

Waitakere City Council

Financial Summary

May 2007

91.67% of Financial Year

	Actual Cost To Date	%age Spent	Budget Provision
<u>Net Operating Cost</u>			
Executive Suite	1,445,766	66.91%	2,160,800
Public Affairs	3,952,785	86.54%	4,567,700
Quality Assurance & City Development	1,555,075	60.00%	2,592,000
Finance	1,780,462	93.67%	1,900,700
Corporate & Civic Services	19,937,953	87.14%	22,879,611
Strategy Unit	7,390,416	75.31%	9,813,799
City Services			
Operations Support	3,153,843	98.08%	3,215,700
Customer Services & Cemetery	2,646,154	91.19%	2,901,813
Project Services	(45,681)	93.23%	(49,000)
Planning & Community Services	5,138,745	70.38%	7,301,000
Regulatory Services	3,341,976	62.36%	5,359,098
Asset Management	51,771,274	90.07%	57,481,777
<i>Total City Services</i>	<i>66,006,311</i>	<i>86.61%</i>	<i>76,210,388</i>
Interest Provision	11,752,576	91.67%	12,821,000
Aotea Centre Levy	29,600	37.00%	80,000
ARC Rates	190,595	202.76%	94,000
Museum Levy	2,564,875	100.00%	2,565,000
Zoo Levy	26,000	100.00%	26,000
MOTAT	798,511	96.79%	825,000
Total Net Operating Costs	117,430,925	86.01%	136,535,998
<u>Net Capital Expenditure</u>			
Public Affairs	516,703	19.60%	2,636,000
City Development	4,616,129	48.74%	9,471,330
Corporate & Civic Services	22,104,862	43.17%	51,206,000
Strategy Unit	284,450	12.93%	2,200,000
City Services			
Customer Services and Cemetery	1,066,963	51.79%	2,060,000
Project Services	6,245,163	41.14%	15,181,000
Planning & Community Services	5,634,610	55.33%	10,183,000
Regulatory Services	224,811	39.37%	571,000
Asset Management	36,094,545	41.33%	87,337,670
<i>Total City Services</i>	<i>49,266,092</i>	<i>42.72%</i>	<i>115,332,670</i>
Total Net Capital Expenditure	76,788,236	42.46%	180,846,000
TOTAL NET COUNCIL COSTS	194,219,161	61.19%	317,381,998

Waitakere City Council
Special Fund Report
May 2007

	Opening Balance	Interest Receipts	Expenditure	Interest Receipts	Allocation	Interest Closing balance	Expected Income / (Committed Expense)	Available balance Year End
Restricted Funds								
Recreation & Sport Fund	728,857	55,522	-48,917	11,058	49,102	795,622	138,732	934,354
Auckland Regional Services Trust (Arts)	805,398		-11,728	5,195	793	799,658	-528,890	270,768
Land Subdivision Reserve Fund	4,536,227	3,419,140	-654,757			7,300,610	-427,801	6,872,809
Waikomete Cemetery & Park Fund	1,672,098		-218,927			1,453,171	-133,975	1,319,196
Harbourview Orangihina Fund	920,109				50,177	970,286	-848,198	122,088
	8,662,689	3,474,662	-934,329	16,253	100,072	11,319,347	-1,800,132	9,519,215
Non Restricted Funds								
Waitemata Asset Acquisition Fund	93,071					93,071	-93,071	0
Disaster Recovery Fund	2,497,272					2,497,272		2,497,272
Rural Fire Recovery Fund	9,916					9,916		9,916
Quarry Aftercare Fund	840,173					840,173	-48,000	792,173
Testing Station Plant Renewal Fund	30,000					30,000		30,000
Community Wellbeing Fund	629,987		-30,000		35,341	635,328		635,328
	4,100,419	0	-30,000	0	35,341	4,105,760	-141,071	3,964,689
Total Special Fund	12,763,108	3,474,662	-964,329	16,253	135,413	15,425,107	-1,941,203	13,483,904

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	TERM DEBT (to fund long term assets)	(\$'000's)
<i>Budget year end term debt position per 2006/2007 Annual Plan</i>	Approved Annual Plan term debt	331,937
	Further term debt approved by Council during 2005/2006	-
	Budget 2006/2007 year end gross term debt	331,937
	Less Current and future funding for strategic land acquisitions	55,231
	Forecast year end Sinking Fund Commissioner funds	-
	Anticipated 2006/2007 Year End Net Term Debt	276,706

