

# Auckland Council Investor Update

September 2023



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Auckland Council is considering an offer of secured, unsubordinated fixed rate green bonds to New Zealand retail investors and to institutional investors. No money is currently being sought and no green bonds can be applied for or acquired in relation to an offer until that offer opens and the investor has received a copy of the relevant offer document in relation to the green bonds. The offer of green bonds will be made pursuant to the Financial Markets Conduct Act 2013 as an offer of debt securities of the same class as quoted debt securities.

For the avoidance of doubt, no obligation of Auckland Council under or in respect of any green bonds will be guaranteed by the Crown.

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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 raorao,  
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 taioreore 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 rongo 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.

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# Overview

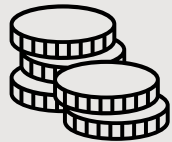


# New Zealand overview



5.2m<sup>1</sup>

New Zealand's population



NZ\$385b<sup>2</sup>

New Zealand's GDP



2.9%<sup>2</sup>

Annual GDP Growth



6.0%<sup>1</sup>

New Zealand's annual CPI



0.59<sup>3</sup>

NZD/USD Exchange Rate



1.82<sup>3</sup>

EUR/NZD Exchange Rate



3.6%<sup>1</sup>

Unemployment Rate



5.5%<sup>4</sup>

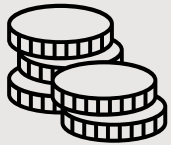
Official Cash Rate



1. Statistics New Zealand June 2023
2. Statistics New Zealand March 2023
3. Bloomberg as at 12 September 2023
4. RBNZ as at 16 August 2023 Monetary Policy Statement



# Auckland overview



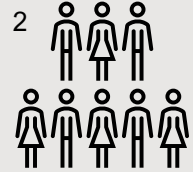
**38%**<sup>1</sup>  
of New Zealand's GDP



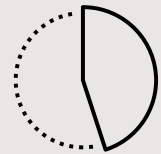
**1.7m**<sup>2</sup>  
Auckland population  
estimate

Auckland

**33%**<sup>2</sup>  
of New Zealand's  
population



**35%**<sup>3</sup>  
of New Zealanders are  
forecast to live in  
Auckland by 2048



1. Infometrics Quarterly Economic Monitor (regional GDP provisional estimate) March 2023
2. Statistics New Zealand June 2022
3. Statistics New Zealand (provisional estimate) December 2022



# Key focus areas and group financial highlights



# Key focus areas



Responding to weather events

Significant capital projects

Implementing Annual Budget 2023/24 requirements  
(e.g. savings and AIAL partial sale)

Long term plan challenges

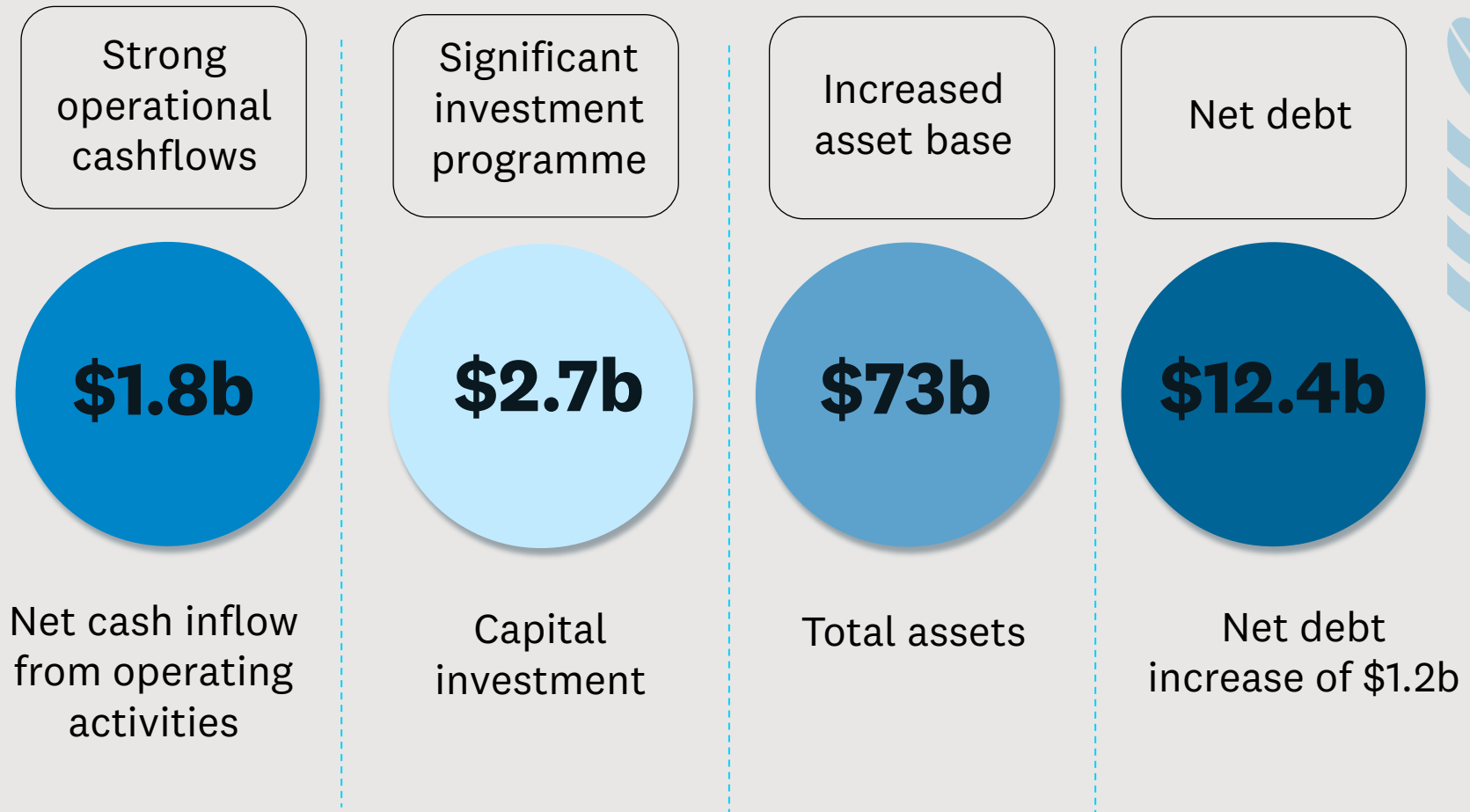
Government reforms (e.g. affordable waters, future  
of local government, etc.)

