

An introduction to LGFA

21 March 2025



LGFA



New Zealand Local
Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe

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Local Government Sector

LGFA Overview

LGFA Debt Market Activity

Appendices



LGFA IS A COLLECTIVE FUNDING VEHICLE

- ❑ Local Government funding agencies have proven track records around the world.
- ❑ 125 years of history in Western Europe:
 - 1899 KommuneKredit
 - 1914 BNG
 - 1926 KBN
 - 1954 NWB Bank
 - 1986 Kommuninvest
 - 2001 MuniFin
 - 2013 Agence France Locale
- ❑ Other countries:
 - 1957 Japan Finance Organization for Municipalities
 - 1970 Municipal Finance Authority of British Columbia
 - 2011 New Zealand Local Government Funding Agency
 - 2014 UK Municipal Bond Agency.



- 78 Local Government (“council”) entities.
- Financial management:
 - “a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region”. *Local Government Act 2002 s14.*
- Balanced budget approach – rates reset annually to balance expenditure with operating income.
- Revenue certainty through rates (property taxes) providing 66% of revenue:
 - rates not affected by level of economic activity or property market;
 - councils have broad powers to tax (rate) properties;
 - no upper limit on rates income; and
 - rate collection ranks ahead of all other claimants including Inland Revenue Department and mortgagees.
- No defined benefit pension liabilities or welfare obligations.
- Debt used essentially to finance new assets.
- Robust planning with extensive public consultation.
- Strong institutional framework and relationship with Central Government.
- Security can be provided to lenders by councils:
 - charge over rates and future rates income; and
 - all LGFA bondholders indirectly have the benefit of a Debenture Trust Deed from each guarantor council which gives a charge over rates and future rates income. This security is shared with other council lenders.

RANGE OF ACTIVITIES UNDERTAKEN BY THE GOVERNMENT SECTOR

Central Government	Mixture of Central and Local Government Funding	Local Government
Education (primary, secondary and tertiary provision)	Public transport operation (typically 53% from Central Government)	Water, wastewater and storm water
Public healthcare and hospitals	Rail infrastructure (negotiated)	Rubbish and recycling collection and disposal
Fire services	Local roads (construction, maintenance, cleaning)	Street cleaning
State highways	Public housing	Health / Sanitation Inspections
Police and corrective facilities		Building inspections
Pensions and welfare		Public facilities (parks, recreation facilities, swimming pools, sports fields)

NEW ZEALAND COUNCILS AGGREGATED FINANCIAL POSITION

Assets (NZ\$ billion)

Current Assets	5.09	
Non-Current Assets		
Infrastructure	113.73	
Land and Buildings	36.26	
Investments	16.90	
Other	<u>10.79</u>	<u>182.77</u>

Liabilities (NZ\$ billion)

Debt	26.24	
Non-Equity Liabilities	<u>4.98</u>	<u>31.22</u>

Net Worth (NZ\$ billion)

151.55

Revenue (NZ\$ million)

Taxation revenue		
Property	7,955	
Regulatory income and petrol tax	<u>928</u>	8,884
Sales and other operating income		1,648
Interest and dividend income		599
Development contributions		611
Current grants and subsidies		<u>1,275</u>
Total Operating Income		13,017

Expenses (NZ\$ million)

Employee expenses		2,945
Depreciation		2,651
Purchases of goods and services		5,579
Interest expense		1,064
Current grants and subsidies		<u>1,407</u>
Total Operating Expenses		13,646

Net Operating Balance (NZ\$ million)

-629

The amounts in this slide have been extracted from the Local Authority Financial Statistics database managed by Statistics New Zealand – calculated as at June 2023 and for the June 2022-23 year. The data comprises the seventy-eight councils that make up the New Zealand Local Government sector.

Local Government Sector

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SHAREHOLDERS

- ❑ NZ Government largest shareholder at 20%
- ❑ 30 councils hold 80% shareholding
- ❑ Can only sell shares to NZ Government or councils

GOVERNANCE

- ❑ Board comprising 6 Independent and 1 Non-Independent Directors
- ❑ NZD Bonds listed on NZX
- ❑ Independent Trustee for NZD Bonds
- ❑ Issue of NZD retail bonds under the Financial Markets Conduct Act 2013
- ❑ Audited by Audit NZ

CAPITAL STRUCTURE

- ❑ NZ\$25 million paid in capital
- ❑ NZ\$20 million uncalled capital
- ❑ NZ\$95.7 million retained earnings
- ❑ NZ\$617 million Borrower Notes that can be converted to equity
- ❑ Current capital ratio of 2.8% with policy of 2% minimum and target of 3%

LIQUIDITY

- ❑ Up to NZ\$1.5 billion liquidity facility from NZ Government¹
- ❑ NZ\$2.8 billion liquid assets portfolio²
- ❑ NZ\$1.26 billion of Treasury Stock currently available for repo

As at 28 February 2025

¹ Maximum amount under the facility available for liquidity purposes. The actual amount available will be the amount of commitment set by LGFA up to NZ\$1.5 billion.

² Excludes liquid assets held to support council standby facilities

BORROWERS

- ❑ 77 member councils
- ❑ 7 CCOs
- ❑ Approximately 90% market share
- ❑ Councils' borrowing secured against rates revenue
- ❑ Must meet LGFA financial covenants
 - Net Debt / Total Revenue
 - Net Interest / Total Revenue
 - Net Interest / Rates

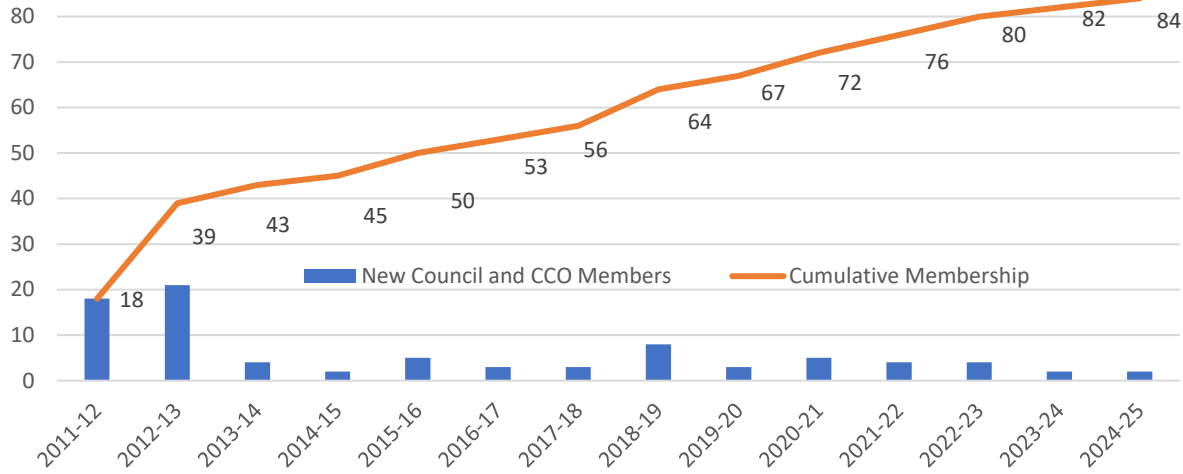
GUARANTORS

- ❑ 72 guarantors of LGFA
- ❑ Guarantors comprise:
 - All shareholders except the NZ Government
 - Any non-shareholder who may borrow more than NZ\$20 million
 - Any council shareholder of a council-controlled organisation (CCO) that is approved for borrowing by LGFA
- ❑ Security granted by each of the guarantors is over their rates revenue
- ❑ Guarantee contains provisions apportioning share to each council based upon their relative share of total rates revenue of all guarantors.
- ❑ Current rates revenue of \$8.1 billion across the 72 guarantors based upon June 2024 annual reports
- ❑ Guarantors cannot exit guarantee until
 - Repaid all their, and any of its CCO's, borrowings and
 - After the longest outstanding LGFA bond to mature (currently 2037)

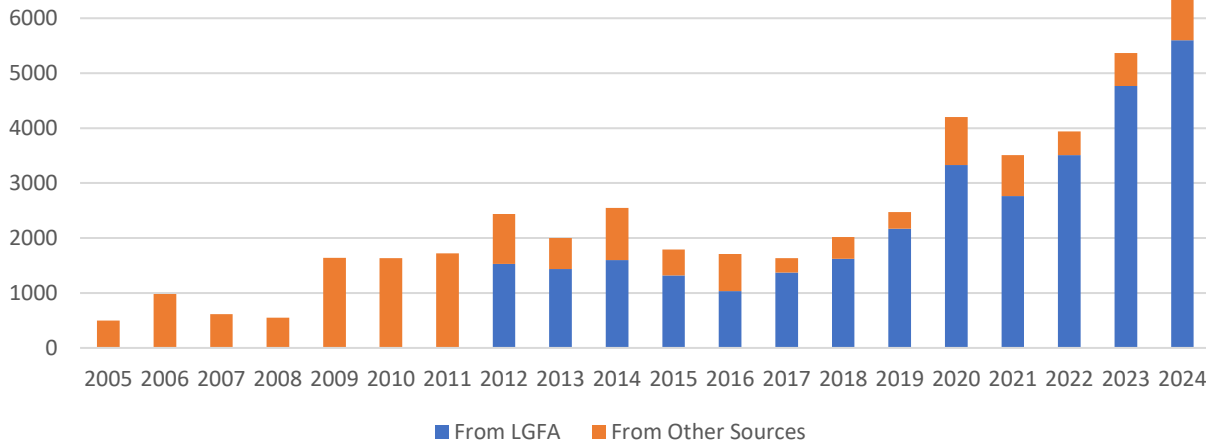
As at 28 February 2025

COUNCIL AND CCO MEMBERSHIP

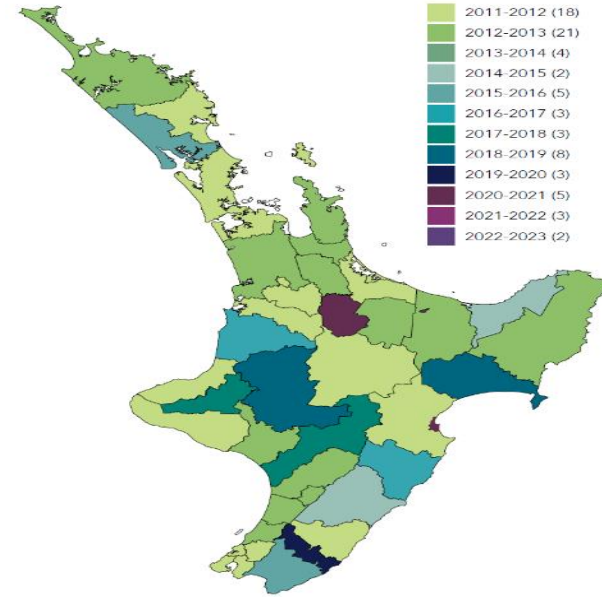
Council and CCO Borrowers



Council and CCO Borrowing (NZ\$ million) - calendar year



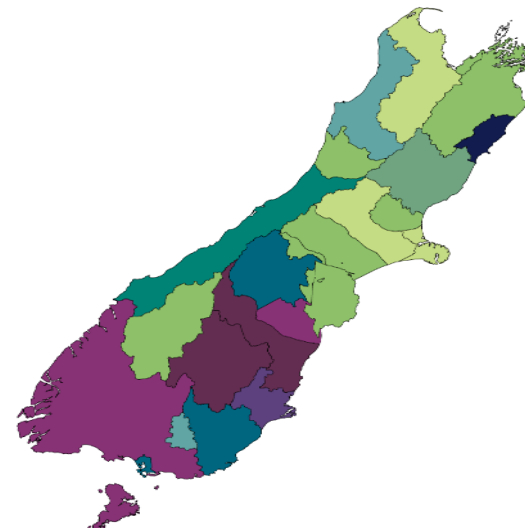
LGFA borrower councils highlighted with year of joining



Chatham Islands Council is not currently a borrower.