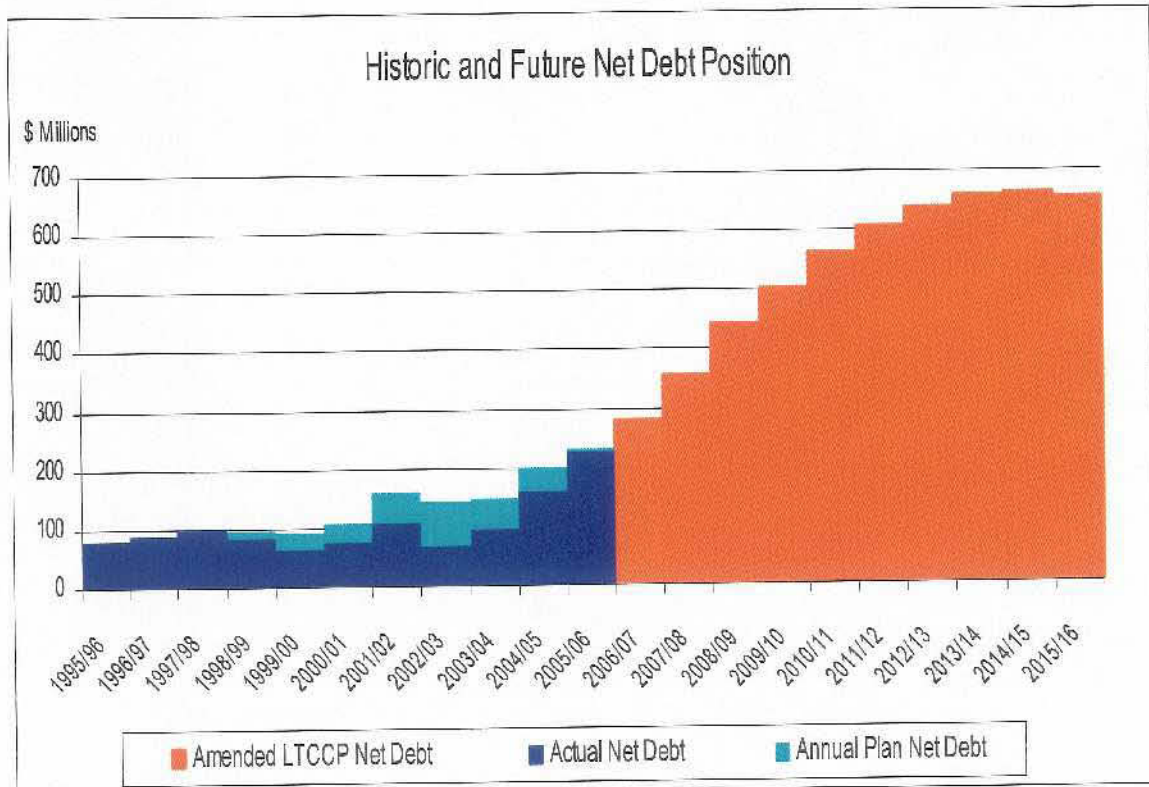
	Estimated (\$'000's)	Estimated (\$'000's)	
TERM DEBT PORTFOLIO			
<i>Term debt position at 31 May 2007</i>	Term debt borrowed externally	283,526	278,526
	Special funds (used to reduce Council's external borrowing)	1,864	(6,419)
	Gross term debt	285,390	272,107
	Total Sinking Fund Commissioner assets	-	-
	Net term debt	285,390	272,106

<i>Term debt - source of funds at 31 May 2007</i>	Debenture stock - fixed rate (security: Debenture Trust Deed)	88,501	83,501
	Debenture stock - floating rate (security: Debenture Trust Deed)	180,025	190,025
	Secured bank loans (security: Debenture Trust Deed)	15,000	15,000
	Unsecured bank loans / (investments)	0	(10,000)
	Finance Leases (security: associated asset)	0	0
	External borrowing	283,526	278,526
	Special funds (used to reduce Council's external borrowing)	1,864	(6,419)
	Gross term debt requirement	285,390	272,107

	(\$'000's)	(\$'000's)	
WORKING CAPITAL			
<i>Working capital borrowing at 31 May 2007</i>	Unsecured bank loans / (investments)	-	4,700
	Special funds (used to reduce Council's external borrowing)	13,561	21,878
	Council working capital borrowing requirement	13,561	26,578

	(\$'000's)	(\$'000's)	
CASH INVESTMENTS			
<i>Cash investments held 31 May 2007</i>	Other Cash Investments	-	-
	Total cash investments	-	-