Management update

[Link to Annual Budget 2023/2024 documents](#)



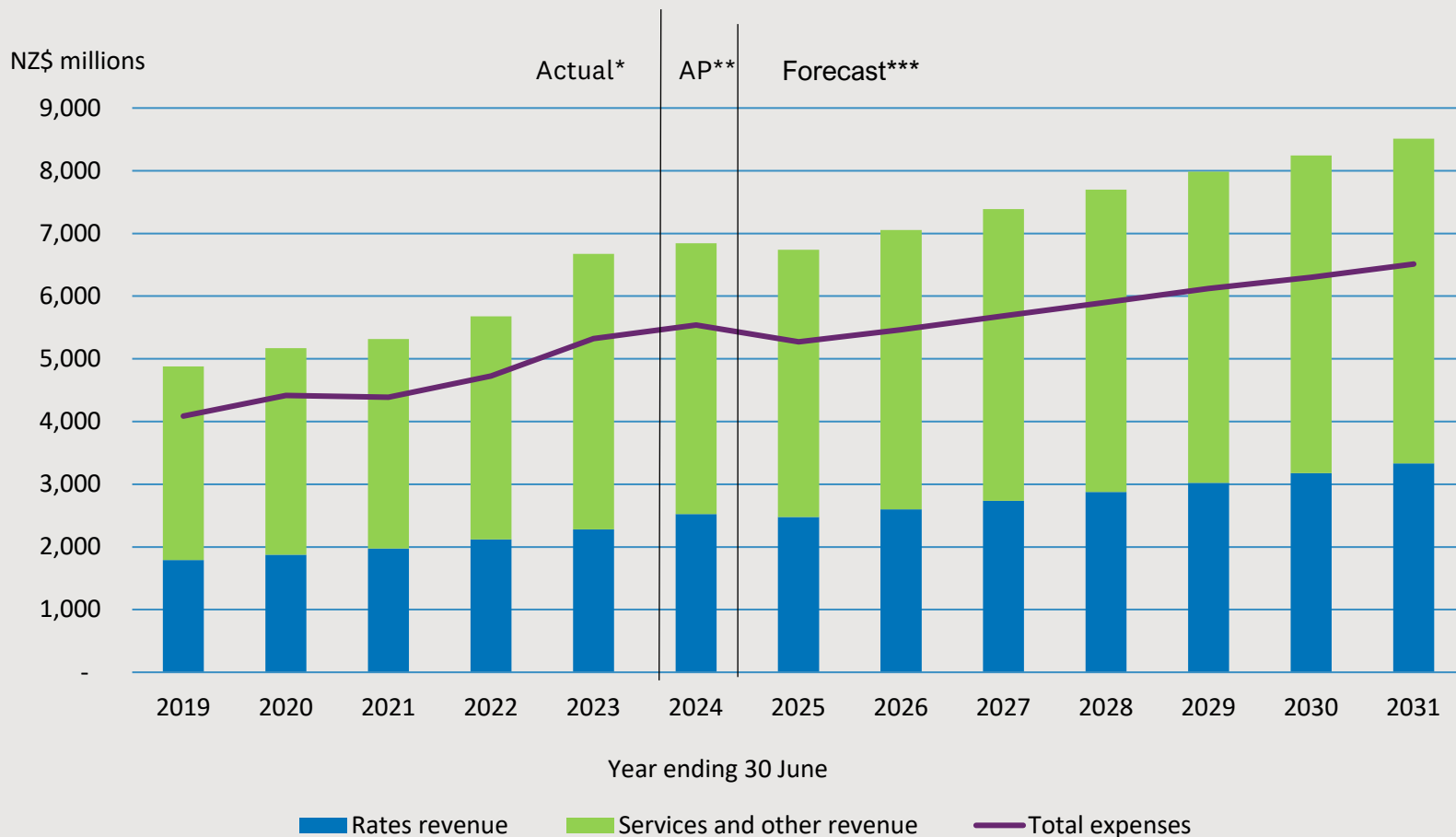
# Strong group financial results (30 June 2023)



[Link to NZX results announcement 29 August 2023](#)



