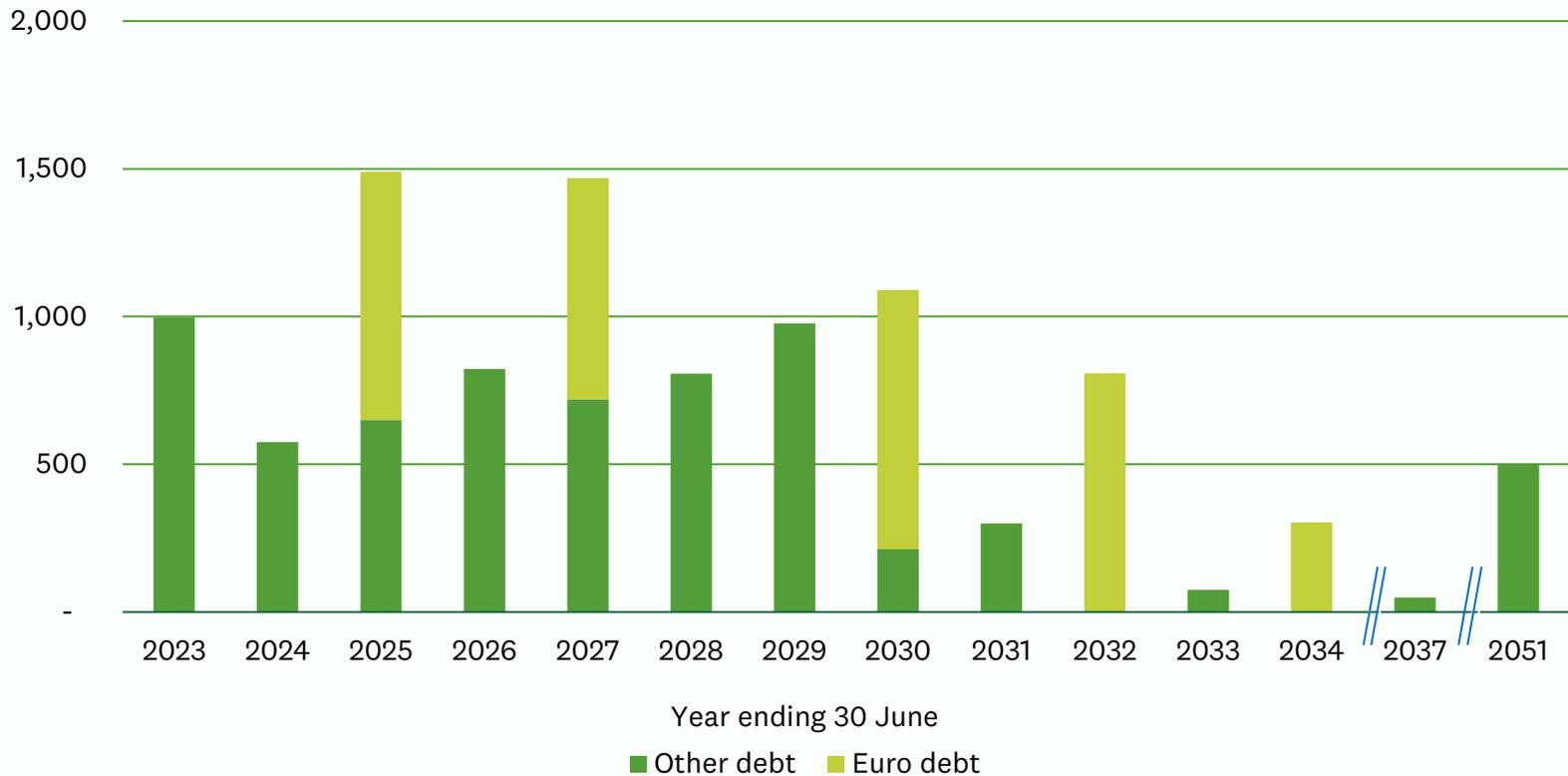


\* Local Government Funding Agency



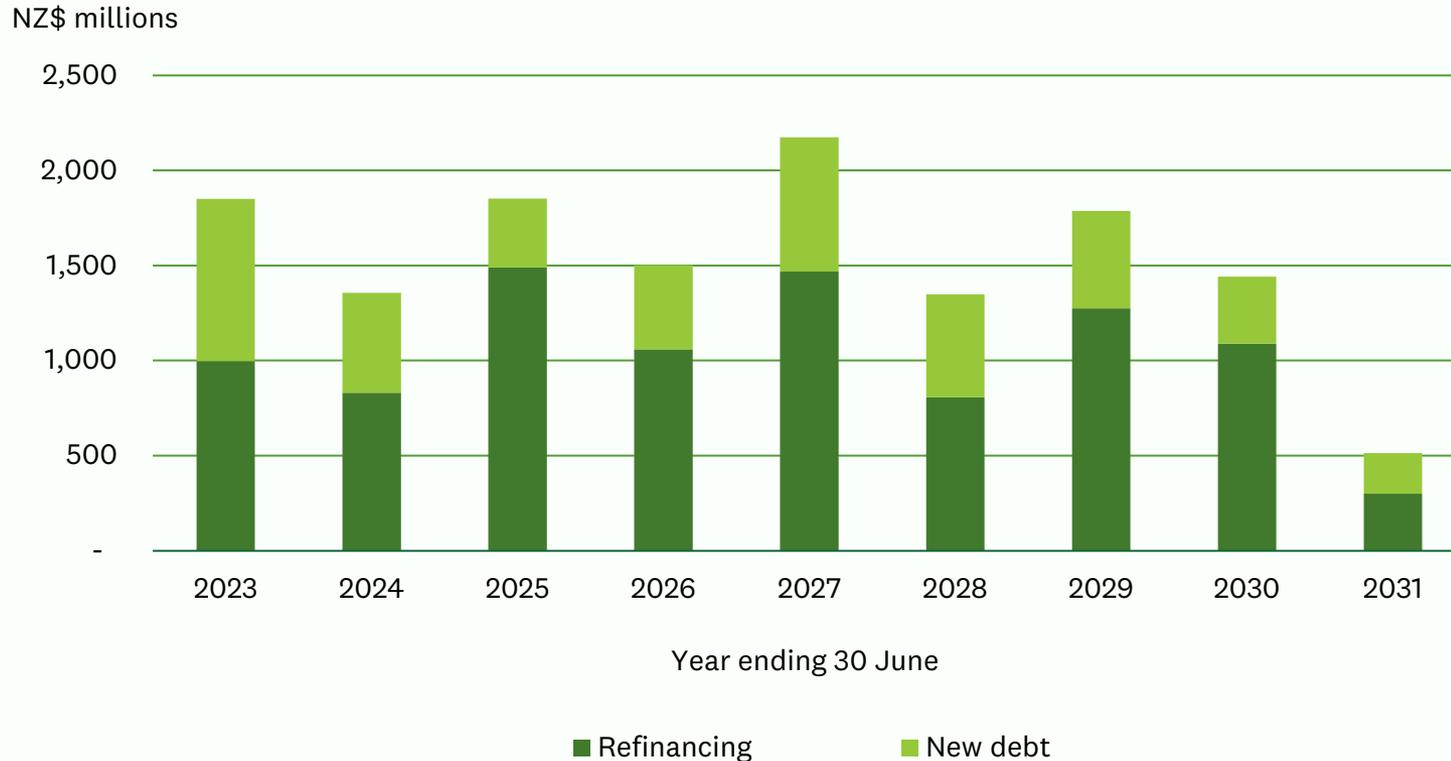
# Debt maturity profile (as at 30 June 2022)

NZ\$ millions



# Annual debt requirement forecast\*

(as at 30 June 2022)



\*Forecast based on Long Term Plan 2021-2031



# Auckland Council's sustainability programme



# Sustainability at Auckland Council

## Governance

- Auckland Council's governing body focuses on the big picture and region-wide strategic decisions
- 10 and 30-year plans ensure multi-year planning and transparency
- Climate change governance structures enable the effective role out of Auckland's Climate Plan