Some councils (notably regional councils) may overlap on this map.

There are seven CCOs (Invercargill City Holdings Limited, Destination Westland Limited, Dunedin City Treasury Limited, Whanganui District Council Holdings Limited, Infrastructure Holdings Limited, Far North Holdings Limited and Timaru District Holdings Limited) who are borrowers.



As at 28 February 2025

Source: LGFA, PwC Quarterly Local Government Debt Report

WHO DOES LGFA LEND TO AND WHO GUARANTEES LGFA?

Council and CCO Borrower	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Auckland	\$3,615	16.0%
Christchurch City	\$2,761	12.2%
Wellington City	\$1,665	7.4%
Tauranga City	\$1,320	5.8%
Hamilton City	\$1,104	4.9%
Wellington Regional	\$1,065	4.7%
Queenstown-Lakes District	\$683	3.0%
Hutt City	\$602	2.7%
Rotorua District	\$475	2.1%
Hastings District	\$472	2.1%
74 other member councils and CCOs	\$8,842	39.1%

Council and CCO Borrowing	Volume (NZ\$ million)
Short Term (loan terms less than 12 months)	\$803
Long Term	\$21,800
Total	\$22,603

Borrower Type	Number of councils/CCOs	Amount Borrowed (NZ\$ million)	% of Total Borrowing
Guarantors	72	\$22,021	97.4%
Non-guarantors	5	\$61	0.3%
CCOs	7	\$521	2.3%
Total	84	\$22,603	100.0%

Note:

Auckland Council borrowing is capped at 40% of total LGFA lending. Two councils and three CCO borrowers have no borrowing from LGFA.

Guarantee contains provisions apportioning share to each council based upon their relative share of total rates revenue of all guarantors. A council's obligation under the guarantee is secured against rates revenue. CCOs are not guarantors of LGFA but any council shareholder of a CCO must be a guarantor of LGFA.

Council Guarantor	% share of Guarantee ¹
Auckland	28.2%
Christchurch City	7.7%
Wellington City	5.4%
Tauranga City	3.3%
Wellington Regional	3.0%
Hamilton City	2.9%
Dunedin City	2.3%
Canterbury Regional	1.9%
Hutt City	1.8%
New Plymouth District	1.5%
62 other council guarantors	42.2%

As at 28 February 2025

Source: LGFA

¹Based on annual rates income for financial year ending 30 June 2023 as disclosed in each Guarantor council's annual report.

WHAT IS THE CREDIT QUALITY OF THE LGFA LENDING BOOK?

- ❑ 91.6% of LGFA loans to councils and CCOs with credit ratings.
- ❑ 72.7% of LGFA loans to AA- rated (or better) councils and CCOs.
- ❑ Average credit quality is approx. AA-.
- ❑ 6 councils and 1 CCO on negative outlook = NZ\$4.7 billion (21% loan book).
- ❑ Not all councils and CCOs have credit ratings due to cost of obtaining a rating vs benefits
 - Average total lending to unrated councils and CCOs is NZ\$47.3 million per council
 - NZ\$50 million of debt is approximate breakeven for a council to obtain a credit rating
- ❑ LGFA undertakes detailed credit analysis of all councils and CCO borrowers separate to the external credit rating process performed by S&P Global Ratings, Fitch Ratings and Moody’s Investors Service.
- ❑ Unrated councils are assessed by LGFA as having, in general, better credit quality than those councils with credit ratings.

External Credit Rating (S&P, Fitch)	Lending (NZ\$ millions)	Lending (%)	Number of Councils and CCO's
AA+	\$851	3.8%	6
AA	\$6,028	26.7%	10
AA-	\$9,564	42.3%	21
A+	\$2,950	13.1%	5
A	\$1,317	5.8%	2
Unrated	\$1,893	8.4%	40
Total	\$22,603	100.0%	84

Data as at 28 February 2025, with updated S&P ratings of 18 March 2025

Note: Two councils and three CCO borrowers have no borrowing from LGFA (includes long and short-term lending)

Source: LGFA

❑ S&P Global Ratings – March 2025

Local Currency AAA / Stable / A-1+ Foreign Currency AA+ / Stable / A-1+

Strengths:

- dominant market position as source of financing for New Zealand local government;
- Improving capital adequacy;
- diversified investor base and broadening access to markets;
- extremely high likelihood of extraordinary support from the New Zealand Government in a stress scenario; and
- robust management and governance among LGFA’s key strengths.

Weaknesses:



- highly concentrated lending portfolio; and
- rapidly rising local government sector debt profile.

❑ Fitch Ratings - December 2024

Local Currency AA+ / Stable/ F1+ Foreign Currency rating AA+ / Stable / F1+

Fitch Ratings notes:

- strong links to the sovereign – extraordinary support from the New Zealand Government to LGFA would be ‘Virtually Certain’ if needed;
- strong risk management;
- adequate capitalisation and sound liquidity.

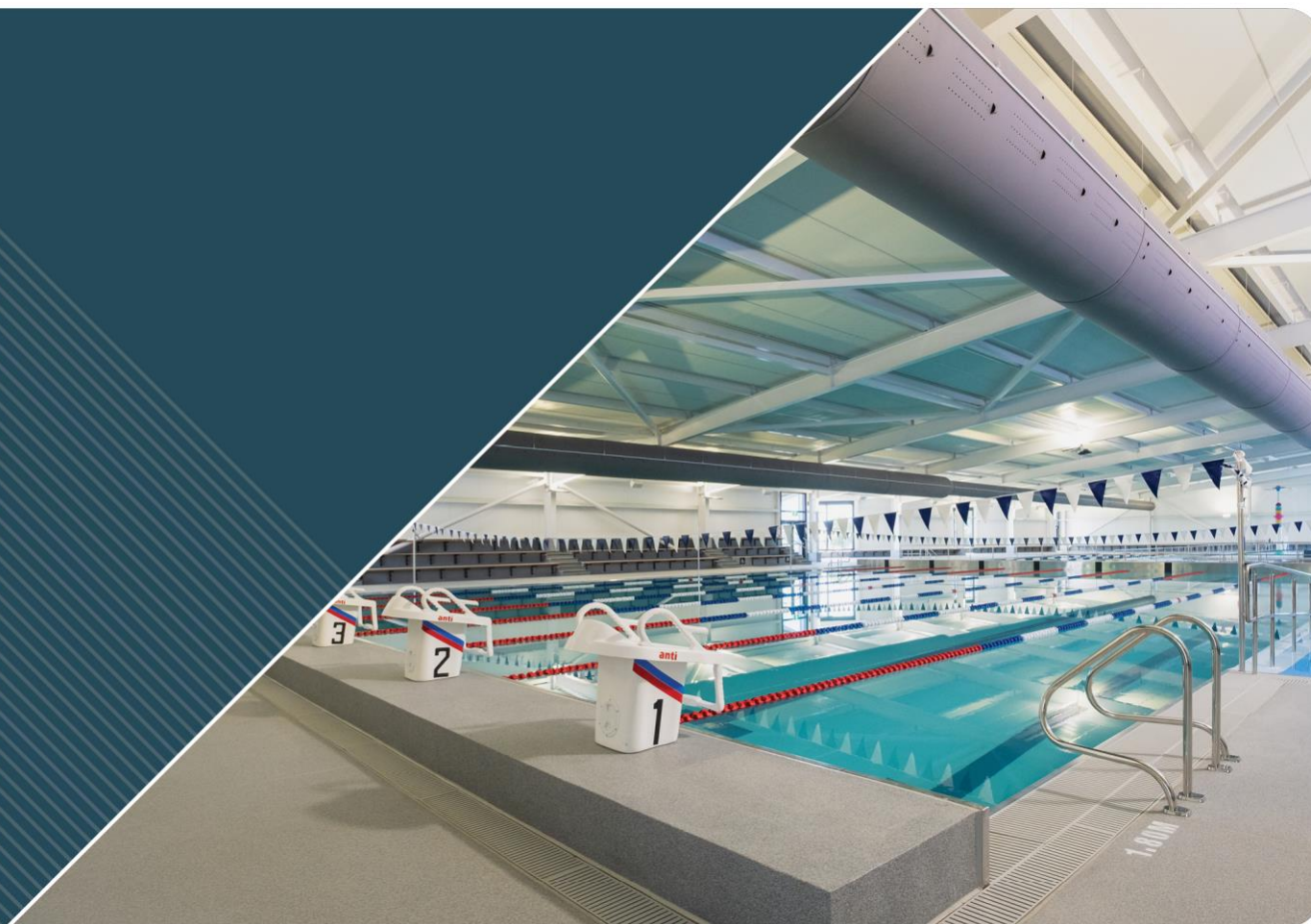
Rating Agency	Domestic Currency	Foreign Currency	Date of Report
	AAA	AA+	18 March 2025
	AA+	AA+	24 December 2024

Local Government Sector

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- ❑ 67 councils currently deliver water services in New Zealand
- ❑ Water services assets comprise approximately 35% of a council's assets
- ❑ Previous Labour Government estimate of between \$120 billion and \$185 billion of three water capex required over next 30 to 40 years¹.
- ❑ At the 2023 general election, the National Party campaigned on replacing the Affordable Water Programme under previous Labour Government with the Local Water Done Well Programme, which sought to:
 - Repeal Labour Government legislation with passing of Water Services Acts Repeal Act in February 2024.
 - Restore council ownership and control with stronger central government oversight.
 - Implement strict rules for water quality and for investment in infrastructure.
 - Ensure water services are financially sustainable.
- ❑ The Water Services Authority – Taumata Arowai to remain as water quality regulator and Commerce Commission appointed as the new economic regulator.
- ❑ New enabling legislation:
 - Local Government (Water Services Preliminary Arrangements) Act 2024 passed in September 2024 and sets out provisions relating to council service delivery plans and transitional economic regulation. This legislation also supports Watercare becoming a financially independent entity.
 - Local Government (Water Services) Bill introduced into Parliament in December 2024 provides for long-term requirements for financial sustainability, a complete economic regulation regime, and new types of structural and financing tools.
- ❑ Reforms expected to be in place by mid 2025.
- ❑ Councils to deliver Water Services Delivery Plans to Department to Internal Affairs and Minister of Local Government for approval by 3 September 2025, unless an extension is granted.

¹ Cabinet Briefing Paper 18 October 2021

- ❑ Minister of Local Government and LGFA announced
 - LGFA’s existing council-controlled organisation (**CCO**) lending framework will be extended to new water organisations that are CCOs and financially supported by their parent council or councils.
 - Financially supported, for example through uncalled capital.
 - Lend to both singly owned or multiply-owned water organisations, who are supported by the parent council(s).
 - Leverage for water organisations up to a level equivalent to 500 percent of operating revenues, subject to water organisations meeting prudent credit criteria.
 - Borrowing by water organisations will be treated as separate from borrowing by parent council or councils.
 - Water organisations will have access to existing suite of financial products that are currently made available to councils and CCOs. These include green and sustainable loans and climate action loans, short and long-term loans and standby facilities.
 - Councils will also retain the ability to borrow through LGFA should they choose to keep water services ‘in house’ rather than establish a water organisation.
 - Financially independent water organisations will not meet the qualifying criteria.
 - In time, LGFA will work with Central government to review whether it can lend to water organisations on an unsupported basis.