# Growing revenues vs expenditure



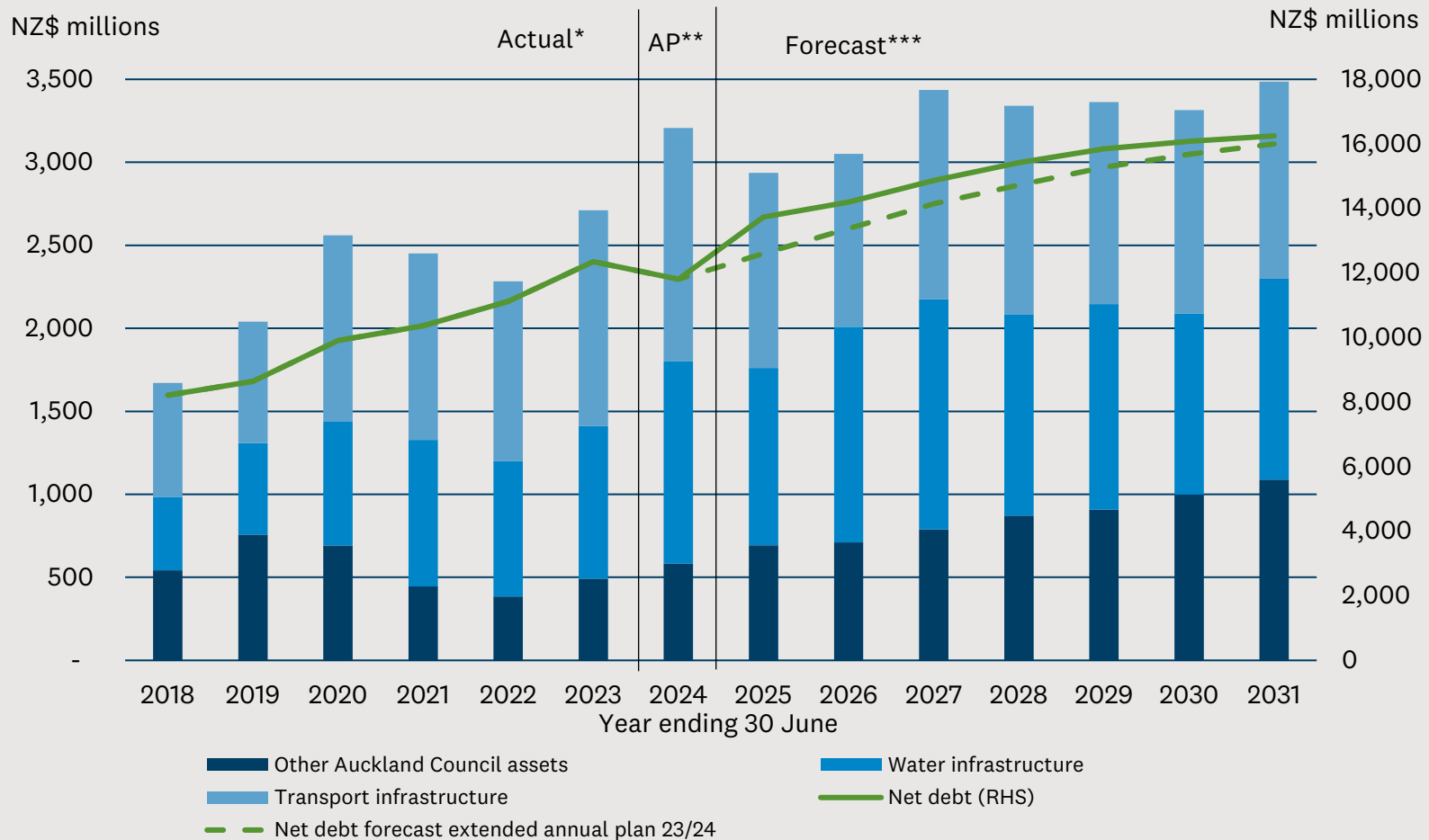
\*Actual are audited results.