## Social

Auckland Council has made an organisational wide commitment to a diverse and inclusive workplace:

- Taking steps to close pay gaps based on gender and ethnicity
- Increasing the use of Te Reo, the Māori language
- Delivering training specific to diversity, equity and inclusion (supported by the Rainbow community)
- Providing staff with a safe means (channels) of addressing any issues in the workplace

**Where possible we use our spending power to deliver positive social, economic, environmental, and cultural outcomes for Aucklanders**



# Sustainability at Auckland Council

## Environment

Our core goals:

- To reduce our greenhouse gas emissions by 50% by 2030 and achieve net zero emissions by 2050
- To adapt to the impacts of climate change by ensuring we plan for the changes we face under our current emissions pathway



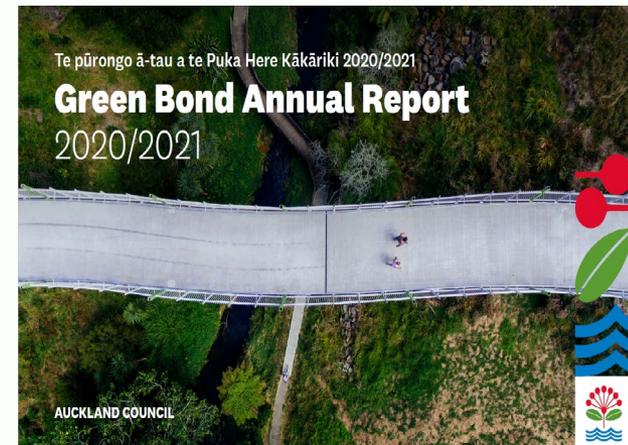
[Link to Auckland's Climate Plan](https://tinyurl.com/ypwu4apj)  
(<https://tinyurl.com/ypwu4apj>)



# Sustainable Finance Framework

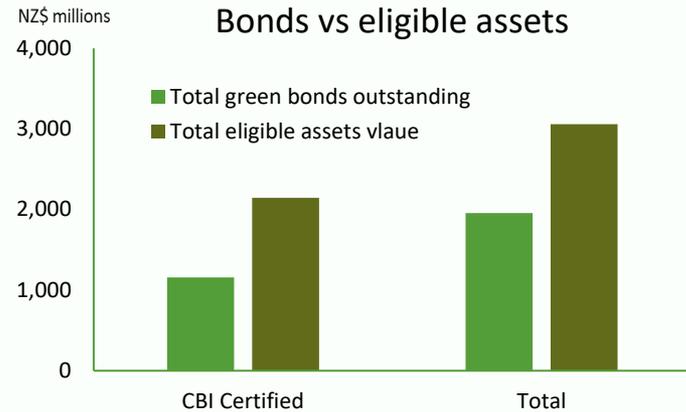
- Align council's funding to its climate plan goals
- In harmony with international standards and principles - subject to independent assurance
- Will seek assurance (or Second Party Opinion) for pre and post-issuance and impact reporting
- May seek CBI (Climate Bonds Initiative) certification for individual bond issues
- Report annually – use of proceeds and impact
- Since the establishment of Auckland Council's sustainable finance programme, EY has provided annual assurance on our green bond documentation, including our sustainable finance framework and use of proceeds statements.

