



LGFA

An overview

BUSINESS DESCRIPTION

The New Zealand Local Government Funding Agency (LGFA) is an agency specialised in financing the New Zealand local government sector. LGFA was established to raise debt on behalf of local authorities ("councils") on terms that are more favourable to them than if they raised the debt directly.

LGFA was incorporated as a limited liability company under the Companies Act 1993 on 1 December 2011, following the enactment of the Local Government Borrowing Act 2011. As LGFA is majority owned by councils, it constitutes a "council-controlled organisation" under the Local Government Act 2002.

CREDIT RATINGS

Domestic Currency AA+ / Foreign Currency AA (Stable Outlook) – Standard & Poor's
Domestic Currency AA+ / Foreign Currency AA (Stable Outlook) – Fitch Ratings
These credit ratings are the same as the New Zealand sovereign ratings.

OWNERSHIP

As at 27 July 2017 LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled. There are currently 31 shareholders, comprising the New Zealand Government at 20% and 30 councils at 80%. Any councils wanting to become new shareholders are required to purchase shares from existing council shareholders.

CAPITAL STRUCTURE

The capital structure of LGFA comprises fully paid shares, unpaid shares, retained earnings and borrower notes.

BORROWER NOTES

Borrower Notes are subordinated convertible debt instruments which each council that borrows from LGFA must subscribe for (in an amount equal to 1.6% of the total borrowing from LGFA by that council) LGFA will redeem Borrower Notes when the councils' related borrowings are repaid or no longer owed to LGFA. Currently there are NZ\$123 million of Borrower Notes on issue.

GUARANTEE STRUCTURE

LGFA's obligations in relation to its Securities issued are guaranteed by the councils that are Guarantors under the Guarantee. Other than the New Zealand Government, each shareholder in LGFA must be a Guarantor. In addition any council that borrows in aggregate NZ\$20 million or more from LGFA must be a Guarantor. The guarantee will be in favour of the obligations of LGFA. Any call under the guarantee will be allocated across all the guarantors on a pro rata basis in relation to their rates ("property tax") revenue.

LIQUIDITY FACILITY

The New Zealand Debt Management Office provides LGFA with a committed liquidity facility. The facility has an initial term of 10 years from December 2011. The facility's maximum aggregate principal amount is set at NZ\$1 billion unless LGFA selects a lower amount; and will vary depending on LGFA's credit rating (the available facility may reduce if LGFA's credit rating decreases). LGFA has selected a maximum aggregate principal amount of NZ\$500 million for the period to August 2017.

AS AT 27 JULY 2017

- Enabled by Local Government Borrowing Act 2011
- Owned by 30 Local Authorities and New Zealand Government
- Same credit rating as New Zealand Sovereign
- Supported by New Zealand Government liquidity facility
- RBNZ Repo Eligible
- NZD Bonds are listed on the NZX Debt Market

Year to June 30	Funding p.a. (NZ\$m)	Securities on issue (NZ\$m)
FY 2012	835	835
FY 2013	1,640	2,475
FY 2014	1,220	3,695
FY 2015	1,500	4,955
FY 2016	1,265	6,220
FY 2017	1,285	7,535
FY 2018	1,250 est.*	7,740 est.*
FY 2019	1,250 est.*	7,790 est.*
FY 2020	1,210 est.*	7,875 est.*

*SOI FORECAST

LGFA



NEW ZEALAND
LOCAL GOVERNMENT
FUNDING AGENCY

CONTACT:

Mark Butcher – Chief Executive

Ph: +64 (04) 974 6744

Email: mark.butcher@lgfa.co.nz

Level 8, City Chambers,
142 Featherston Street,
Wellington 6011, New Zealand
Bloomberg Ticker: NZLGFA

www.lgfa.co.nz

FUNDING

LGFA operates with the primary objective of optimising the debt funding terms and conditions for participating councils. To date this has been undertaken via tender operations and issuing bonds with identical coupons and maturities as NZ Government Bonds. As at 27 July 2017 there are NZ\$7.86 billion of LGFA bonds on issue across eight maturities. These bonds are listed on the NZX Debt market and to date LGFA has only issued in NZD.