- ❑ Average term of council long term loans from LGFA is 3.42 years (June 2028) at 28 February 2025.

- ❑ Council borrowing forecast and LGFA bond issuance forecast outlined in LGFA’s Statement of Intent published on 25 June 2024 based upon councils’ Long Term Plans but assumes no lending to Watercare.

LGFA BOND ISSUANCE – FUNDING STRATEGY

☐ NZD Bonds

- Match NZ Government Bond where possible.
- Issuance of new lines by syndications and issuance of existing lines via both tenders and syndication taps.
- Liquidity important – objective of more than NZ\$1 billion per NZD series and soft cap of NZ\$3 billion per NZD series (including Treasury Stock).
- All LGFA bonds issued in NZ\$ are listed on NZX.
- All existing LGFA NZD bonds and bills are repo eligible.
- Objective to target tender issuance every four weeks of NZ\$150 million to NZ\$200 million in size and at least three maturities tendered.

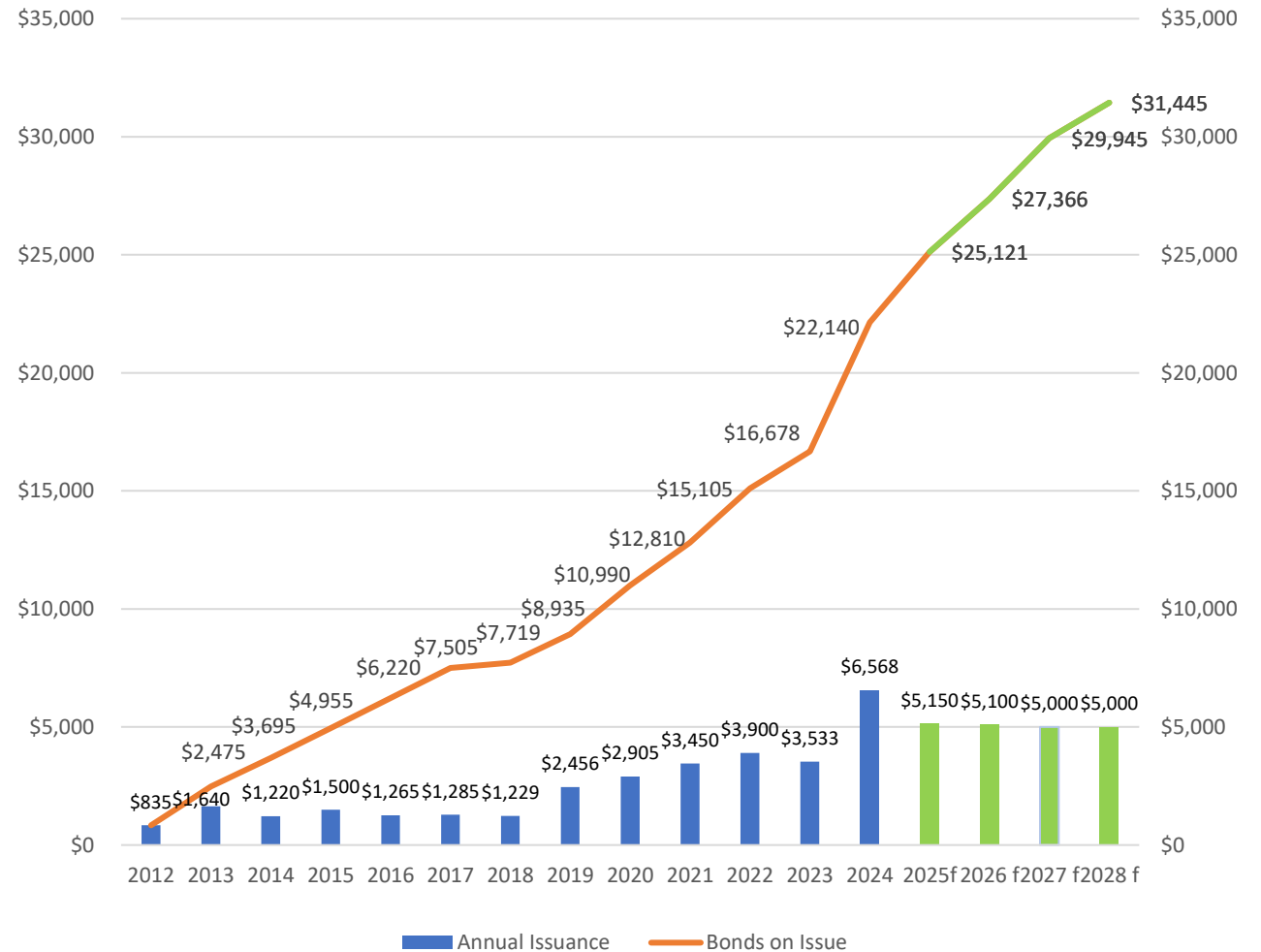
☐ AUD Bonds

- Established a curve from 3 years to 10 years.
- Objective of A\$1 billion per maturity.
- Objective of one maturity per calendar year.
- Issuance to establish a new maturity and then tap to increase volume if not achieved in initial issuance.

☐ Other markets

- NZD LGFA Bills
- ECP Programme established and first issuance in April 2024.
- EMTN Programme established.

Annual LGFA Bond Issuance and Bonds on Issue (NZ\$ millions)

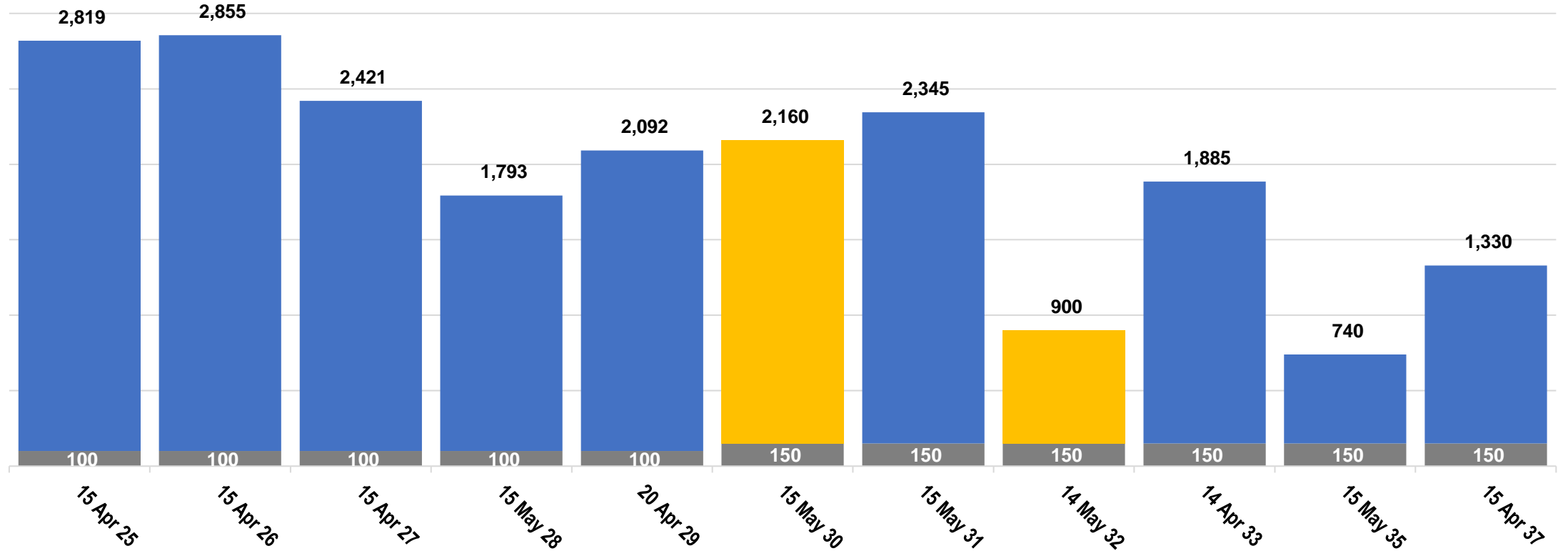


Forecasts from 2025-28 Draft SOI released 28 February 2025 and Quarterly Funding Update.

Note: Bond Issuance includes NZD and Foreign Currency Issuance.

NZD bonds on issue (NZD millions)
As at 28 February 2025: NZD 21,340 million

Includes NZD1,400 million treasury stock



All NZD bonds are NZX listed
The 15 May 2030 and 14 May 2032 NZD bonds are NZD Sustainable Financing Bonds
Grey bars are Treasury Stock issued to LGFA

LGFA WITHIN NZ DOMESTIC CAPITAL MARKETS

Largest issuers of NZD bonds – by outstandings

	Issuer	Amount Outstanding (NZ\$ millions)
1	LGFA (AAA)	\$21,340,000,000
2	World Bank (AAA)	\$7,745,000,000
3	Housing New Zealand Ltd (AAA)	\$7,590,000,000
4	Asian Development Bank (AAA)	\$6,649,000,000
5	Westpac Bank Group (AA-)	\$4,750,000,000
6	Bank of New Zealand / NAB (AA-)	\$4,050,000,000
7	International Finance Corp (AAA)	\$3,122,000,000
8	ASB Bank / CBA Group (AA-)	\$3,026,000,000
9	Auckland Council (AA)	\$2,880,000,000
10	Kiwibank (A)	\$2,530,000,000
11	Kommunalbanken (AAA)	\$2,191,000,000
12	Rabobank (A+)	\$2,072,750,000
13	Inter-American Development Bank (AAA)	\$1,991,000,000
14	Nordic Investment Bank (AAA)	\$1,920,000,000
15	ANZ Bank (AA-)	\$1,895,000,000
16	Transpower (AA-)	\$1,600,000,000
17	Infratil (unrated)	\$1,548,612,342
18	Toyota Finance Group (AA-)	\$1,396,350,000
19	Mercury NZ (BBB+)	\$1,300,000,000
20	Auckland International Airport (A-)	\$1,275,000,000

Excludes NZ Government and LGFA holdings include LGFA Treasury Stock

Largest individual tranches of NZD bonds

	Issuer	Maturity	Amount Outstanding (NZ\$)
	LGFA	15/04/2026	\$2,855,000,000
	LGFA	15/04/2025	\$2,819,000,000
	LGFA	15/04/2027	\$2,421,000,000
	LGFA	15/05/2031	\$2,345,000,000
	LGFA	20/04/2029	\$2,092,000,000
	LGFA	15/05/2030	\$2,160,000,000
	Housing New Zealand Ltd	12/06/2025	\$1,925,000,000
	LGFA	14/04/2033	\$1,885,000,000
	LGFA	15/05/2028	\$1,793,000,000
	World Bank (IBRD)	30/11/2026	\$1,500,000,000
	Housing New Zealand Ltd	18/10/2028	\$1,425,000,000
	LGFA	15/04/2037	\$1,330,000,000
	Housing New Zealand Ltd	5/10/2026	\$1,240,000,000
	Asian Development Bank	28/01/2027	\$1,200,000,000
	Housing New Zealand Ltd	24/04/2030	\$1,150,000,000
	Westpac Bank	24/09/2029	\$1,100,000,000
	World Bank (IBRD)	2/02/2028	\$1,050,000,000
	World Bank (IBRD)	10/06/2026	\$1,000,000,000
	World Bank (IBRD)	10/05/2028	\$1,000,000,000
	Bank of New Zealand (BNZ)	01/09/2028	\$1,000,000,000
	Westpac Bank	6/07/2026	\$1,000,000,000