Debt Forecast



Fixed-Floating Debt Mix

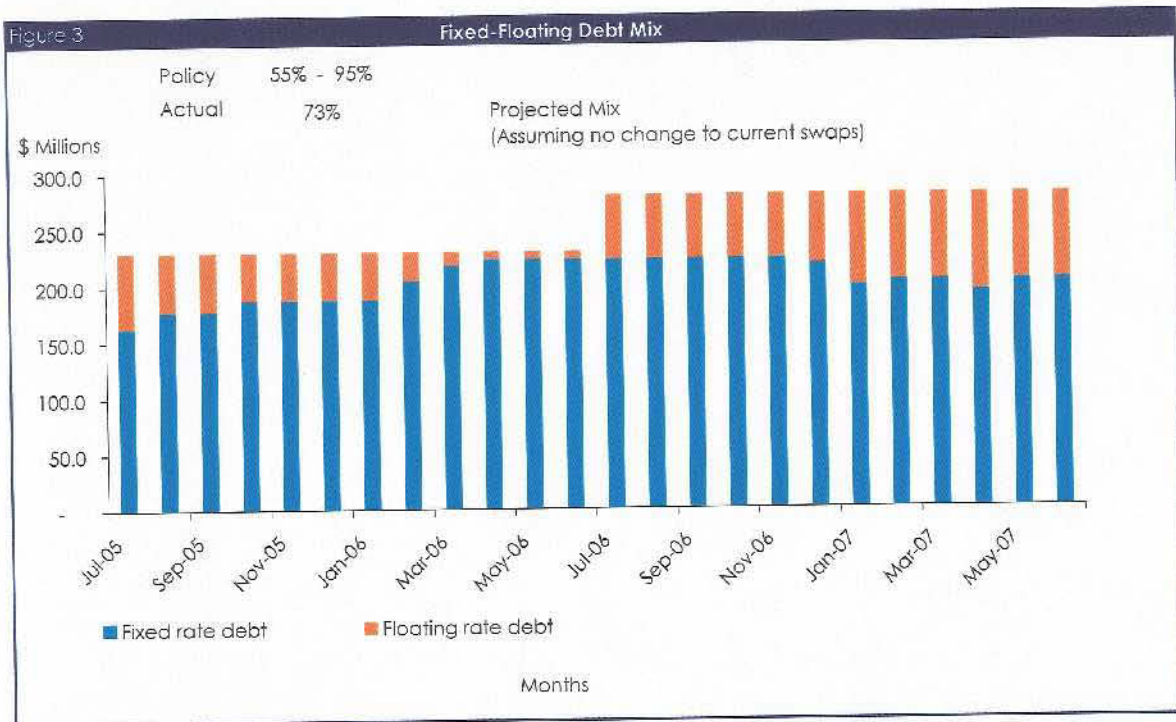