\*\*AP (Annual Plan) based on Annual Budget 2023/2024

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



# Consistent investment in infrastructure



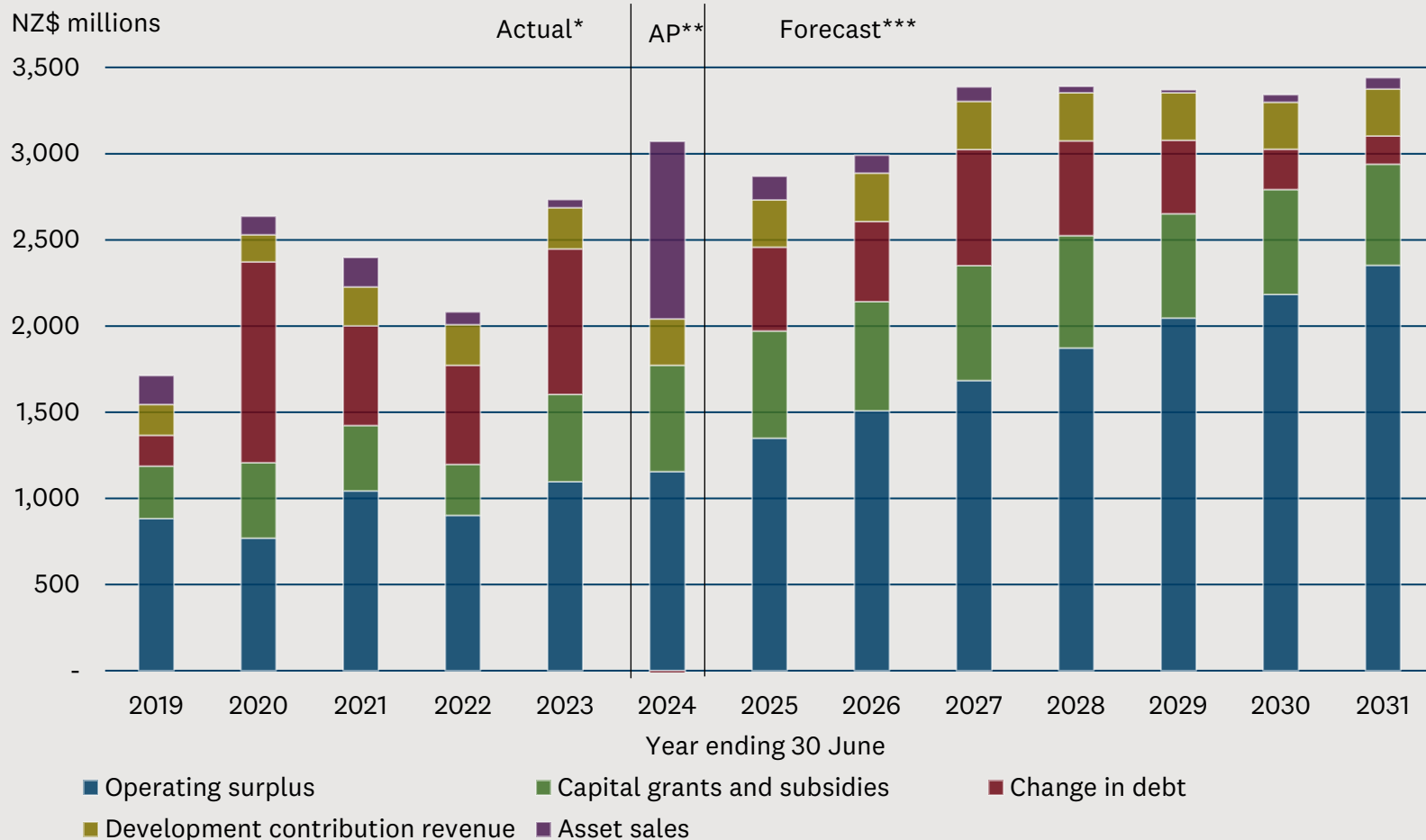
\*Actual are audited results

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



# Reducing dependency on debt as a funding source



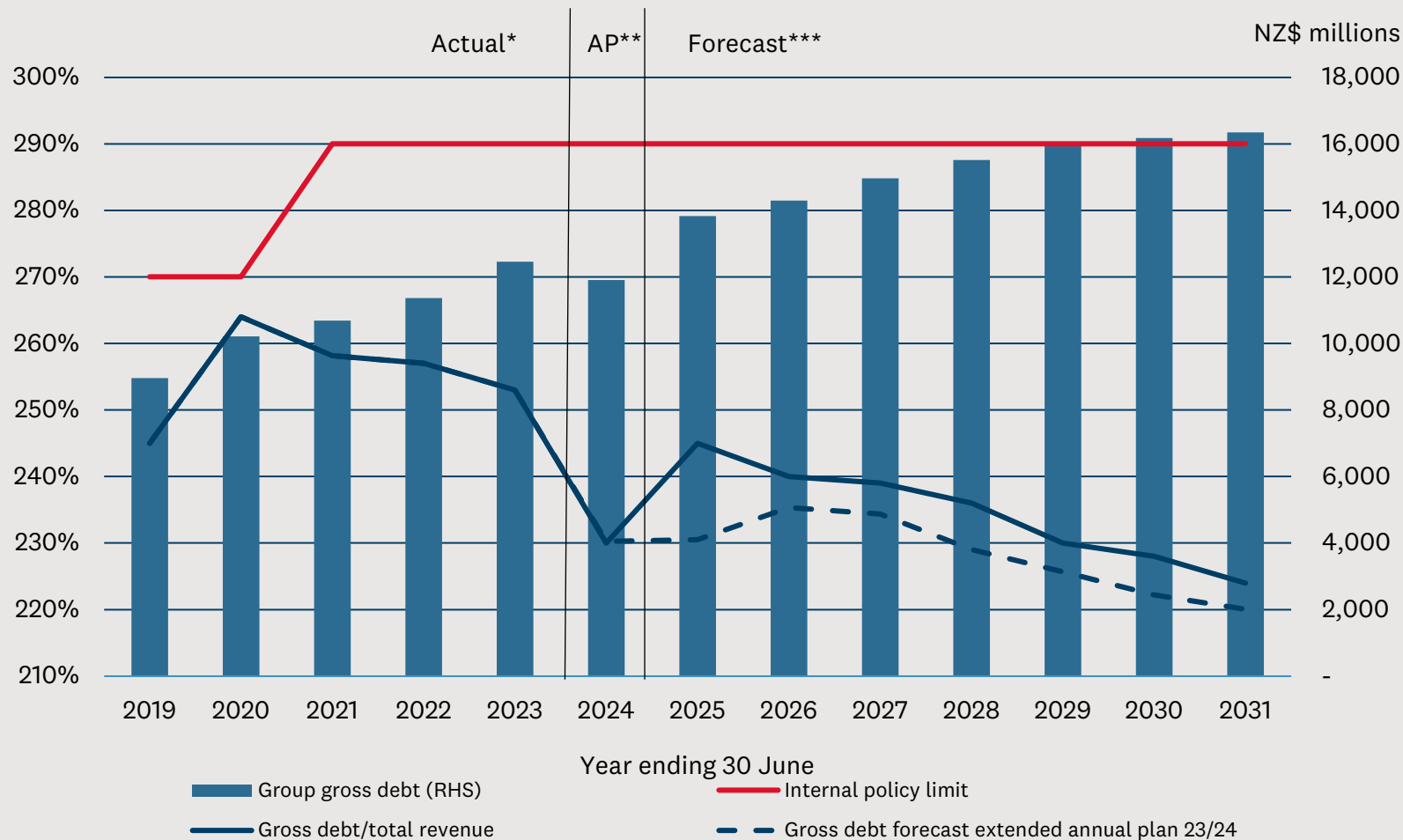
\*Actual are audited results

\*\*AP (Annual Plan) based on Annual Budget 2023/2024. Asset sales assumes the receipt of \$866m from the partial sale of council's shares in Auckland International Airport limited