[Link to our green bond page](https://tinyurl.com/3nhczbeu)  
(<https://tinyurl.com/3nhczbeu>)

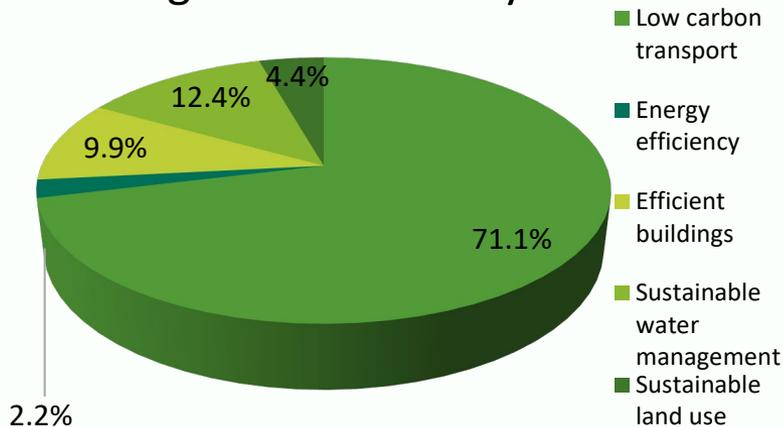


# Green bonds

- First New Zealand entity to issue a green bond in New Zealand - June 2018
- Issued five green bonds totaling NZ\$1.96 billion equivalent, including a NZ\$500 million, 30-year bond and EUR500m 10-year green bond)



## Eligible asset mix by sector



## Eligible Assets Schedule

- Updated in June 2022 to NZ\$3 billion
- Assets include electric trains, cycleways, new rail tunnel and stations, bus transfer stations, LED street lighting, efficient buildings and water assets



# Green bond impacts



- 169 tCO<sub>2</sub>e of greenhouse gas emissions avoided in financial year 2022 from Rosedale floating solar array



- 19,261 tCO<sub>2</sub>e reduced and avoided from electric trains in financial year 2022



- City Rail Link will double Auckland's rail network capacity



- Sustainable water infrastructure will provide uninterrupted, high-quality water supply as demand grows and resilience in the event of a natural disaster



- The Puketutu Island project has diverted 122,770 tonnes of waste from landfill during financial year 2022



# Sustainability linked products



- Converted NZ\$800 million of existing bank standby facilities into sustainability linked facilities
- Executed a sustainability linked derivative with a notional value of NZ\$120 million, the first from a local authority in New Zealand

## Sustainability Linked Targets are:

- Reducing the council's greenhouse gas emissions
- Increasing the number of low emission buses in Auckland Transport's bus fleet
- Supporting Māori and Pasifika owned businesses and social enterprises in Auckland



# Auckland Council - Summary



# Auckland Council - Summary

## **Strong credit rating**

- Long-term credit rating (AA by S&P, Aa2 by Moody's both on "Stable" outlook)
- Rating supported by strong governance framework, flexible and broad powers to set rates (property taxes), and strong diversified economy
- Lenders have a charge over current and future rates income (rates rank above all other claimants)

## **Sound financial position**

- Annually balance operating expenditure with operating income
- Total assets of NZ\$70 billion; total net debt NZ\$11.1 billion
- Strong operational cash flow as depreciation cash funded
- Debt generally used to fund new assets

## **Funding strategy**

- Diversification important
- Open to multi-currency transactions (via existing offshore programmes)
- Across tenors from 5-30 years

## **Committed to best practice ESG principles**

- Transparent and open governance
- Focus on achieving positive social, economic, environmental and cultural outcomes for Aucklanders
- Commitment to achieving net zero emissions by 2050
- Commitment to a diverse and inclusive workplace
- Focus on sustainable finance



# Appendix



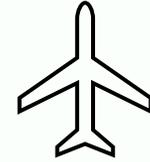
# New Zealand additional data



**NZ\$ 1.01b**<sup>1</sup>

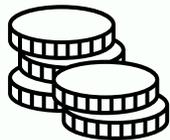
Trade deficit

**-12,400**<sup>2</sup>  
Annual net migration loss



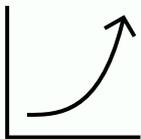
**56.2%**<sup>3</sup>  
of pre-COVID tourist levels

**1st**<sup>4</sup>  
equal least corrupt  
countries in the world



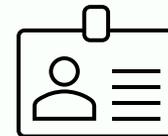
**1.2%**<sup>5</sup>  
Forecast GDP growth for  
the year to June 2023

