

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

Ownership

As at 16 November 2020 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 2.5% 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\$221 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 expiry date of December 2031. The facility’s maximum aggregate principal amount is set at NZ\$1.5 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\$600 million for the period to February 2021.

As at 16 November 2020

- 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 2015	1,500	4,955
FY 2016	1,265	6,220
FY 2017	1,285	7,535
FY 2018	1,229	8,119
FY 2019	2,485	9,335
FY 2020	2,905	10,890
FY 2021	2,830 est.*	12,410 est.*
FY 2022	2,400 est.*	13,355 est.*
FY 2023	2,150 est.*	13,955 est.*

*SOI FORECAST

LGFA 
NEW ZEALAND LOCAL
GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE

Contact

Mark Butcher – Chief Executive

Phone +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 mainly issuing bonds with identical coupons and maturities as NZ Government Bonds. As at 16 November 2020 there are NZ\$13.51 billion of LGFA bonds on issue across ten 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. As at 16 November 2020 there are \$613 million LGFA Bills on issue.

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 2019 are:

Total sector assets of \$155.9 billion

Total sector debt of \$16.9 billion

Total sector revenue of \$13.3 billion

Total rates (property tax) revenue of \$6.3 billion

LGFA participants

- As at 16 November 2020 there are 70 Participating Local Authorities (“PLAs”).
- There are 60 Guarantors of LGFA. The only non-Guarantors (due to their small amount of borrowing) are West Coast Regional Council and Central Hawkes Bay, Otago, Buller, Rangitikei, Wairoa, MacKenzie, Clutha, Carterton and Kaikoura 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 70 council members cover 97% of New Zealand local government sector debt.

New Zealand Statistics

Population 5.08 million as at June 2020

Nominal GDP \$308 billion as at June 2020

Nominal GDP growth -2.0% as at June 2020

Nominal GDP per capita \$60,630 as at June 2020

CPI inflation 1.4% as at September 2020

Unemployment rate 5.3% as at September 2020

Total merchandise exports \$60.3 billion as at September 2020

Total merchandise imports \$58.6 billion as at September 2020

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 16 November 2020

Lending	NZ\$m	%
Auckland	3,207	26.0
Christchurch	2,211	17.9
Wellington	785	6.4
Tauranga	565	4.6
Hamilton	530	4.3
Greater Wellington	450	3.6
Bay of Plenty	231	1.9
Kapiti Coast	215	1.7
Hutt	206	1.7
Rotorua	206	1.7
60 others	3,726	30.2
Total	12,333	100

LGFA Bonds on Issue as at 16 November 2020

Coupon	Maturity	NZ\$m
6%	15/05/2021	1,500
2.75%	14/04/2022	1,705
5.5%	15/04/2023	1,700
2.25%	15/04/2024	1,448
2.75%	15/04/2025	1,569
1.50%	15/04/2026	1,200
4.5%	15/04/2027	1,526
1.5%	20/04/2029	1,002
3.5%	14/04/2033	1,230
2.0%	15/04/2037	630
Total		13,510

Shareholders as at 16 November 2020

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



NEW ZEALAND LOCAL
GOVERNMENT FUNDING AGENCY

TE PŪTEA KĀWANATANGA Ā-ROHE

www.lgfa.co.nz