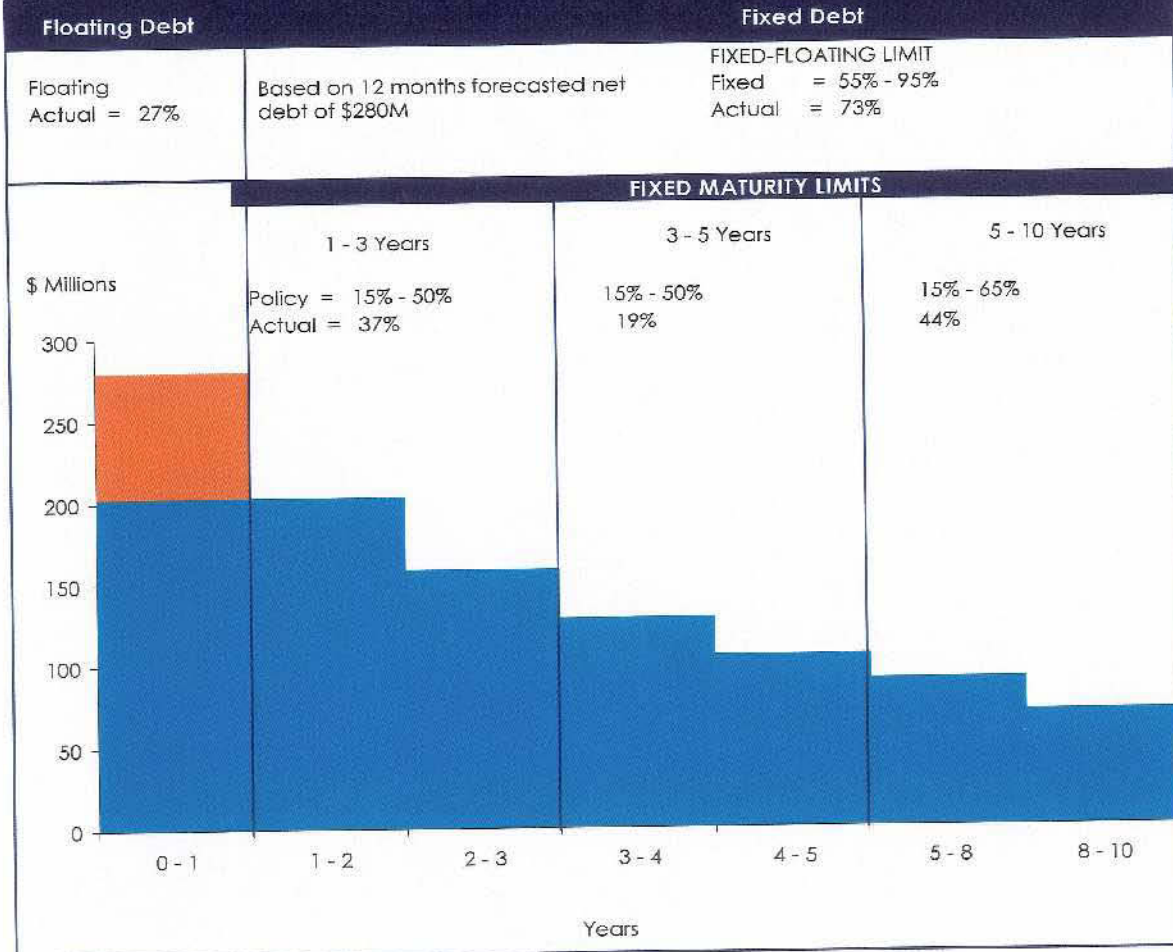
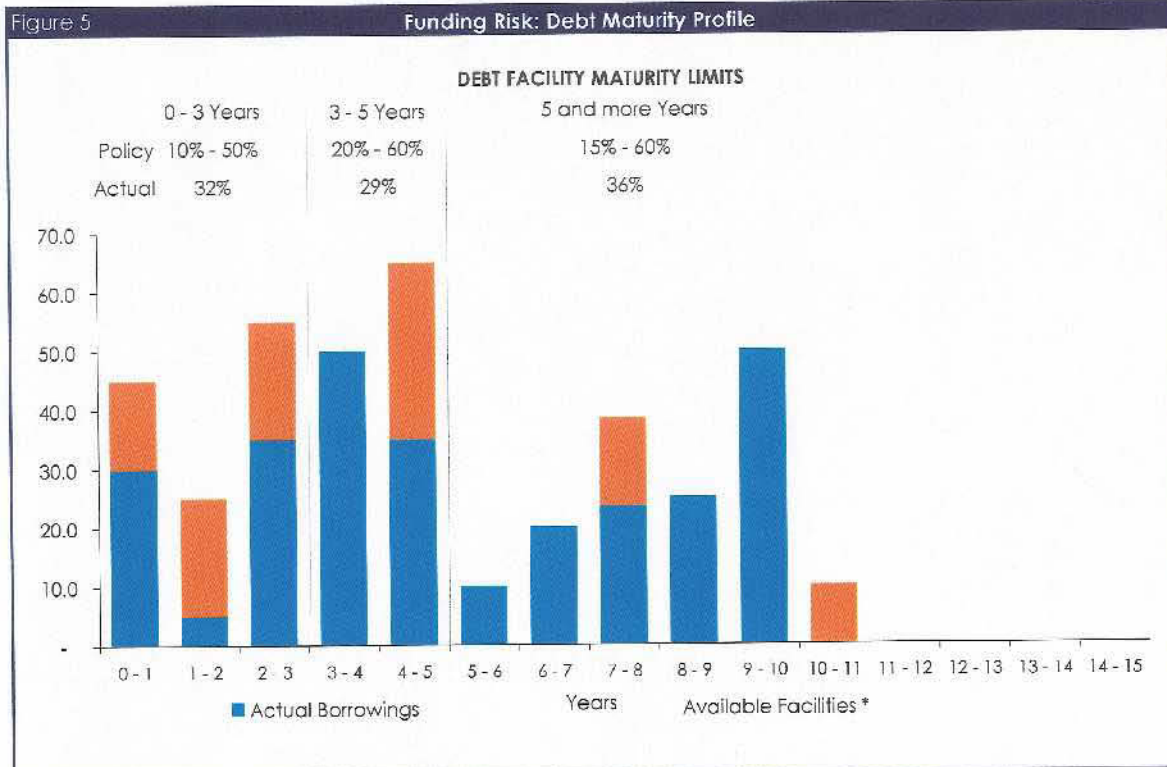