**4.1%**<sup>5</sup>  
Forecast Official Cash  
Rate at June 2023



**4.5%**<sup>5</sup>  
Forecast NZ's annual  
CPI at June 2023

**4.1%**<sup>5</sup>  
Forecast  
unemployment  
rate at June 2023



1. Statistics New Zealand June 2022
2. Statistics New Zealand July 2022
3. Tourism Export Council NZ 2022 forecasted levels for year ending May 2023
4. Corruption Perception Index Dec 2021
5. Reserve Bank of New Zealand, Monetary Policy Statement August 2022



# Revenue and Expenditure - 30 June 2022

For the period (NZ\$ million)	2018	2019	2020	2021	2022*
Rates revenue	1,707	1,790	1,877	1,976	2,122
Services and other revenues	2,836	3,089	3,291	3,339	3,555
<b>Total revenue</b>	<b>4,543</b>	<b>4,879</b>	<b>5,168</b>	<b>5,315</b>	<b>5,676</b>
Operating expenses	3,412	3,610	3,972	3,997	4,287
Finance costs	472	478	444	408	438
<b>Total expenses</b>	<b>3,884</b>	<b>4,088</b>	<b>4,416</b>	<b>4,405</b>	<b>4,725</b>
<b>Operating surplus before gains and losses</b>	<b>659</b>	<b>791</b>	<b>752</b>	<b>910</b>	<b>951</b>
Surplus after income tax	660	175	35	1,837	1,724

\*Link to unaudited 30 June 2022 results NZX release  
<https://www.nzx.com/announcements/397785>



# Financial Position - 30 June 2022

As at (NZ\$ million)	2018	2019	2020	2021	2022*
Cash and short-term deposits	618	294	298	300	229
<b>Total assets</b>	<b>51,462</b>	<b>52,873</b>	<b>55,991</b>	<b>60,667</b>	<b>70,384</b>
Borrowings	8,832	8,958	10,214	10,687	11,363
<b>Total liabilities</b>	<b>12,660</b>	<b>13,831</b>	<b>16,142</b>	<b>16,019</b>	<b>16,110</b>
<b>Net assets</b>	<b>38,802</b>	<b>39,042</b>	<b>39,849</b>	<b>44,648</b>	<b>54,274</b>
Net debt to total assets	16.0%	16.4%	17.7%	17.1%	15.8%

\*Link to unaudited 30 June 2022 results NZX release  
<https://www.nzx.com/announcements/397785>



# Financial Position - 30 June 2022

For the period (NZ\$ million)	2018	2019	2020	2021	2022*
Operating cash flow	1,101	1,248	1,370	1,705	1,459
Investing cash flow	(1,134)	(1,683)	(2,497)	(2,311)	(2,130)
Funding cash flow	312	116	1,131	605	603
<b>Net increase/(decrease) in cash and cash equivalents and bank overdrafts</b>	<b>279</b>	<b>(319)</b>	<b>4</b>	<b>(1)</b>	<b>(68)</b>

\*Link to unaudited 30 June 2022 results NZX release  
<https://www.nzx.com/announcements/397785>



# Contact details



Group Chief Financial Officer

**Peter Gudsell**

Tel: +64 9 890 2301

Email: [peter.gudsell@aucklandcouncil.govt.nz](mailto:peter.gudsell@aucklandcouncil.govt.nz)

Group Treasurer

**John Bishop**

Tel: + 64 9 977 6598

Email: [john.bishop@aucklandcouncil.govt.nz](mailto:john.bishop@aucklandcouncil.govt.nz)

Funding Manager

**Andrew John**

Tel: + 64 9 977 6592

Email: [andrew.john@aucklandcouncil.govt.nz](mailto:andrew.john@aucklandcouncil.govt.nz)

Senior Corporate Sustainability Advisor

**Helen Mahoney**

Tel: +64 21 581 839

Email: [helen.mahoney@aucklandcouncil.govt.nz](mailto:helen.mahoney@aucklandcouncil.govt.nz)

<https://www.aucklandcouncil.govt.nz/>