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



# Declining gross debt to revenue ratio



\* Actual are audited results

\*\*AP (Annual Plan) based on Annual Budget 2023/2024

\*\*\* Gross debt to total revenue figures based on forecasts published in Annual Budget FY24, new debt and refinancing figures obtained from Long-Term Plan 2021-2031



# Drivers of Auckland Council's credit profile



# Infrastructure focused 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)



# Robust and established Institutional framework



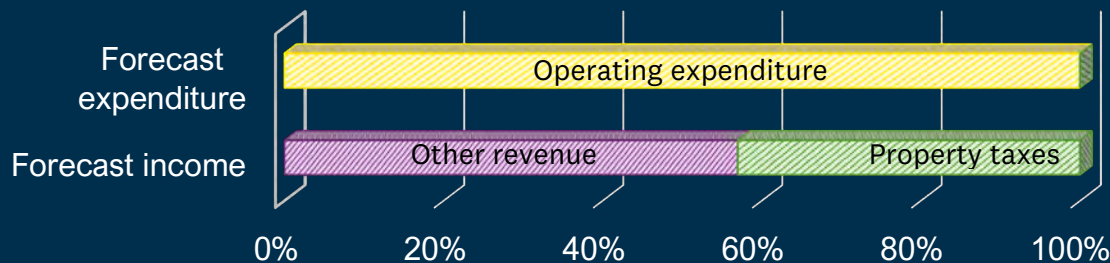
## Auckland Council has broad powers to tax (rate) property

- No legal upper limit on property taxes
- Property taxes rank ahead of all other claimants on property
- Security offered to banks/bondholders
- 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



# Maintains high quality credit ratings



**AA (stable)**  
20 September 2022



**Aa2 (stable)**  
17 October 2022

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



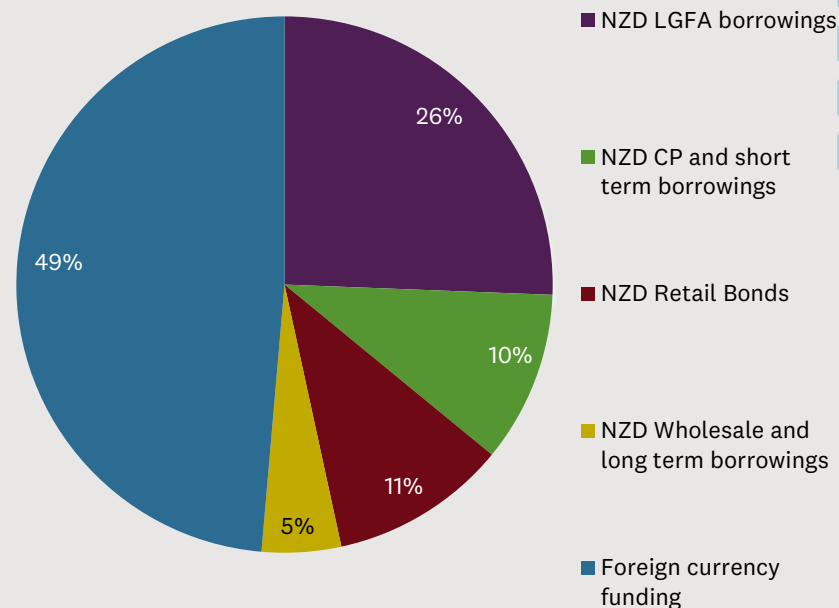
# Funding approach and debt market activity



# Robust and established funding strategy

- Diversified debt across three main funding sources
  - NZD debt (wholesale and retail)
  - Foreign currency debt (ECP, strategic and tactical markets)
  - LGFA\*
- Spreading debt across time (no more than NZD2.5 billion maturing in any 12-month period) - **weighted average term 5.0 years**
- Maintaining reasonable debt headroom with LGFA\* - **Actual 20% vs 40% cap of LGFA's total lending**