As at 28 February 2025

Source: LGFA, Bloomberg

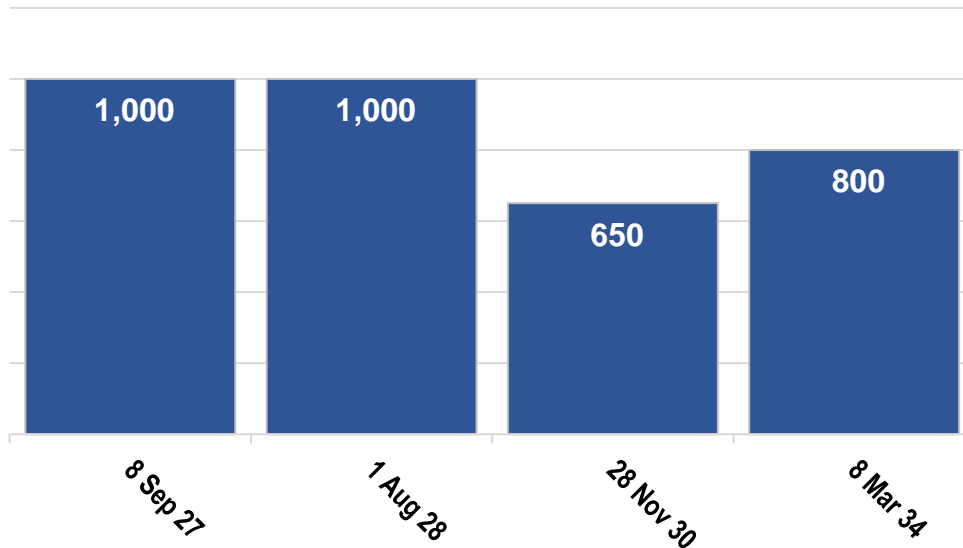
Background

- ❑ Historical preference to fund in NZD given borrowing requirement.
- ❑ Diversification of funding sources required as balance sheet and annual funding requirement increased.
- ❑ AUD Medium Term Notes programme established 2017.
- ❑ Annual funding requirement approx. NZ\$5 billion in each of next three years prompted shift to become Australasian issuer in 2023.
- ❑ The AUD Medium Term Note programme is a wholesale programme and notes issued under that programme are only available to specified wholesale investors.



AUD bonds on issue (A\$ millions)

As at 28 February 2025: AUD 3,450 million

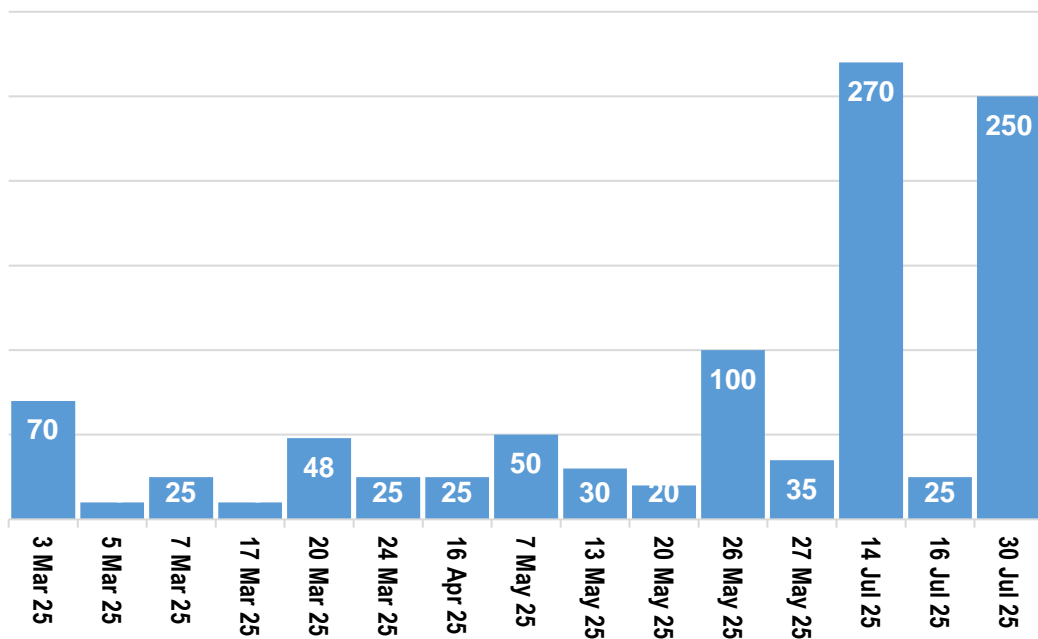


Allocations	2028s	2030s	2027s	2034s	2027s	2034s
Issuance Date	1-Aug-23	28-Nov-23	8-Mar-24	8-Mar-24	1-Aug-24	1-Aug-24
Issue Size (A\$ millions)	\$1,000	\$650	\$500	\$500	\$500	\$300
Issue Type	New	New	New	New	Tap	Tap
Number of Investors	45	27	29	25	26	23
Investor Type						
Central Bank/Official Institution	47%	53%	43%	67%	20%	21%
Asset Manager	44%	29%	24%	31%	36%	27%
Bank	6%	10%	27%	1%	26%	44%
HF/Trading	2%	6%	6%	1%	18%	8%
Other	1%	2%	0%	0%	0%	0%
Investor by Region						
EMEA	29%	63%	60%	82%	69%	45%
Australia/NZ	36%	21%	22%	12%	11%	13%
Asia	34%	15%	17%	6%	19%	42%
North America	1%	1%	1%	0%	1%	0%

LGFA NZD BILLS

- NZD denominated
- A1+ /F1 ratings (SP/Fitch)
- NZ\$993 million on issue as at 28 February 2025
- Terms of 30 days to 364 days
- Spread of 3 bps to 8 bps over BKBM
- Spread of 9 bps to 12 bps over NZ Treasury Bills
- Monthly tenders and private placements

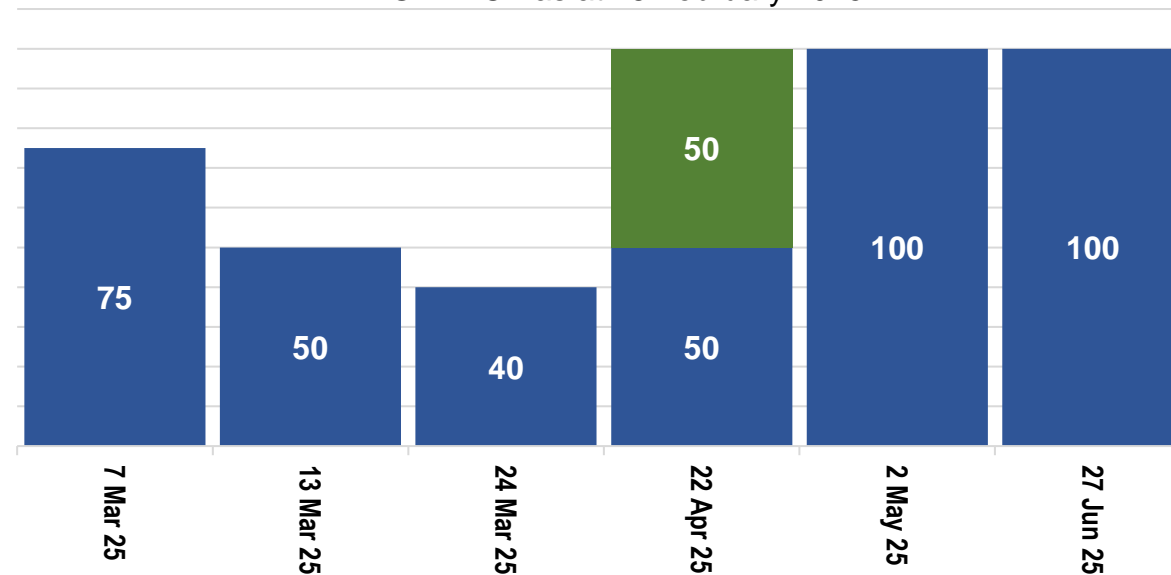
LGFA NZD Bills as at 28 February 2025



LGFA Euro Commercial Paper (ECP)

- Programme established September 2023
- Barclays, UBS and BOAML dealers
- USD, EUR and NZD preferred but open to other currencies
- Terms of 30 days to 364 days
- Issuance commenced April 2024
- US\$415 million and EUR50 million on issue as at 28 February 2025
- Preferred tranche size of US\$50 million
- Priced to be one of the highest yielding non-bank A1+ issuers

LGFA ECP as at 28 February 2025



Arranger:	UBS AG London Branch.
Dealers:	Australia and New Zealand Banking Group Limited (ABN 11 005 357 522), Barclays Bank PLC, BNP PARIBAS, HSBC Continental Europe, Merrill Lynch International, National Australia Bank Limited (ABN 12 004 044 937), UBS AG London Branch, Westpac Banking Corporation (ABN 33 007 457 141).
Paying Agent and Registrar:	Deutsche Bank AG, Hong Kong Branch.
Programme Size:	USD10 billion.
Currencies:	USD, EUR, CHF, Yen, GBP, SGD and other currencies as agreed.
Listing:	Singapore Exchange.
Likely Issuance Amounts:	Benchmark sizes.
Type of Bonds:	Vanilla.
Documentation available:	Offering Circular. Agency Agreement. Deed of Covenant.
Issuances under Programme:	7-year (2 April 2032) CHF220 million bond priced on 4 March 2025. 3-year (20 March 2028) USD500 million Reg S bond priced on 13 March 2025.

**** Mandate - NZ Local Government Funding Agency Inaugural EUR 5yr ****

New Zealand Local Government Funding Agency Limited (TICKER: NZLGFA), rated AA+ (stable) by S&P and AA+ (stable) by Fitch, has mandated Barclays, BNP Paribas, BofA Securities and UBS Investment Bank as Joint Lead Managers for an inaugural EUR 500m 'no grow' Reg S Registered transaction with an expected maturity of 5 years, subject to market conditions.

The Issuer will be available for calls upon request commencing 21 March 2025, and will be represented by Mark Butcher, Chief Executive.

The Issuer's obligations in relation to the Notes are guaranteed by the Local Authorities that are from time to time Guarantors under the Guarantee (as further described in the offering circular dated 22 January 2025 relating to the Programme). The New Zealand Government does not guarantee any of the Issuer's obligations or liabilities in relation to the Notes.

QUESTIONS

Local Government Sector
LGFA Overview
LGFA Debt Market Activity
Appendices



❑ Record amount of long-term lending to councils

- Twelve-month period to 30 June 2022 lending of NZ\$3.33 billion and LGFA bond issuance of NZ\$3.90 billion
- Twelve-month period to 30 June 2023 lending of NZ\$3.99 billion and LGFA bond issuance of NZ\$3.55 billion
- Twelve-month period to 30 June 2024 lending of NZ\$6.1 billion and LGFA bond issuance of NZ\$3.73 billion and A\$2.65 billion
- Six-month period to 31 December 2024 lending of NZ\$2.1 billion and LGFA bond issuance of NZ\$1.55 billion and A\$800 million

❑ LGFA Statement of Intent released 25 June 2024

- Increase to council borrowing forecasts and LGFA bond issuance
- Increase base lending margin from 20 bps to 25 bps
- Increase Borrower Notes percentage from 2.5% to 5%.

❑ Membership

- Two councils and six CCOs joined between 1 June 2022 and 28 February 2025.

