

Auckland Council – Investor Update

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Auckland Council - overview

Strong credit rating

- Long-term credit rating (AA S&P, Aa2 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\$44.7 billion; total debt NZ\$7.6 billion
- Strong operational cash flow as depreciation cash funded
- Debt only used to fund new assets

Funding strategy

- Diversification important
- Open to multi-currency transactions (via existing offshore programmes)
- NZ\$ listed bonds can now be sold to offshore wholesale accounts in certain jurisdictions at primary issuance

Auckland - overview



- New Zealand's largest and fastest growing city
- 1.6 million people, 34% of New Zealand's population
- World's 3rd most liveable city (Mercer Survey 2016)
- Auckland regions GDP approx. NZ\$88 billion (37% of NZ GDP)
- Auckland's annual GDP growth rate was 3.2% (vs 2.7% for rest of NZ)
- Diverse industry sectors

Role of New Zealand councils

Two tiers of government in New Zealand

Central government

- Taxation revenue from income tax, company tax, sales tax, withholding tax, excise duties (alcohol, tobacco, fuel), gaming, road user charges and customs duties

Local government

- Taxation revenue from property tax (“rates”)

78 local government councils in New Zealand

- Governed by Local Government Act
- Overseen by Minister of Local Government

Government and local government responsibilities

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

Establishment of Auckland Council



8 councils and 30 community boards replaced by:

- 1 governing body
- 21 local boards

262 elected officials replaced by:

- 1 mayor
- 20 councillors
- 149 local board members

- Council Controlled Organisations (such as Auckland Transport and Watercare Services) are 100% owned subsidiaries of Auckland Council

Principles of local government in New Zealand

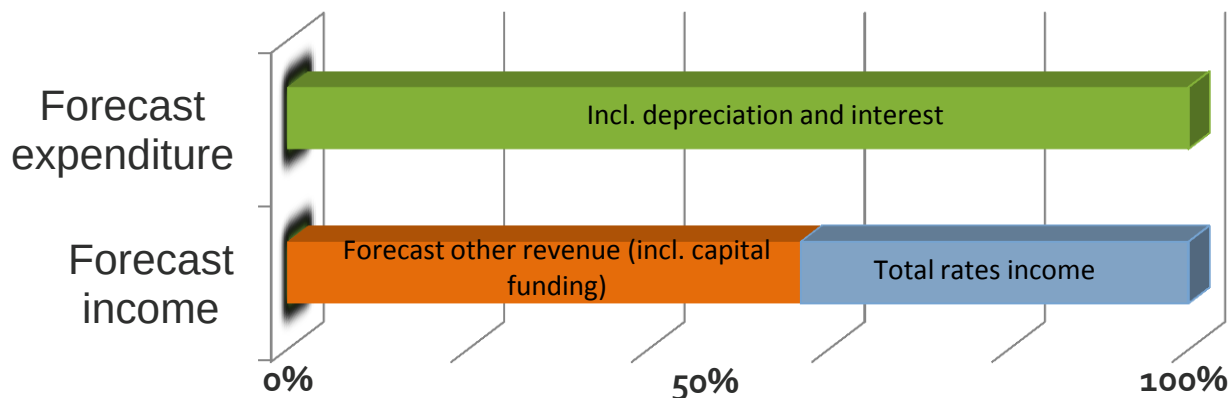


Prudent transparent operating framework

- Prudent financial management a legislative requirement
- Extensive and open planning regime
 - Annual, 10 year, 30 year and asset management plans
 - Public consultation
- Monthly financial reporting in public forum
- Annual and 6 monthly financial statements (New Zealand IFRS compliant)
- Audited planning documents, processes and financial statements
- Office of Auditor General of New Zealand appoints auditor, audit opinion signed by Auditor General

Balance operating budget

- Legislative requirement to balance operating expenditure with operating income annually
- Budgetary process in setting rates each year as part of Annual Plan



- Depreciation is largely cash funded - used for renewals and debt reduction
- Positive operating cash flow
- Debt only used to fund new assets

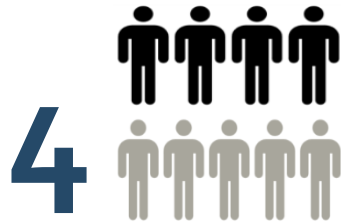
Rates (property tax) certainty

- Council has broad powers to tax (rate) property
- Rate collection ranks ahead of all other claimants on a property including Tax Department and mortgagees
- Rates unaffected by level of economic or property market activity
- No legal upper limit on rates income
- Property values are fixed for three years to calculate rates obligation
- 98% of rates are collected within the year they are due (remainder largely collected within next two months)
- The Council has created a charge over current and future rates income
- No moratorium on rates