Auckland Council Group funding mix



\* Local Government Funding Agency



# Robust and established funding strategy (cont.)

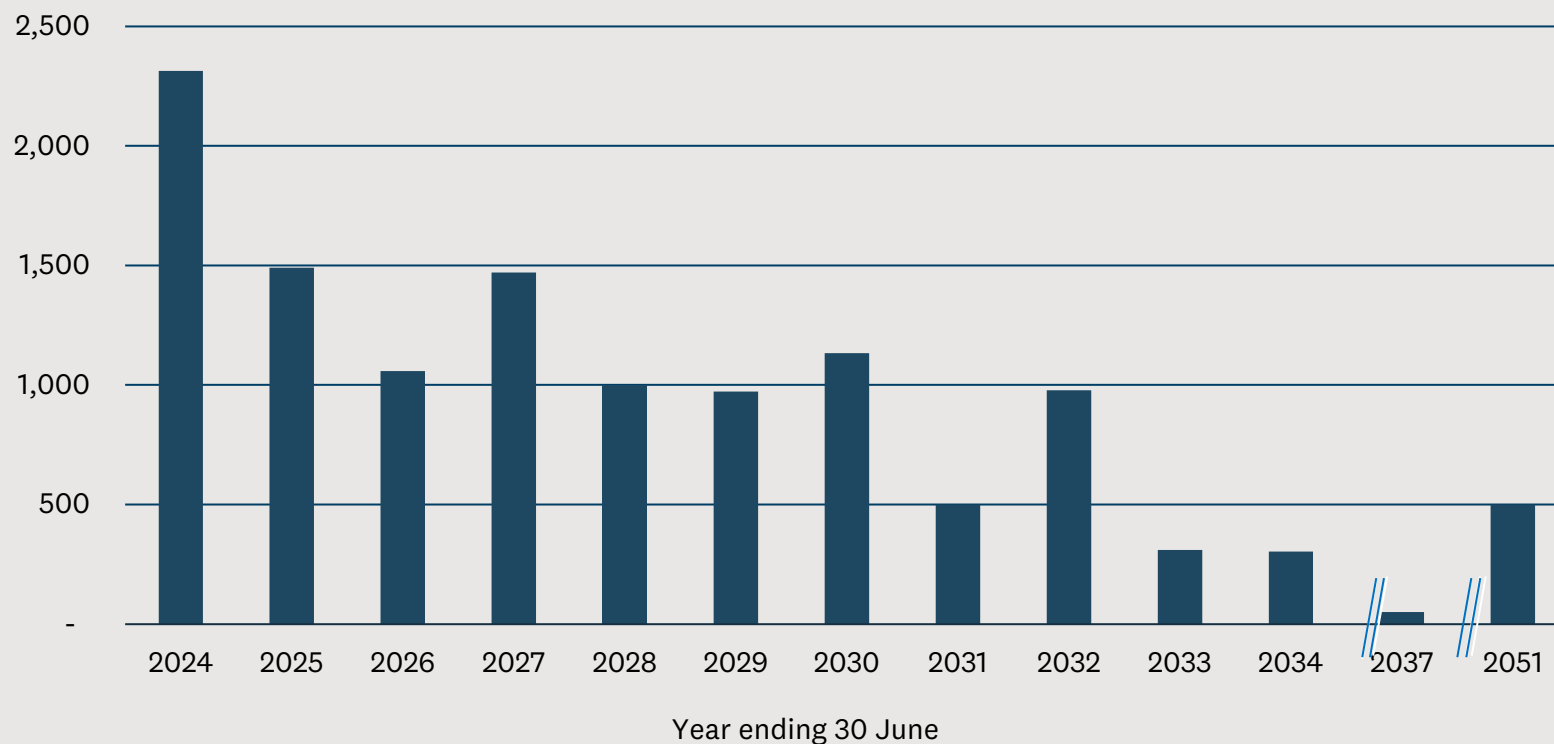
- Maintaining liquidity at greater than 10% of gross debt – NZ\$1.5 billion LGFA and bank standby facilities
- Preference is to list Auckland Council debt on the NZX, SGX or SIX = 58% of total debt is listed
- Hedging all FX exposure on foreign currency debt
- Strong investor engagement – regular investor updates
- Committed to issuing green/sustainable debt – 6 green bonds totalling NZ\$2.1 billion currently outstanding (NZD, EUR and CHF issues) = 18% of total debt