❑ Sustainability focus across the organisation and lending activities

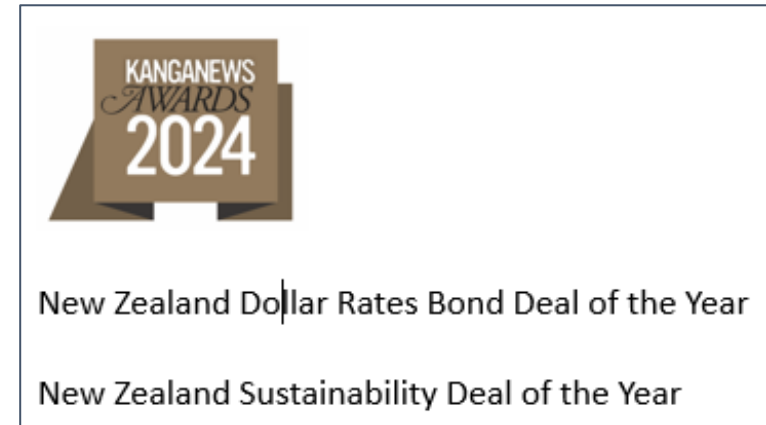
- ❑ Climate Action Loans and Green Social Sustainable Loans introduced (all documented in bond form)
- ❑ NZD Sustainable Financing Bonds issued – May 2030 and May 2032
- ❑ Second Impact Report published in September 2024

❑ New product initiatives

- CCO lending – four CCOs have loans outstanding as at 28 February 2025
- Standby facilities - NZ\$752 million to fourteen councils as at 28 February 2025
- Green, Social and Sustainability Lending Programme launched 1 October 2021 – first GSS loans made to councils in December 2021 with a total of NZ\$401.2 million outstanding as at 28 February 2025
- Climate Action Loans Lending Programme launched 2 December 2022 – first CALs approved in March 2023 with a total of NZ\$3.3 billion outstanding as at 28 February 2025.

LGFA – RECENT DEVELOPMENTS 2022-2025

- ❑ Issue of AUD medium term notes:
 - A\$1 billion of September 2027;
 - A\$1 billion of August 2028;
 - A\$650 million of November 2030; and
 - A\$800 million of March 2034.
- ❑ ECP Programme established with US\$415 million and EUR50 million on issue as at 28 February 2025.
- ❑ RBNZ Liquidity Policy Review outcome
 - LGFA bonds qualify as HQLA2 assets alongside SSAs
 - Further consultation by RBNZ on proportion to be allocated to HQLA2
- ❑ S&P Global Ratings lowered ratings on 18 councils and three council-controlled organisations on 18 March 2025.
- ❑ LGFA announced intention to provide financing support to water organisations¹ and assist high growth councils with additional financing on 8 August 2024.
- ❑ S&P Global Ratings affirmed LGFA credit rating on 18 March 2025.
- ❑ EMTN Programme established in January 2025
- ❑ Shareholders approve LGFA Board discretion to approve a bespoke Net Debt/Total Revenue covenant up to 350% at November 2024 AGM



¹Water organisations means the separate organisation that councils may establish to provide water services and does not include councils. There will be various types of water organisations under Local Water Done Well, and LGFA will only be lending to water organisations that meet the qualifying criteria for LGFA membership as a CCO. In particular, financially independent water organisations will not meet the qualifying criteria.

Aligned to LGFA’s 2024-27 Statement of Intent to “improve sustainability outcomes within LGFA and assist the local government sector in achieving their sustainability and climate change objectives”, LGFA has led a range of sustainability initiatives to support integration of sustainability into LGFA and across the local government sector.

- ❑ Reducing Operational Greenhouse Gas Emissions:
 - First achieved Toitū net carbonzero certification in June 2021
 - Target to reduce gross greenhouse gas (GHG) per employee emissions by at least 30% by 2030 (relative to a 2018/19 baseline).
- ❑ Improving Sustainability Governance and Oversight:
 - Appointed a Head of Sustainability in April 2021.
 - Established a Sustainability Committee including four external advisors.
- ❑ Collaborating with Councils and CCOs:
 - Established a Green, Social and Sustainability (GSS) Lending Programme for borrower Councils and CCOs and issued GSS loans to Councils and CCOs (GSS Loans) under this Programme. GSS Loans are “proceeds-based” loans to Council and CCO borrowers for assets, projects or activities that meet the GSS Loan Criteria published by LGFA (GSS Loan Criteria)¹. Projects can qualify under 9 Green Loan categories and/or 3 Social Loan categories.
 - Established a Climate Action Loan (CAL) Lending Programme for borrower Councils and CCOs and issued CALs to Councils and CCOs under this Programme. CALs are “general purposes” loans with a pricing incentive for Council and CCO borrowers to act on climate change and reduce GHG emissions in accordance with the requirements of the CAL Criteria published by LGFA (CAL Criteria)².
- ❑ Integrating ESG into operations:
 - Required to report annually under Climate Related Disclosures standards and first report issued on 4 September 2024.
 - Applying Responsible Investment Policy to investments in the Liquid Asset Portfolio (LAP).
- ❑ Published second Annual Impact Report on 30 September 2024.
- ❑ Published a review of Climate Change Emergency Declarations and Responses by Councils.
- ❑ Sustainability Strategy and Sustainability Policy available on the LGFA website



¹ The GSS Loan Criteria may be updated from time to time. The current GSS Loan Criteria can be found at www.lgfa.co.nz/sites/default/files/2023-03/LGFA_GSS_Lending_Programme_Criteria.pdf

² The CAL Criteria may be updated from time to time. The current CAL Criteria can be found at www.lgfa.co.nz/sites/default/files/2023-03/LGFA_CAL_Programme_Criteria.pdf

LGFA MEMBERS AS AT 28 FEBRUARY 2025

Shareholders	Total Shares (NZ\$)	Shareholding (%)	Amount borrowed (NZ\$ million)	Borrowing (%)	Share Guarantee (%)
New Zealand Government	5,000,000	11.1%			
Auckland Council	3,731,960	8.3%	3,615.0	16.0	28.2
Christchurch City Council	3,731,960	8.3%	2,760.6	12.2	7.7
Wellington City Council	3,731,958	8.3%	1,665.0	7.4	5.4
Tauranga City Council	3,731,958	8.3%	1,319.5	5.8	3.3
Hamilton City Council	3,731,960	8.3%	1,103.7	4.9	2.9
Wellington Regional Council	3,731,958	8.3%	1,065.0	4.7	3.0
Kapiti Coast District Council	200,000	0.4%	370.0	1.6	1.0
Hutt City Council	200,000	0.4%	601.7	2.7	1.8
Bay of Plenty Regional Council	3,731,958	8.3%	325.9	1.4	0.9
Tasman District Council	3,731,958	8.3%	362.3	1.6	1.1
Waimakariri District Council	200,000	0.4%	240.0	1.1	1.0
Hastings District Council	746,392	1.7%	472.0	2.1	1.3
Whangarei District Council	1,492,784	3.3%	275.0	1.2	1.4
Palmerston North City Council	200,000	0.4%	312.4	1.4	1.4
New Plymouth District Council	200,000	0.4%	360.5	1.6	1.5
Horowhenua District Council	200,000	0.4%	212.2	0.9	0.6
Taupo District Council	200,000	0.4%	179.0	0.8	1.0
South Taranaki District Council	200,000	0.4%	149.0	0.7	0.5
Marlborough District Council	400,000	0.9%	254.0	1.1	1.0
Whanganui District Council	200,000	0.4%	204.7	0.9	0.9
Western Bay of Plenty District Council	3,731,958	8.3%	160.0	0.7	1.0
Manawatu District Council	200,000	0.4%	96.8	0.4	0.5
Whakatane District Council	200,000	0.4%	193.5	0.9	0.7
Waipa District Council	200,000	0.4%	397.2	1.8	0.9
Gisborne District Council	200,000	0.4%	187.8	0.8	0.9
Thames-Coromandel District Council	200,000	0.4%	91.0	0.4	1.1
Masterton District Council	200,000	0.4%	61.6	0.3	0.5
Hauraki District Council	200,000	0.4%	123.0	0.5	0.4
Selwyn District Council	373,196	0.8%	225.2	1.0	1.1
Otorohanga District Council	200,000	0.4%	12.3	0.1	0.2
Total	45,000,000		17,395.9	77.0	72.9

Note: Total shares includes called and uncalled shares

Source: LGFA

LGFA MEMBERS (CONTINUED) AS AT 28 FEBRUARY 2025

Borrowers and Guarantors	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Ashburton District Council	135.7	0.6	0.5
Canterbury Regional Council	104.7	0.5	1.9
Carterton District Council	24.6	0.1	0.2
Central Otago District Council	40.0	0.2	0.5
Central Hawke's Bay District Council	48.2	0.2	0.3
Clutha District Council	133.9	0.6	0.3
Dunedin City Council	0.0	0.0	2.3
Far North District Council	140.5	0.6	1.2
Gore District Council	58.1	0.3	0.3
Grey District Council	35.6	0.2	0.2
Hawke's Bay Regional Council	110.9	0.5	0.5
Hurunui District Council	77.1	0.3	0.3
Invercargill City Council	145.4	0.6	0.8
Kaipara District Council	44.0	0.2	0.6
Mackenzie District Council	23.1	0.1	0.2
Manawatu-Wanganui Regional Council	71.5	0.3	0.7
Matamata-Piako District Council	71.5	0.3	0.6
Napier City Council	55.0	0.2	1.0
Nelson City Council	280.0	1.2	1.1
Northland Regional Council	24.5	0.1	0.5
Otago Regional Council	148.4	0.7	0.6
Porirua City Council	345.0	1.5	1.1
Queenstown-Lakes District Council	683.3	3.0	1.4
Rangitikei District Council	49.1	0.2	0.3
Rotorua District Council	475.0	2.1	1.4
Ruapehu District Council	64.0	0.3	0.3
South Wairarapa District Council	26.0	0.1	0.3
Southland District Council	80.8	0.4	0.7
Southland Regional Council	0.0	0.0	0.3
South Waikato District Council	44.0	0.2	0.5
Stratford District Council	38.7	0.2	0.2
Taranaki Regional Council	56.0	0.2	0.2
Tararua District Council	78.0	0.3	0.4
Timaru District Council	235.5	1.0	0.8
Upper Hutt City Council	213.0	0.9	0.6
Waimate District Council	5.0	0.0	0.2
Waitaki District Council	86.0	0.4	0.5
Waikato District Council	240.0	1.1	1.5
Waikato Regional Council	39.0	0.2	1.5
Waitomo District Council	33.1	0.1	0.3
West Coast Regional Council	24.2	0.1	0.1
Westland District Council	37.0	0.2	0.2
Total	4,625.2	20.5	27.1

Source: LGFA

LGFA MEMBERS (CONTINUED) AS AT 28 FEBRUARY 2025

Borrowers Only	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Buller District Council	20.0	0.1	Nil
Kaikoura District Council	9.3	0.0	Nil
Kawerau District Council	6.0	0.0	Nil
Opotiki District Council	14.7	0.1	Nil
Wairoa District Council	11.0	0.0	Nil
Total	61.0	0.3	Nil

Council Controlled Organisations	Amount borrowed (NZ\$ million)	Borrowing (%)	Share of Guarantee (%)
Infrastructure Holdings Ltd	118.0	0.5	Nil
Invercargill City Holdings Ltd	0.0	0.0	Nil
Far North Holdings Ltd	74.9	0.3	Nil
Dunedin City Treasury Ltd	320.0	1.4	Nil
Timaru District Holdings Ltd	8.1	0.0	Nil
Westland Holdings Ltd	0.0	0.0	Nil
Whanganui District Council Holdings Limited	0.0	0.0	Nil
Total	521.0	2.3	
Total Borrowing from LGFA	22,603.1	100.0	100

LGFA’s policy to minimise financial risks and carefully identify, manage and control all risk.