LGFA also issues 3 month and 6 month LGFA Bills via monthly tenders and private placements.

ABOUT NEW ZEALAND LOCAL GOVERNMENT

There are 78 local authorities in New Zealand comprising:

11 Regional Councils – 7 in the North Island and 4 in the South Island;

12 City Councils – 8 in the North Island and 4 in the South Island;

54 District Councils – 34 in the North Island and 20 in the South Island;

1 Unitary Territorial Authority – Auckland Council

Councils in New Zealand provide water, wastewater, storm water, regional transport and rubbish collection services, local amenities and parks.

Councils typically borrow to fund infrastructure investment in those areas.

Summary financial statistics for the sector at June 2015 are:

Total sector assets of \$128.5 billion

Total sector debt of \$13.10 billion

Total sector revenue of \$10.5 billion

Total rates (property tax) revenue of \$5.1 billion

LGFA PARTICIPANTS

- As at 27 July 2017 there are 54 Participating Local Authorities (“PLAs”).
- There are 50 Borrowers amongst the PLAs with Bay of Plenty and Northland Regional Councils and Central Hawkes Bay and Waitomo District Councils the only non-Borrowers.
- There are 44 Guarantors of LGFA. The only non-Guarantors (due to their small amount of borrowing) are Northland Regional Council and Grey, Central Hawkes Bay, Opotiki, Buller, Gore, South Wairarapa and Tararua District Councils.
- There are 31 shareholders, comprising 30 councils (80% shareholding) and the New Zealand government (20% shareholding).
- Auckland Council is limited to a maximum of 40% of LGFA’s total Local Authority assets.
- No more than the greater of NZ\$100 million or 33% of a council’s borrowings from LGFA will mature in any 12 month period.
- The 54 council members cover 97% of New Zealand local government sector debt.

NEW ZEALAND STATISTICS

Population 4,776,100 as at March 2017

Nominal GDP \$265 billion as at March 2017

Nominal GDP growth 3.3% as at March 2017

Nominal GDP per capita \$56,073 as at March 2017

CPI inflation 1.7% as at March 2017

Unemployment rate 4.9% as at March 2017

Total merchandise exports \$49.9 billion as at June 2017

Total merchandise imports \$53.5 billion as at June 2017

This document does not constitute or form part of any offer or solicitation to purchase or subscribe for securities and should not be considered as a recommendation by LGFA.

Information contained in this document has been compiled from sources believed to be reliable, but LGFA does not make any representation as to their accuracy or completeness.

BORROWERS as at 27 July 2017

Lending	NZ\$ m	%
Auckland	2,407	30.4
Christchurch	1,644	20.8
Hamilton	350	4.4
Tauranga	345	4.4
Greater Wellington	305	3.9
Wellington	293	3.7
Kapiti Coast	220	2.8
Whangarei	152	1.9
Taupo	125	1.6
Rotorua	115	1.5
40 others	1,950	24.6
TOTAL	7,906	100

LGFA Bonds on Issue as at 27 July 2017

Coupon	Maturity	NZ\$ m
6%	15/12/2017	1,015
5%	15/03/2019	1,250
3%	15/04/2020	855
6%	15/05/2021	1,400
5.5%	15/04/2023	1,400
2.75%	15/04/2025	750
4.5%	15/04/2027	1035
3.5%	14/04/2033	295
TOTAL		7,855

Shareholders as at 27 July 2017 (Paid-Up)

Shareholders	%
New Zealand Government	20.00
Auckland	7.46
Christchurch	7.46
Hamilton	7.46
Bay of Plenty	7.46
Greater Wellington	7.46
Tasman	7.46
Tauranga	7.46
Wellington	7.46
Western Bay of Plenty	7.46
21 Others	12.86
TOTAL	100