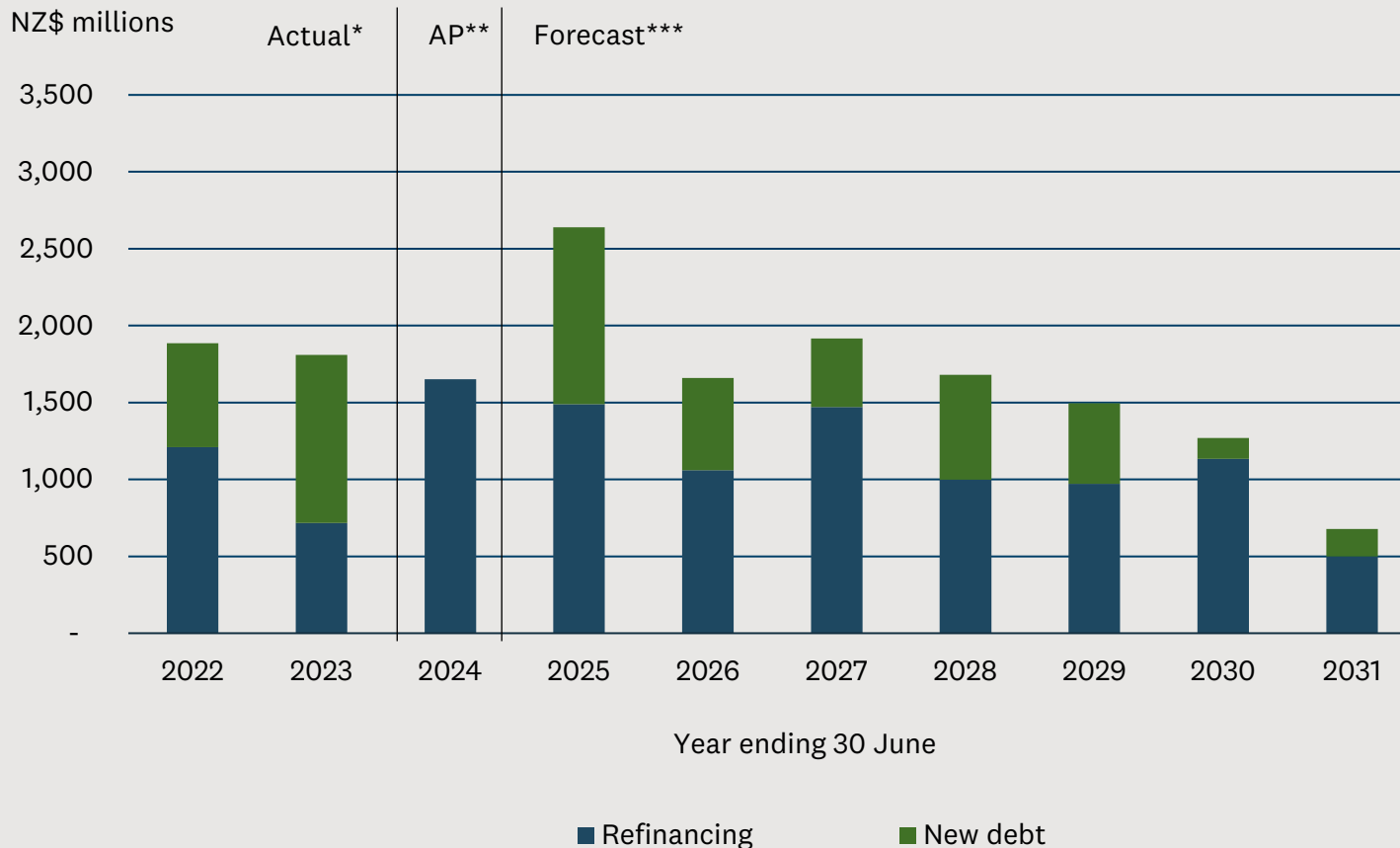
# Diversified debt maturity profile

(as at 30 June 2023)

NZ\$ millions



# Consistent annual debt requirement (as at 30 June 2023)



\* Actual are audited results

\*\*AP (Annual Plan) based on Annual Budget 2023/2024. Lower debt requirement due to the partial sale of council's shares in Auckland International Airport Limited

\*\*\* New debt and refinancing figures obtained from Long-Term Plan 2021-2031 which has been adjusted for the reduction of debt from the partial sale of Auckland Council's shares in Auckland International Airport Limited.



# 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 our Inclusive Auckland Framework
- Established a wellbeing hub for Auckland Council staff

**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](#)

# Sustainable Finance Framework

- Align Auckland 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

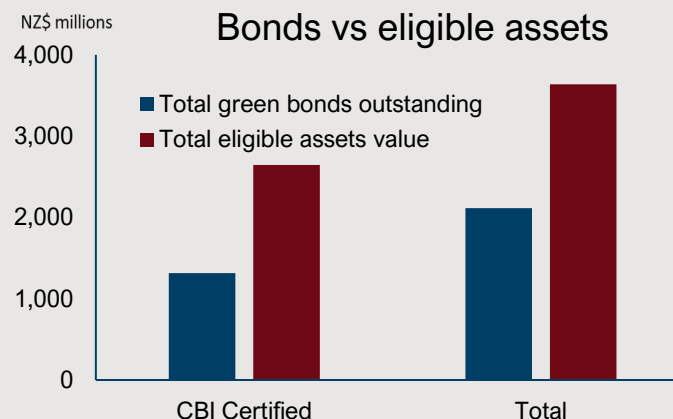
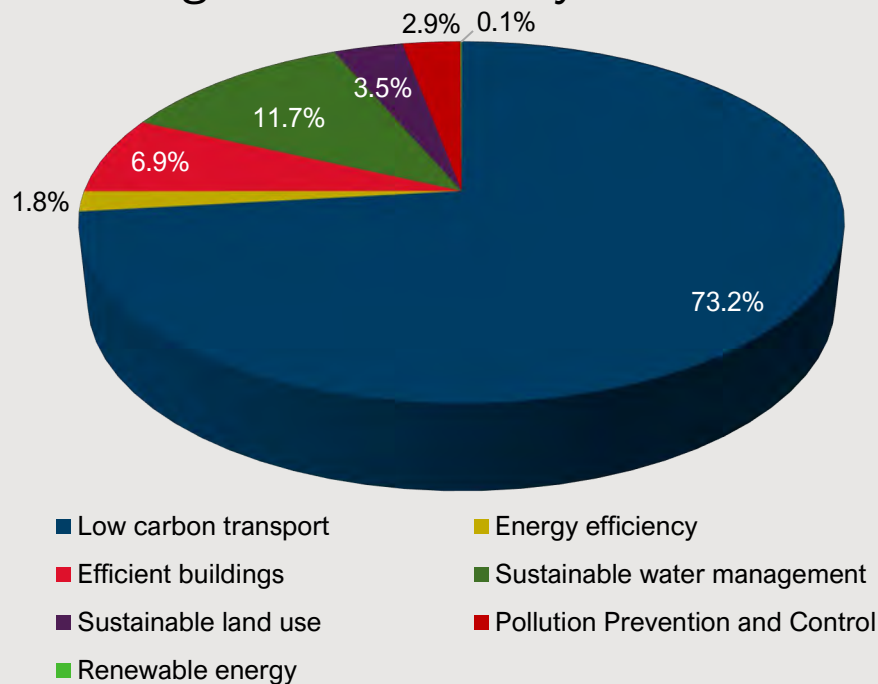
[Link to our green bond page](#)