Influences on Auckland Council



Auckland's story - urbanisation



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

400,000

Dwellings needed in the next 30 years



50%

of New Zealand's growth in the last year



Seven

Years of land supply available for new dwellings before any Unitary Plan decisions

67%

of population increase is net migration and one-third is natural (births over deaths)



\$18.7bn

of assets planned for next 10 years - 43% for transport, 25% for water and 13% for parks and community assets



Influences on Auckland Council

Unitary Plan

Appeal period



Port

Port Future Study recommendations



Financing

Alternative Sources of Financing work programme



ATAP

Auckland Transport Alignment Project report



CRL

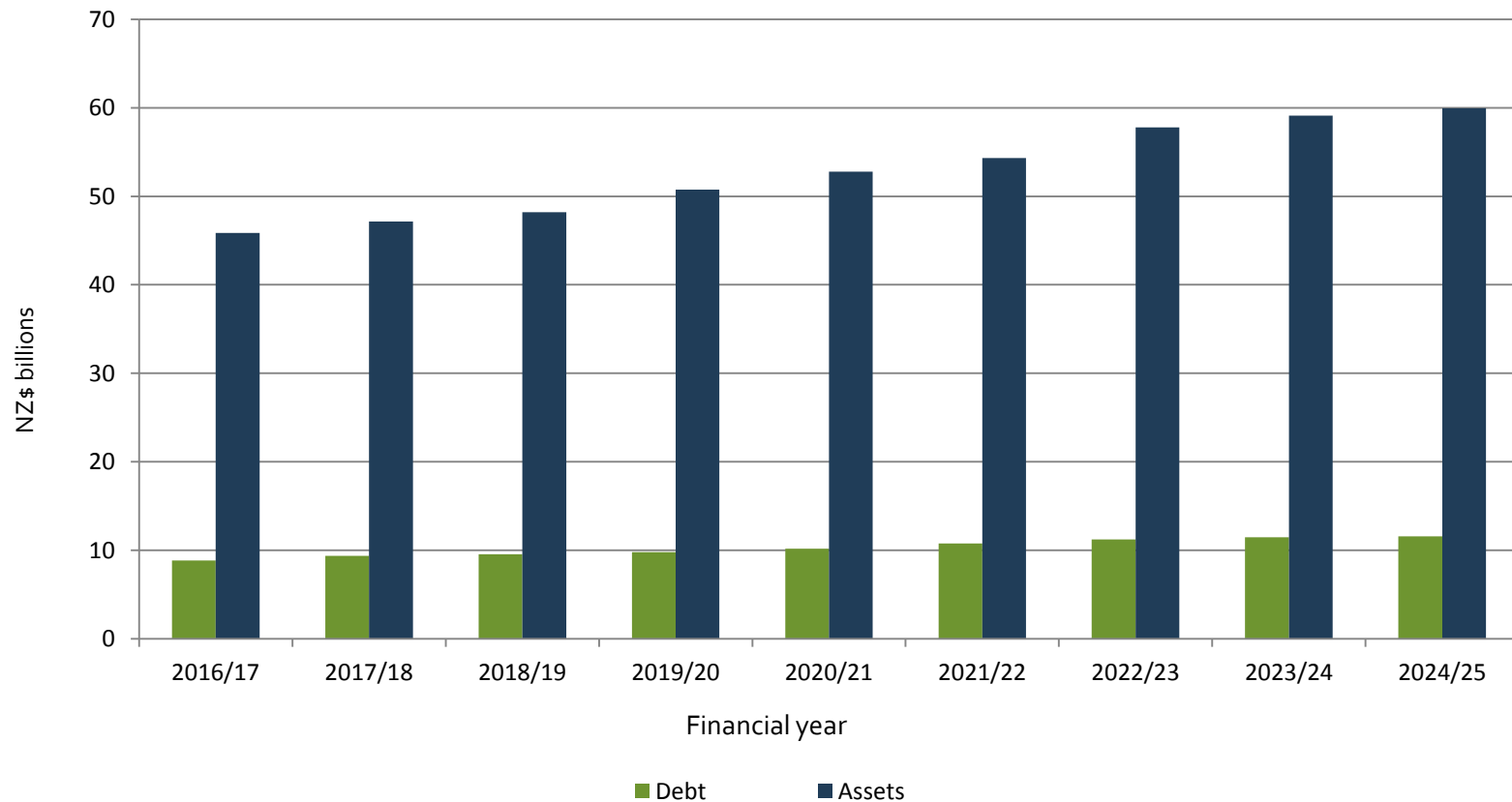
Governance and Funding agreement



Elections

Local Body Elections
October 2016

Long Term Plan – borrowings and assets



Financial results highlights



Financial results to 30 June 2016

Group revenues up by NZ\$147 million (4%)