❑ Market Risk

- PDH limit of NZ\$250,000 – current exposure (as at 28 February 2025) NZ\$67,520
- VAR limit of NZ\$3,000,000 – current exposure (as at 28 February 2025) NZ\$961,544

❑ Credit Risk

All councils that borrow from LGFA are obliged to:

- provide security in relation to their borrowing from LGFA and related obligations;
- issue securities (bonds/FRNs/CP) to LGFA;
- comply with their own internal borrowing policies; and
- comply with the LGFA financial covenants within either the Lending Policy or Foundation Policy.

Auckland Council is limited to a maximum of 40% of LGFA’s total Local Authority assets.

All CCOs that borrow from LGFA are obliged to comply with requirements set by the LGFA Board.

❑ Liquidity and Funding Risk

Cash and Investments

- LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet obligations (including any collateral required to be posted under its swaps) when they fall due; and
- LGFA only invests in NZD senior debt securities, money market deposits and registered certificates of deposits within strict counterparty limits.

NZ Government liquidity facility

- The New Zealand Government provides a committed liquidity facility up to NZ\$1.5 billion that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall; and
- Facility size is set by LGFA at NZ\$750 million (as at 28 February 2025).

Collateral posting

- Under LGFA's swaps with NZDM, there was an unrealised mark to market valuation loss of \$628 million as at 28 February 2025. However, LGFA is, in summary, only required to post collateral to NZDM under its swaps to the extent the valuation loss exceeds the facility size of the NZ Government liquidity facility.

Financial covenant	Lending policy covenants	Foundation policy covenants
Net Debt / Total Revenue	<175%	<280% ¹
Net Interest / Total Revenue	<20%	<20%
Net Interest / Annual Rates Income	<25%	<30%
Liquidity	>110%	>110%

¹ There is an alternative Net Debt / Total Revenue foundation policy covenant for councils with a long-term credit rating of 'A' equivalent or higher.

Liquidity position as at 28 February 2025 ²	NZ\$ million
Cash and cash equivalents	\$128.13
Deposits and Marketable Securities	\$2,664.40
Total	\$2,792.54

² Excluding assets to back 100% standby facilities provided to councils

NEW ZEALAND COUNCILS EXTERNAL CREDIT RATINGS

Council	S&P	Fitch	Moody's
Ashburton District Council		AA+	
Auckland Council	AA		Aa2
Bay of Plenty Regional Council	AA-		
Canterbury Regional Council		AA+	
Christchurch City Council	AA		
Clutha District Council		AA-	
Dunedin City Council	AA (neg outlook)		
Far North District Council		AA	
Hamilton City Council	A+ (neg outlook)		
Hastings District Council	AA- (neg outlook)		
Hawke's Bay Regional Council		AA	
Hauraki District Council		AA-	
Horowhenua District Council	A+ (neg outlook)		
Hutt City Council	AA- (neg outlook)		
Invercargill City Council		AA+	
Kapiti Coast District Council	AA (neg outlook)		
Marlborough District Council	AA (neg outlook)		
Nelson City Council	AA (neg outlook)		
New Plymouth District Council	AA+ (neg outlook)		
Palmerston North City Council	AA (neg outlook)		
Porirua City Council	AA- (neg outlook)		
Queenstown-Lakes District Council		AA-	
Rotorua District Council		AA-	
Selwyn District Council		AA+	
South Taranaki District Council	AA (neg outlook)		
Tasman District Council	AA (neg outlook)		
Taupo District Council	AA+ (neg outlook)		
Tauranga City Council	A+ (neg outlook)		
Timaru District Council		AA-	
Upper Hutt City Council	A		
Waimakariri District Council	AA (neg outlook)		
Waikato District Council		AA+	
Waipa District Council		AA-	
Wellington City Council	AA (neg outlook)		
Wellington Regional Council	AA+ (neg outlook)		
Whanganui District Council	AA		
Western Bay of Plenty District Council	AA (neg outlook)		
Whakatane District Council		AA-	
Whangarei District Council	AA		

39 councils in New Zealand have credit ratings and they all are members of LGFA.

Over the past year:

- On 21 February 2024, S&P Global Ratings lowered the outlook on fifteen councils and two CCOs from stable to negative.
- Six councils were already on negative outlook from S&P Global Ratings (Bay of Plenty Regional Council, Hamilton City Council, Hutt City Council, Kapiti Coast District Council, Marlborough District Council and Wellington City Council).
- Far North District Council, Hawke’s Bay Regional Council, Clutha District Council, Whakatane District Council and Hauraki District Council received inaugural credit ratings from Fitch Ratings in 2024.
- Since June 2024, Bay of Plenty Regional Council, Hamilton City Council, Horowhenua District Council, Hutt City Council, Porirua City Council, Wellington City Council, Upper Hut City Council and Tauranga City Council had their credit ratings downgraded.

LGFA undertakes its own internal credit assessment and rating process for all member councils using most recent annual reports (June 2023)

Primary Criteria

- Debt levels relative to population – affordability
- Debt levels relative to asset base
- Ability to repay debt
- Ability to service debt – interest cover
- Population trend
- Assessment of climate change and resilience

Secondary Criteria

- 30 Year Infrastructure Strategy
 - Quality of Assets
 - Capital Expenditure Plan
- Risk Management
 - Insurance
- Governance
- Financial flexibility
- Cashflow
- Budget performance (balanced budget)
- Affordability of rates / Deprivation Index
- Natural hazards
- Group activities (CCOs)

LGFA member councils by internal rating category

LGFA Internal Ratings	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
AA+	1	2	2	4	4	6	7	8	9	2	-	-
AA	12	12	12	10	12	13	19	17	22	37	15	16
AA-	13	13	16	15	19	17	19	23	23	18	39	32
A+	8	6	3	11	10	12	13	10	12	12	19	17
A	6	10	11	6	6	3	4	4	5	3	4	10
A-	5	2	1	1	-	2	2	2	1	-	1	3

As at 30 June each year using internal models

LGFA FINANCIAL COVENANTS – OUTCOMES FOR MEMBER COUNCILS WITH BORROWINGS AS AT 30 JUNE 2024 YEAR

LGFA Financial Covenants – councils as at 30 June 2024 with an external credit rating (36) ¹

Foundation Policy Covenant	Net Debt / Total Revenue <290% ²	Net Interest / Total Revenue <20%	Net Interest / Rates <30%
Range of councils' compliance	-72.3% to 271.9%	-0.1% to 12.8%	-0.3% to 24.1%

¹See slide 35 for information about councils' external credit ratings as at 28 February 2025.

²Reflects the then current alternative Net Debt/Total Revenue covenant that applied for councils with a long-term credit rating of 'A' equivalent or higher.

LGFA Financial Covenants – councils as at 30 June 2024 without an external credit rating (39)

Lending Policy Covenant	Net Debt / Total Revenue <175%	Net Interest / Total Revenue <20%	Net Interest / Rates <25%
Range of councils' compliance	-63.7% to 147.0%	-2.9% to 6.6%	-7.6% to 11.3%

Calculated by simple average of the councils in each group that have borrowed from LGFA as at 30 June for that year
Data from individual council annual reports for the financial year ending 30 June 2024

- Note some negative outcomes due to some councils having negative Net Debt i.e. financial assets and investments > borrowings.
- LGFA councils operating within financial covenants.
- Ranges highlight the differences between councils.
- Sufficient financial headroom for all councils.
- Improvement from 2013 for most councils
 - Revenue increased
 - Interest rates lower
 - Capex and debt constrained

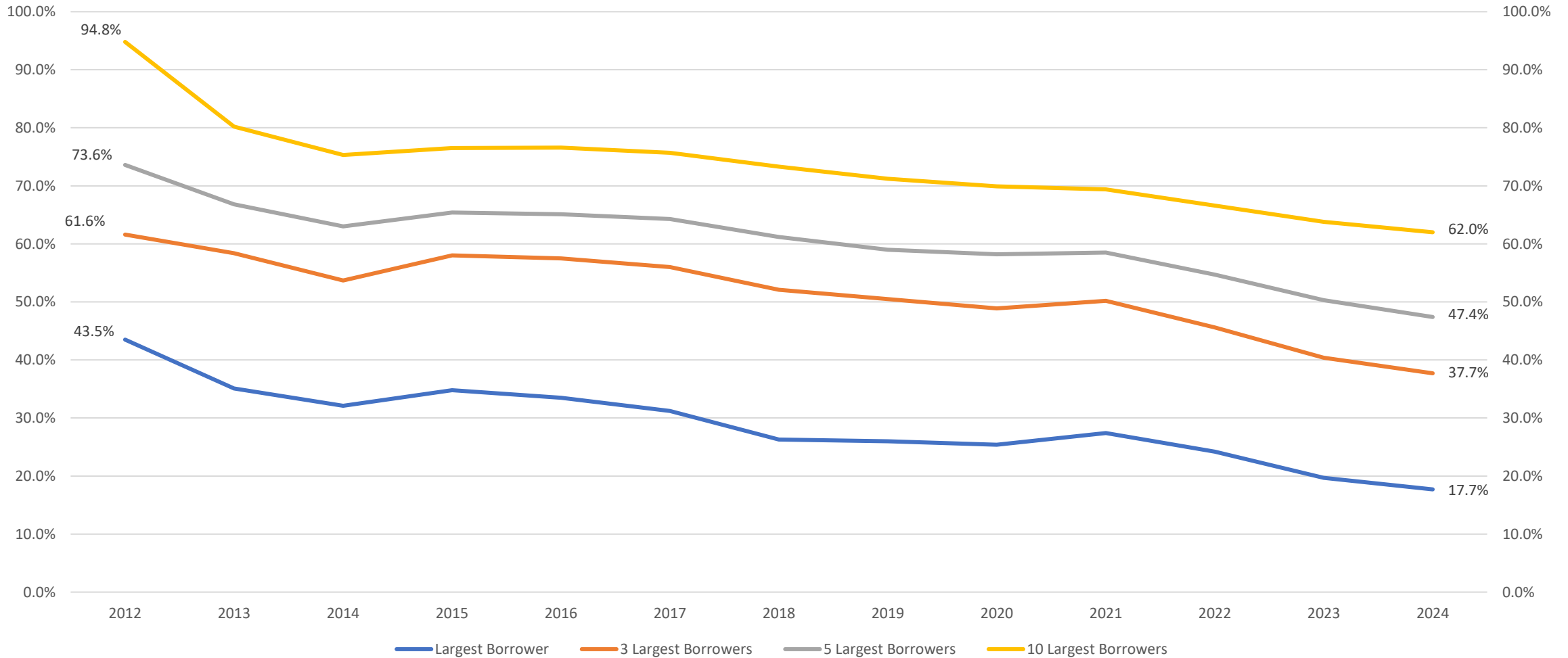
HISTORIC COUNCIL PERFORMANCE UNDER LGFA COVENANTS



Calculated by simple average of councils in each group that have borrowed from LGFA as at 30 June for each year
Data from individual council annual reports as at 30 June for each year