Figure 4



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(1) Council is in the unique position of having \$85 million committed funding facilities. The nature of these facilities may, depending on the utilisation, result in a breach of the funding maturity limits. As this facility is very much in Council's favour this is an acceptable breach of policy.

Summary of Debt Sources

Figure 6 \$ Millions

Council Approved Debt Sources	Total		
	Committed Funding Sources	Usage	Available
Bank Loans			
Short Term (uncommitted)	\$0.0	\$0.0	\$0.0
Long Term (committed)	\$100.0	\$15.0	\$85.0
Commercial Paper			
Bank Overdraft	\$1.0	\$0.0	\$1.0
Senior Bonds			
Retail	\$0.0	\$0.0	\$0.0
Wholesale	\$268.5	\$268.5	\$0.0
Other	\$0.0	\$1.9	-\$1.9
TOTAL	\$369.5	\$285.4	\$84.1

The Liability Management and Investment Policy gives guideline parameters for the mix of fixed/floating interest rate management and maturity profiling. From time to time the actual position may marginally be outside the recommended guideline as a result of volatility of market interest rates or the Councils actual cash position.

Notes:

Working capital borrowing is necessary due to fluctuations in the timing of operating revenue and expenditure. The working capital borrowing requirement also includes internal deficits relating to prior years. External working capital borrowing is reduced by the use of internal special funds with any surplus requirement funded by way of unsecured bank loans.

Gross Term debt is the borrowing relating to long term loan funded capital works projects. External borrowing to fund term debt is reduced by the use of internal special funds with the surplus requirement funded by way of secured or unsecured short term bank loans, fixed or floating medium or long term bonds and finance leases.

The managed debt portfolio refers to the portion of Council's total debt portfolio that is managed to reduce interest rate risk, liquidity/funding risk, counterparty risk and operational and legal risk as defined in the Liability Management and Investment Policy. The portfolio is managed on the external net term debt requirement excluding finance leases. i.e. it is net of the special funds that have been used to reduce the external term debt requirement and the sinking fund balance. Working capital is not included in the managed debt portfolio.

Special Funds are cash funds either collected through rates or vested to Council that have been 'set aside' for specific future spending. The funds are used in the interim to reduce Council's requirement to borrow externally. The fund is managed via accounting entries and a monthly interest allocation is made to the funds based on the Council's weighted average cost of borrowing for that period.

Description of Graphs:

Figure 1

Gross term debt (blue) is the actual gross term debt position of Council as defined in the notes above. The *Forecast* (orange) is the projected gross term debt level per month in the current financial year, the figures are obtained from capital works timing forecasts (provided by budget managers on a monthly basis) and the current debt maturity profile. The *Budget* (green) line represents the gross public debt as approved in the 2006/2007 Annual Plan.

Figure 2

The prior year net term debt figures (dark blue section) are obtained directly from the published Annual Reports. The Annual Plan net term debt figures (light blue section) are obtained from that years published Annual Plan. The orange section is the Long Term Council Community Plan net term debt as published for 2005/2006 - 2015/2016.

Figure 3

The fixed (blue) and floating (orange) interest rate mix, both historic and projected, based on the 12 month rolling forecast net debt requirement. The Liability Management and Investment Policy minimum is 55% fixed and maximum 95% fixed. The positioning of the portfolio between policy minimum and policy maximum is dependent on the current and forecast financial market outlook.

Figure 4

Interest rate risk profile. Figure 4 shows, given the current fixed/floating rate mix and the debt forecast (assuming no changes to current swaps), the percentage of current fixed rate debt that will mature in future years. This enables Council to recognise and reduce significant concentrations of interest rate risk that may arise in future years. As debt forecasts change the amount of fixed cover in place may have to be adjusted to comply with the policy limits.

Figure 5

Funding and liquidity risk. Figure 5 varies from figure 4 in that it shows the actual maturity profile of current debt on issue as opposed to the profile of Council's exposure to interest rate risk arising when debt either reprices (in the case of floating rate debt or hedges) or matures. The debt maturity profile enables Council to identify significant concentrations of maturing debt and debt facilities. Where there are significant concentrations of debt maturing Council is at risk of not being able to re-borrow from the market at favourable rates.

Figure 6

In order to ensure Council has the ability to borrow from the market when funding is required committed funding facilities are arranged with approved debt sources. Figure 6 shows Council's committed funding sources and the current usage of these funds. In addition to the committed sources Council also uses uncommitted lines of funding as seen in short term bank loans and bonds, uncommitted funding is at times less expensive than committed funding however its availability is not guaranteed.

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Wholesale Market Interest Rates and the Trade Weighted Index