# Green bonds

- First New Zealand entity to issue a green bond in New Zealand - June 2018
- Issued seven green bonds totalling NZ\$2.3 billion equivalent, including a NZ\$500 million, 30-year bond and EUR500m 10-year green bond)<sup>1</sup>

## Eligible asset mix by sector



## Eligible Assets Schedule

- Updated in June 2023 to NZ\$3.6 billion
- Assets include electric trains, cycleways, new rail tunnel and stations, bus transfer stations, LED street lighting, efficient buildings, waste and water assets



# Appendix



# Revenue and Expenditure

As at 30 June

For the period (NZ\$m)	2023*	2022	2021	2020	2019
Rates revenue	2,280	2,122	1,976	1,877	1,790
Services and other revenues	4,393	3,554	3,339	3,291	3,089
<b>Total revenue</b>	<b>6,673</b>	<b>5,676</b>	<b>5,315</b>	<b>5,168</b>	<b>4,879</b>
Operating expenses	4,801	4,287	3,997	3,972	3,610
Finance costs	523	438	408	444	478
<b>Total expenses</b>	<b>5,324</b>	<b>4,725</b>	<b>4,405</b>	<b>4,416</b>	<b>4,088</b>
<b>Operating surplus before gains and losses</b>	<b>1,349</b>	<b>951</b>	<b>910</b>	<b>752</b>	<b>791</b>
Surplus after income tax	1,010	1,724	1,837	35	175

\*Unaudited financial results



# Financial Position

As at 30 June

As at (NZ\$m)	2023*	2022	2021	2020	2019
Cash and short-term deposits	106	239	320	306	315
Total assets	72,953	70,384	60,667	55,991	52,873
Borrowings	12,457	11,363	10,687	10,214	8,958
Total liabilities	17,402	16,110	16,019	16,142	13,831
<b>Net assets</b>	<b>55,551</b>	<b>54,274</b>	<b>44,648</b>	<b>39,849</b>	<b>39,042</b>
Net debt to total assets	16.9%	15.8%	17.1%	17.7%	16.3%

\*Unaudited financial results



# Cash Flow

As at 30 June

For the period (NZ\$m)	2023*	2022	2021	2020	2019
Operating cash flow	1,812	1,459	1,705	1,370	1,248
Investing cash flow	(2,753)	(2,130)	(2,311)	(2,497)	(1,683)
Funding cash flow	795	603	605	1,131	116
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	(146)	(68)	(1)	4	(319)

\*Unaudited financial results



# City Rail Link project update

28 August 2023



# Project overview

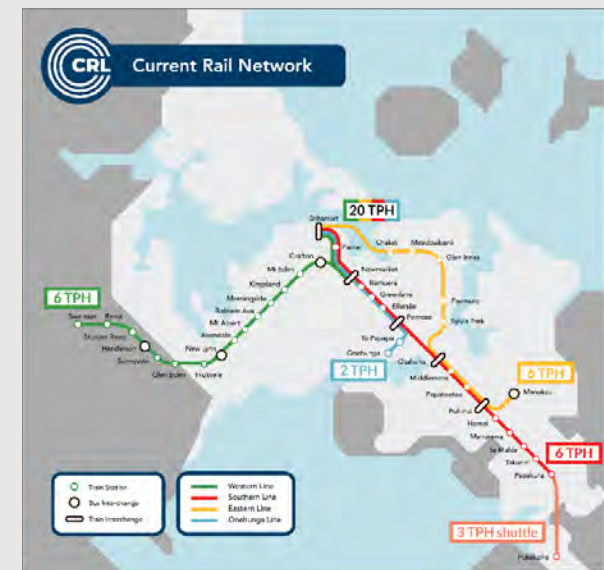
- Approved project funding of \$5.493 billion
- Practical (construction) completion target November 2025
- Extension of the existing Auckland network
- Three new stations: Te Waihorotiu, Karanga-a-Hape & Maungawhau
- One redeveloped station: Waitematā (Britomart)
- 3.4km twin underground tunnels:
  - Up to 40m underground
  - 100-year asset life
- Ultimate Capacity:
  - Nine-car trains
  - 24 trains per hour per direction

[City Rail Link \(CRL\) - Official site](#)



# City Rail Link benefits

- Unlocks Auckland's entire rail network
- A train at least every ten minutes in peak
- Increases rail capacity into CBD from **14,000** passengers per hour (pph) to **54,000** pph
- Adds equivalent of an additional **16 lanes of traffic** into the city centre in peak
- Doubles the number of people within 30 minutes of CBD
- Eases bus congestion in city centre (has reached capacity)
- Significant commercial and residential opportunities
- Target strong sustainability outcomes (ISC ratings led)
- Commitment to employment and procurement outcomes for Māori and Pasifika graduates & businesses



# Works to be completed

## Station & Rail Systems Fit-out

- Mechanical, Electrical, Fire, Hydraulic fit-out
- Continue Rail Systems fit-out
- Architectural & Station fit-out
- HV energisation for powering of overhead lines

## Testing & Commissioning

- Site Acceptance Testing
- All Systems Integration Testing
- Train Running Testing
- Operational Readiness Testing

## Asset Handover

- Handover to AT and Kiwirail who will separately decide day one customer operations



# Te Waihorotiu Station



# Contact details

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