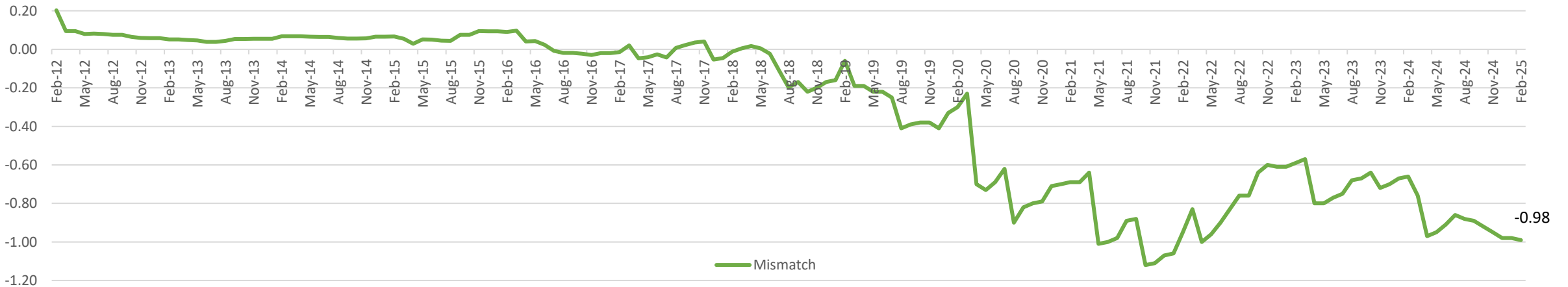
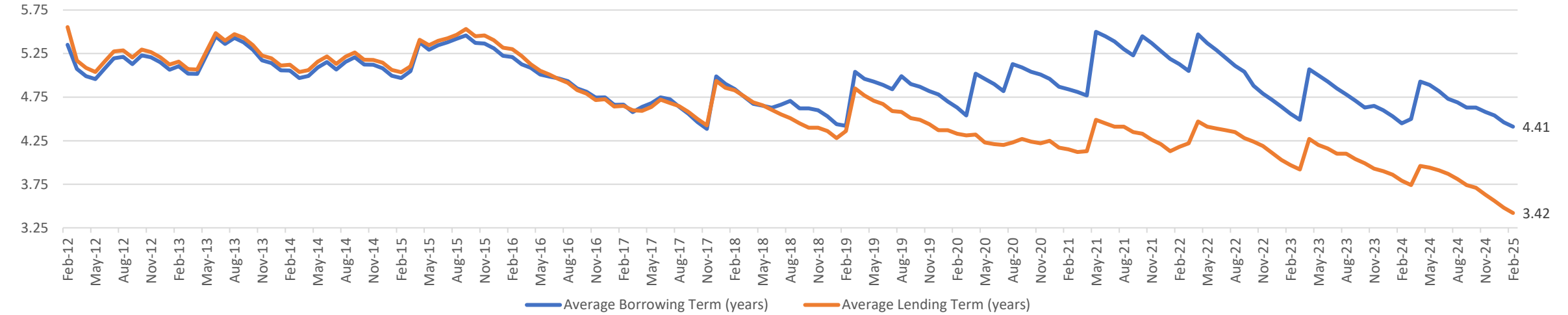
Source: LGFA

Loan Book Concentration



MISMATCH BETWEEN LGFA BONDS AND LOANS TO COUNCILS AND CCOS

Average term of LGFA bonds outstanding and on-lending (years)

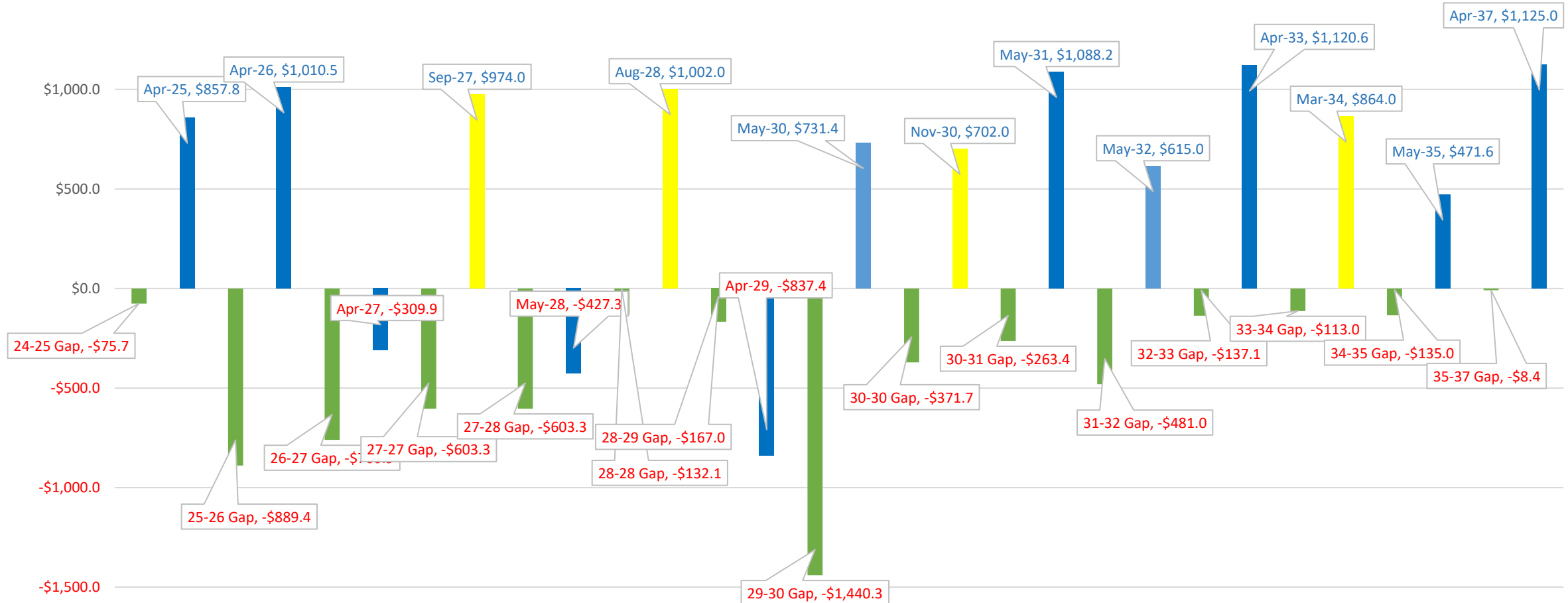


Negative = longer term of bond issuance than on-lending

LGFA bonds include NZD and A\$ bonds

Source: LGFA

ASSET LIABILITY MISMATCHES

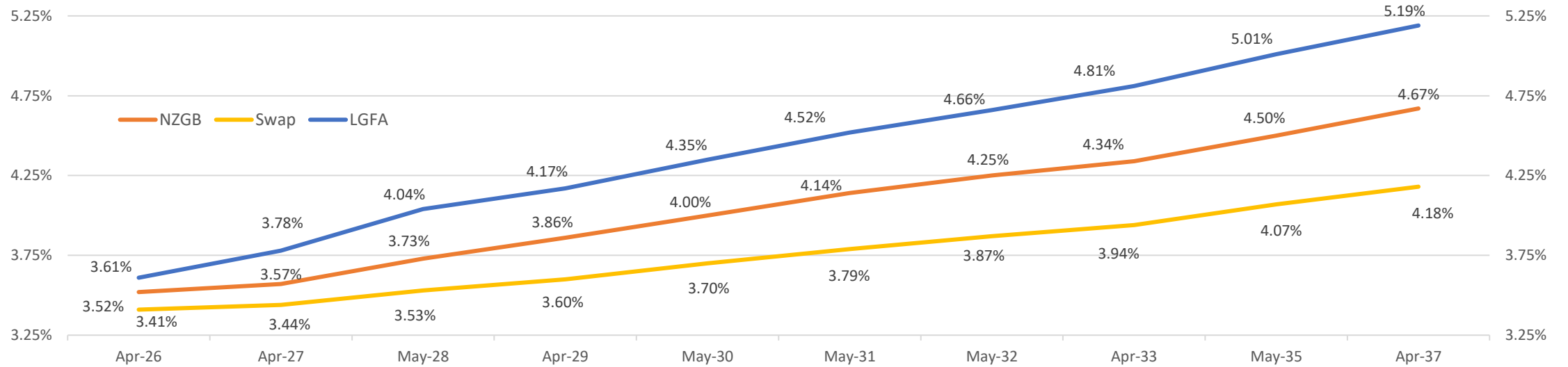


The asset liability mismatch is the difference between LGFA bonds issued (in NZD and A\$) and loans to councils and CCOs for each date or period. The positive outcomes show more LGFA bonds (in NZD and A\$) have been issued than loans made to councils and CCOs for that date or period. The negative outcomes show loans made to councils and CCOs with maturity dates between LGFA NZD and A\$ bond maturities.