For the year to (NZ\$m)	30 June 2016	30 June 2015	30 June 2014
Rates revenue	1,564	1,458	1,395
Services and other revenues	2,141	2,100	1,888
Total revenue	3,705	3,558	3,283

- Mainly due to increases in rates, rental, dividend, Watercare infrastructure growth charges and vested assets

Financial results to 30 June 2016

Group total expenditure down NZ\$23 million (0.7%)

For the year to (NZ\$m)	30 June 2016	30 June 2015	30 June 2014
Total expenses	3,038	3,056	2,761
Finance costs	417	422	372
Total	3,455	3,478	3,133

Financial results to 30 June 2016

Solid operating surplus

For the year to (NZ\$m)	30 June 2016	30 June 2015	30 June 2014
Operating surplus before gains and losses	250	80	150
Net (Deficit)/surplus	(231)	(72)	676

Financial results to 30 June 2016

Strong and growing balance sheet

As at (NZ\$m)	30 June 2016	30 June 2015	30 June 2014
Cash	137	345	206
Total assets	44,679	42,167	39,874
Total borrowings	7,611	7,334	6,341
Equity	33,652	32,079	31,145
Total borrowings to total assets	17.0%	17.4%	15.9%

- Total assets were NZ\$2.5 billion more than the prior year
- Total borrowings were NZ\$277 million more than the prior year
- Total net group borrowings (after cash) was NZ\$324 million lower than forecast

Financial results to 30 June 2016

Improved operating cash flow

For the year to (NZ\$m)	30 June 2016	30 June 2015	30 June 2014
Operating cash flow	771	726	823
Investing cash flow	(1,338)	(1,445)	(1,540)
Funding cash flow	358	854	586

- NZ\$1.4 billion of investment undertaken in the city which saw some major project such as the City Rail Link begin
- NZ\$349 million on roads and footpaths
- NZ\$202 million on public transport

Debt market activity and funding approach



Funding approach

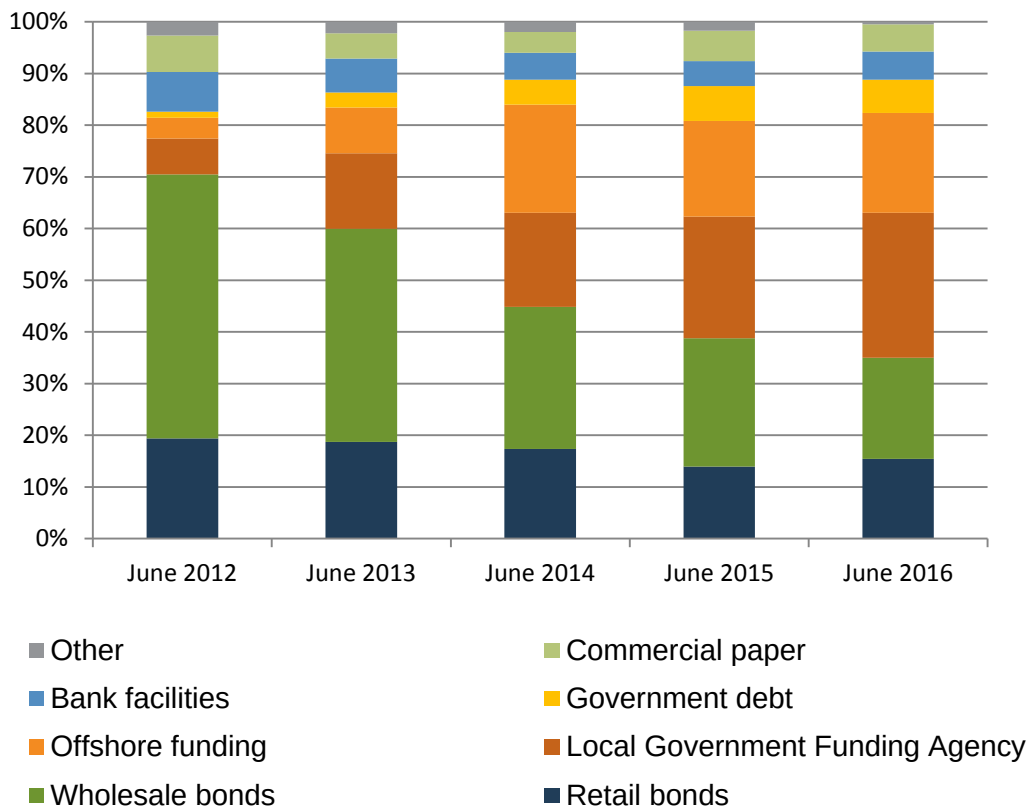
- Diversity important – across domestic, Local Government Funding Agency (“LGFA”) and offshore
- Spread of debt maturities
- Goal is to build a curve in European markets