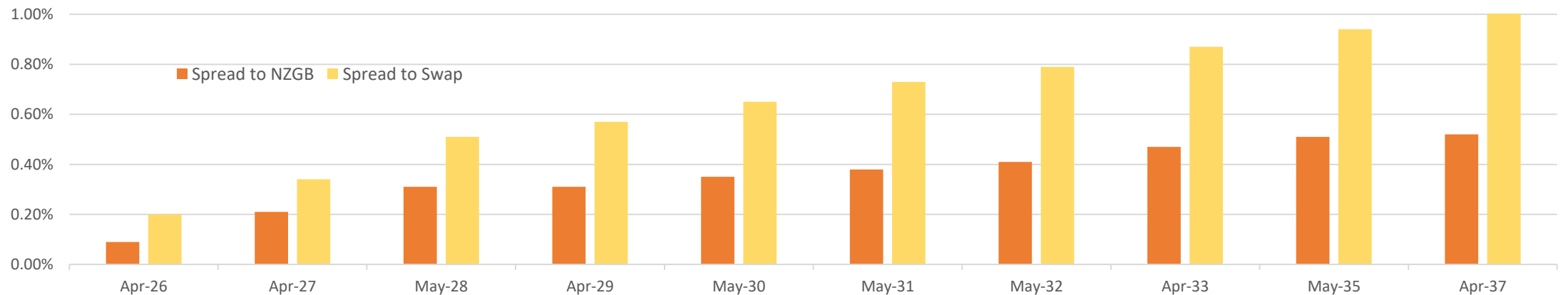
NZ\$ million
As at 28 February 2025

Source: LGFA

LGFA NZD Bonds, NZGB and NZD Swap Curves



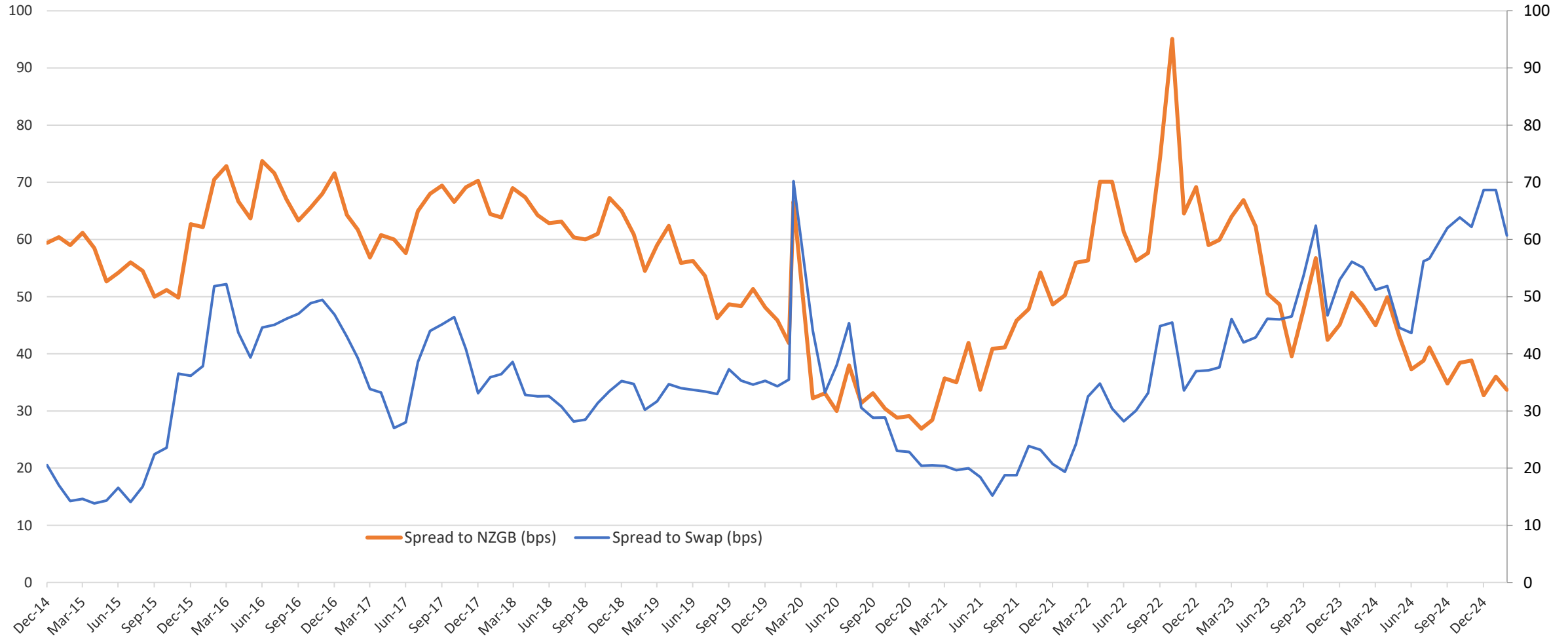
LGFA NZD Spreads to NZGB and NZD Swap



As at 28 February 2025

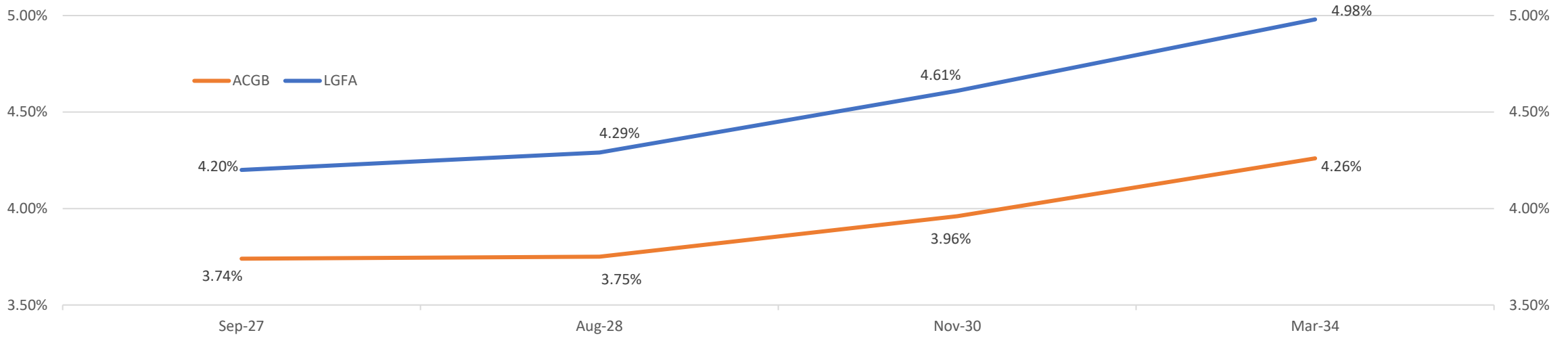
Source: LGFA

LGFA NZD BONDS – AVERAGE SPREAD TO NZGB AND SWAP (bps)



Secondary market levels as at end of each month taken from end of month closing rate sheets published by NZ banks
Simple average of existing LGFA bond maturities

LGFA AUD and ACGB Curves



LGFA Spreads to ACGB and ASW

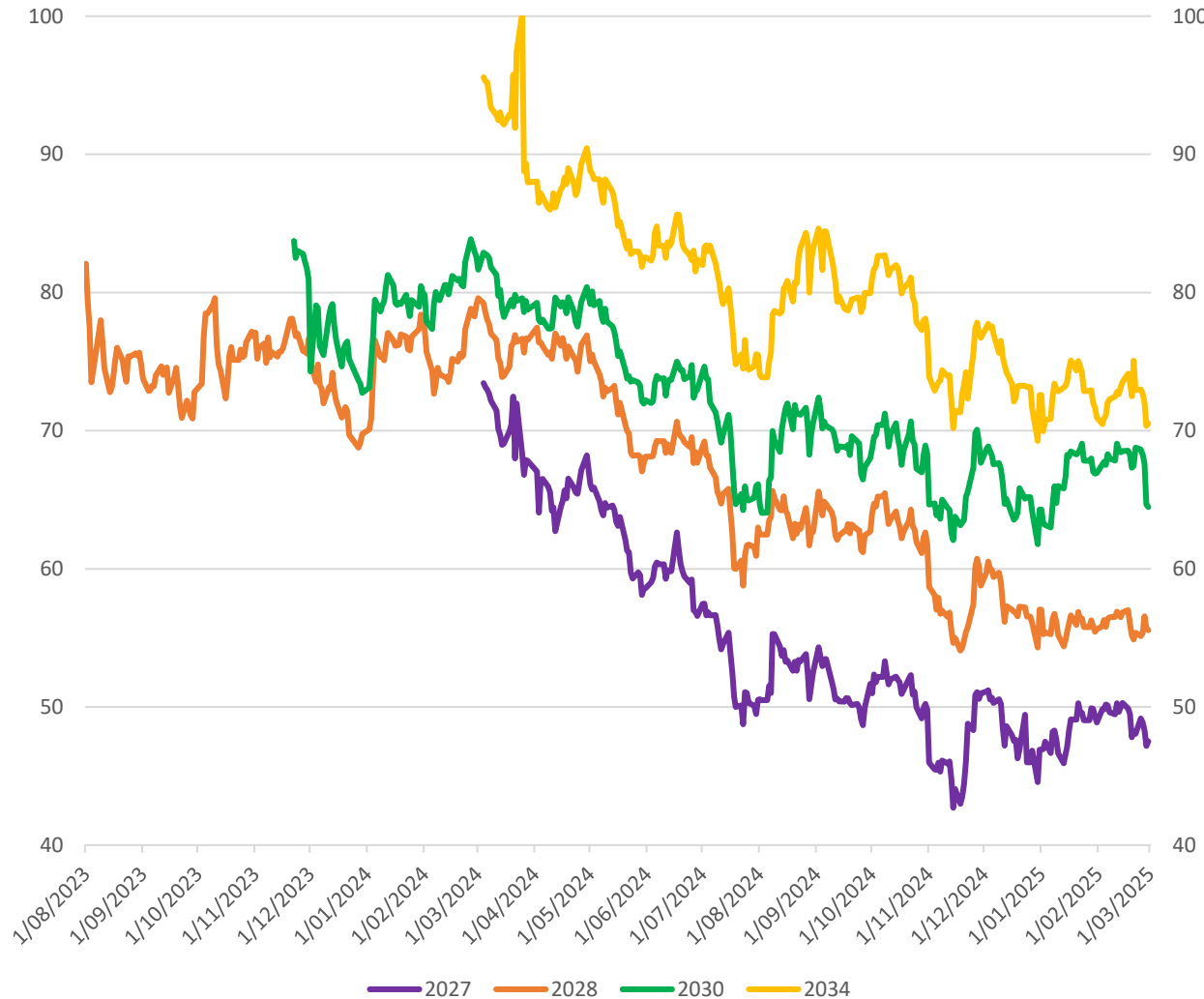


As at 28 February 2025

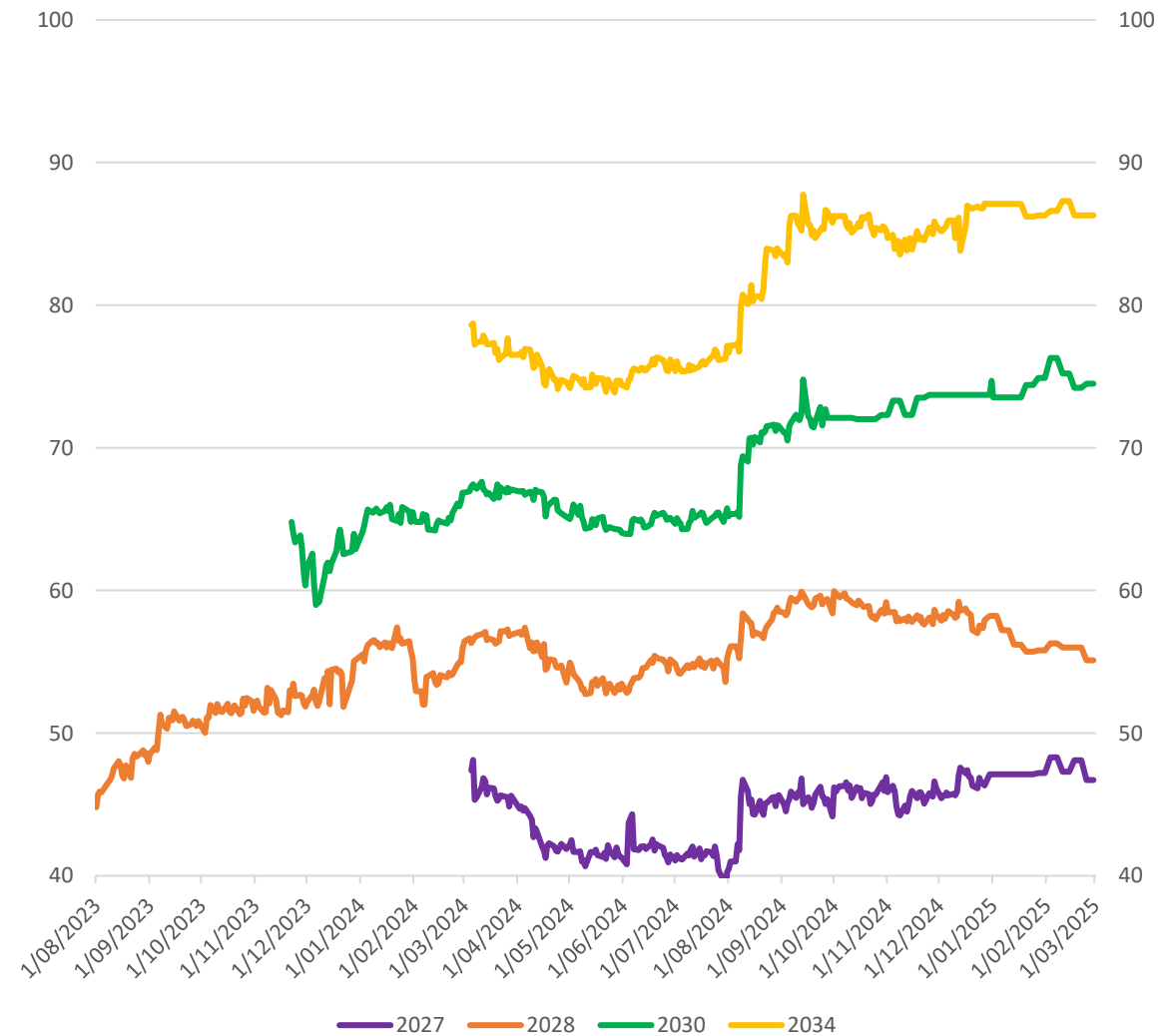
Source: LGFA, Yieldbroker, Bloomberg

LGFA AUD BONDS - SPREAD TO ACGB AND ASW (bps)

A\$ LGFA Bond Spread to ACGB



A\$ LGFA Bond Spread to Swap



Source: LGFA, Yieldbroker, Bloomberg



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