Auckland Council EMTN Programme	
Issuer	Auckland Council
Format	Secured medium term notes
Rating	Aa2 / AA
Programme Size	USD 2.5 billion (pending increase to USD5 billion)
Currencies	Multi-currency (such as EUR, GBP, CHF, NOK, USD, HKD, SGD etc.)
Governing Law	English law
Programme Listing	Singapore (SGX)

Group debt portfolio as at 30 June 2016

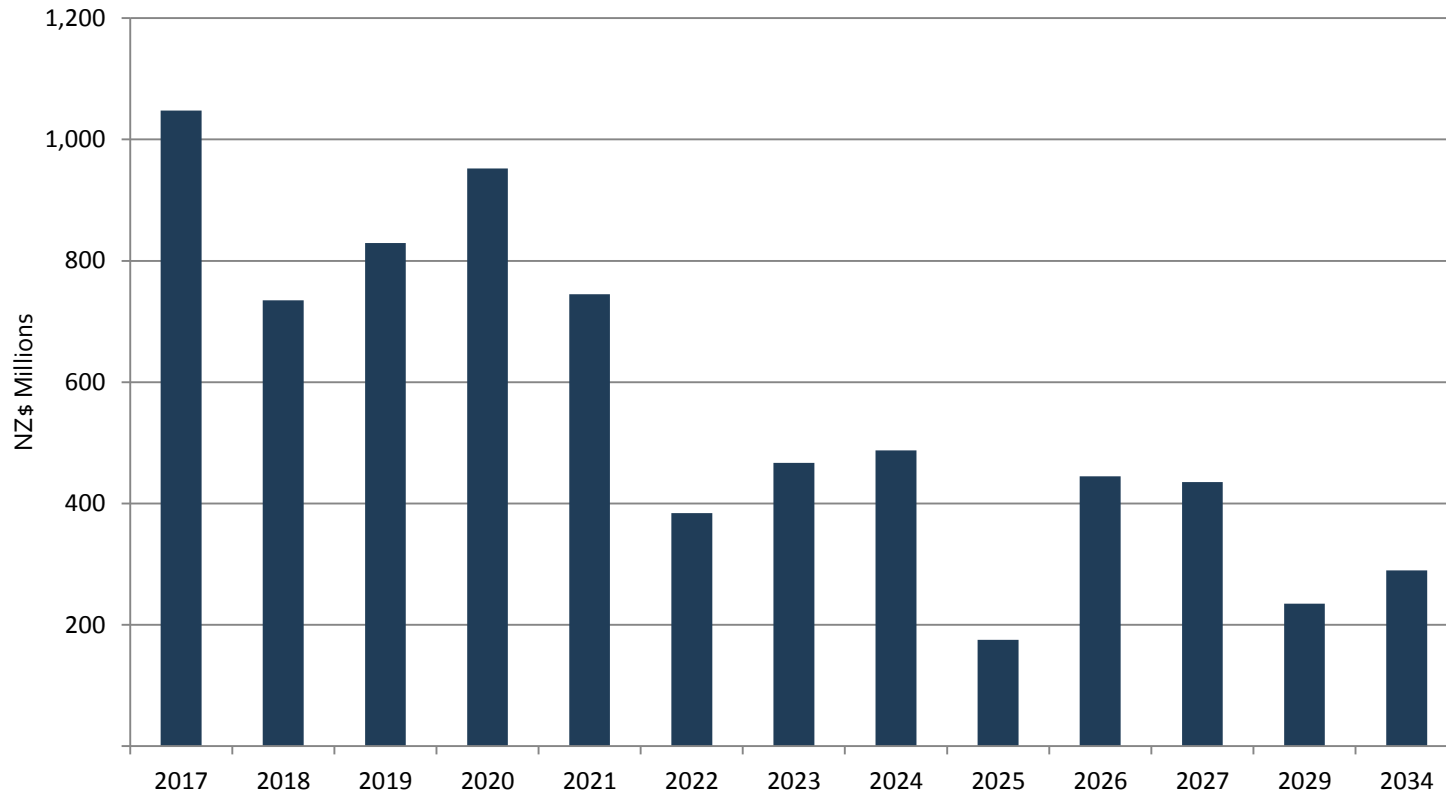
- 6 offshore transactions - (A\$, EUR, NOK and CHF)
- Weighted average term of 5.5 years
- Backed by NZ\$900 million standby facility
- Funding via LGFA capped at 40% of their lending (currently 34%)

Auckland Council Group funding mix



Group long-term debt maturity profile

As at 30 June 2016



Security and credit ratings

Security

- Lenders have benefit of Debenture Trust Deed giving a charge over rates revenue and future rates income
- Rates rank 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 in late 2015

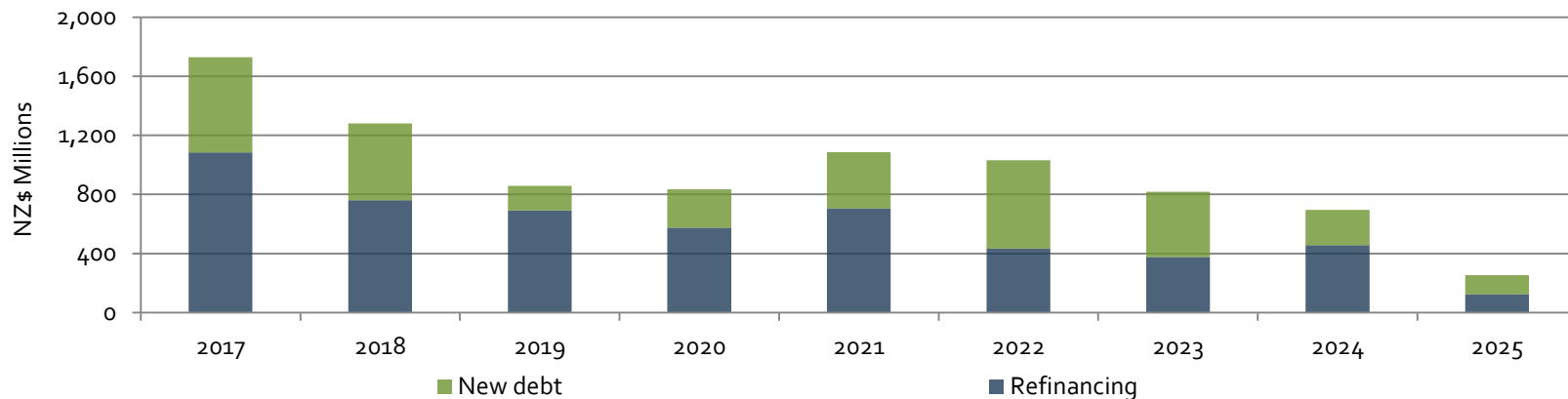
What underpins the strong credit rating

- Extremely predictable legislative and governance framework
- Flexible and broad powers to rate
- Strong and diversified economy
- Prudent financial management
- Debt burden noted as a risk

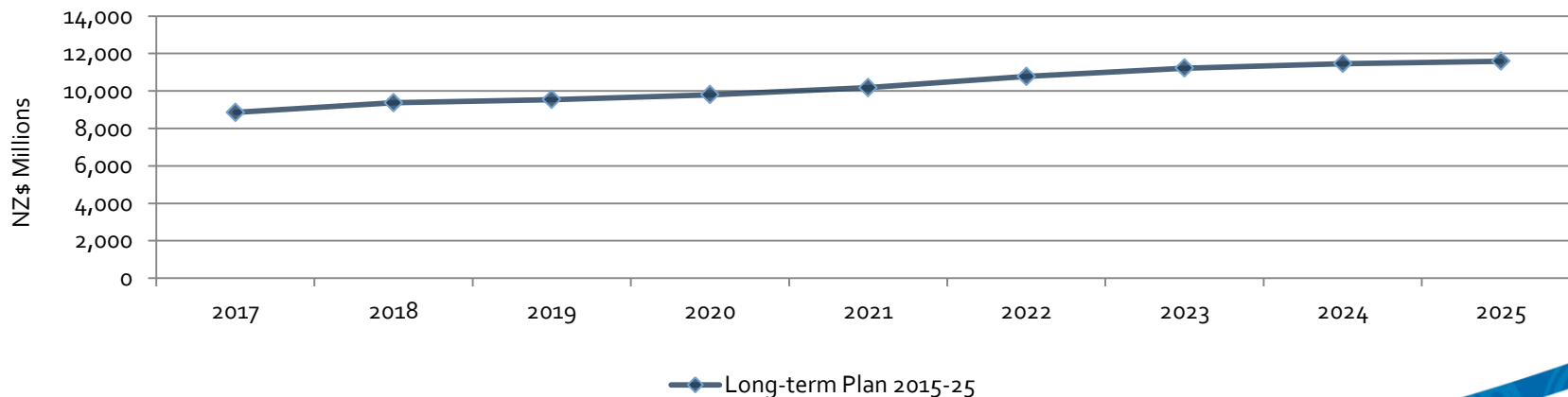
Prudential borrowing limits	Policy limit	Actual as at 30 Jun 2016
Net debt to total revenue	<275%	195
Net interest to total revenue	<15%	11%
Net interest to total rates	<25%	18%
Liquidity (six months)	>100%	121%

Forecast long-term borrowing and debt levels

Annual forecast group borrowing (financial years)



Projected group debt (financial years)



Auckland Council - summary

- Auckland is New Zealand's largest and fastest growing city with 1.6 million people. Population expected to increase by 700,000 by 2043 (representing 40% of New Zealand's population)
- Long-term credit rating AA by S&P and Aa2 by Moody's
- Rating is supported by the strong governance framework, flexible and broad powers to set rates, and strong, diversified economy
- Lenders have a charge over current and future rates income, rates rank above all claimants
- Annually balance operating expenditure with operating income
- Total assets of NZ\$ 44.7 billion; total debt NZ\$ 7.6 billion
- Strong operational cash flow as depreciation cash funded
- Debt only used to fund new assets

Detailed financials and contact details



Statement of financial position

As at

NZ\$ (million)	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Cash	137	345	206	336	212
Property plant and equipment	41,156	38,897	36,906	34,212	33,276
Investments	1,755	1,450	1,303	1,174	1,092
Other assets	1,631	1,475	1,459	1,333	1,132
Total assets	44,679	42,167	39,874	37,055	35,712
Borrowings	7,611	7,334	6,341	5,884	5,032
Other liabilities	3,416	2,754	2,388	2,343	2,417
Total liabilities	11,027	10,088	8,729	8,227	7,449
Net assets	33,652	32,079	31,145	28,828	28,263
Total equity	33,652	32,079	31,145	28,828	28,263

Statement of comprehensive income

For the year to

NZ\$ (million)	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Rates	1,564	1,458	1,395	1,337	1,373
Other revenue	2,141	2,100	1,888	1,725	1,442
Total revenue excluding other gains	3,705	3,558	3,283	3,062	2,815
Depreciation and amortisation	828	778	737	681	625
Finance costs	417	422	372	327	290
Other expenses	2,210	2,278	2,024	1,990	2,061
Total expenditure excluding other losses	3,455	3,478	3,133	2,998	2,976
Operating surplus/(deficit) before gains and losses	250	80	150	64	(161)
Net gains/(losses) including income tax	(481)	(152)	526	182	(68)
Surplus/(Deficit) after income tax	(231)	(72)	676	246	(229)
Total other comprehensive revenue/(expenditure)	1,788	1,010	1,641	199	507
Total comprehensive revenue	1,557	938	2,317	445	278

Statement of cash flows

For the year to

NZ\$ (million)	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Net cash from operating activities	771	726	823	572	280
Purchase of P,P&E, investment property and intangible assets	(1,340)	(1,490)	(1,493)	(1,315)	(1,161)
Other sale proceeds/(investing activities)	2	45	(47)	13	(31)
Net cash from investing activities	(1,338)	(1,445)	(1,540)	(1,302)	(1,192)
Proceeds from borrowings	1,994	2,797	1,724	1,260	1,823
Repayment of borrowings	(1,635)	(1,943)	(1,136)	(406)	(825)
Repayment of finance lease principal	(1)	-	(2)	(3)	(1)
Net cash from financing activities	358	854	586	851	997
Net increase/(decrease) in cash	(209)	135	(131)	121	85
Opening cash and cash equivalents and bank overdraft	337	202	333	212	127
Closing cash and cash equivalents and bank overdraft	128	337	202	333	212

Contact details



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