

# Waitakere City Council

## Financial Summary December 2007

50% of the Year

<b>Net Operating Costs</b>	<b>Actual Cost to Date</b>	<b>Percentage Spent (%)</b>	<b>Budget Provision</b>
Executive Suite	1,048,078	47.4%	2,213,000
Public Affairs	2,853,141	57.4%	4,970,000
Quality Assurance & City Development	588,394	23.9%	2,466,000
Finance	1,299,949	55.5%	2,342,000
Corporate & Civic Services	14,201,886	49.1%	28,915,000
Strategy	5,282,394	47.8%	11,059,000
<b>City Services</b>			
Service Management	1,847,833	55.8%	3,312,000
Customer Services & Cemetery	1,436,077	49.9%	2,876,000
Project Services	46,777	65.9%	71,000
Planning & Community Services	3,171,244	40.7%	7,788,000
Regulatory Services	445,655	9.7%	4,572,000
Asset Management	30,361,180	47.9%	63,320,000
<b>Total City Services</b>	<b>37,308,766</b>	<b>45.5%</b>	<b>81,939,000</b>
Interest Provision	9,214,706	50.9%	18,101,000
Aotea Centre Levy	0	0.0%	82,000
ARC Rates	246,087	175.8%	140,000
Auckland War Memorial Museum Levy	1,949,311	100.0%	1,949,000
Beacon Funding	200,000	100.0%	200,000
Zoo Grant	27,000	100.0%	27,000
MOTAT	662,100	100.0%	662,000
<b>Total Net Operating Costs</b>	<b>74,881,813</b>	<b>48.3%</b>	<b>155,065,000</b>
<b>Net Capital Expenditure</b>			
Public Affairs	36,790	1.1%	3,427,000
Quality Assurance & City Development	6,555	0.0%	26,741,000
Corporate & Civic Services	6,131,248	10.5%	58,239,000
Strategy	0	0.0%	2,000,000
<b>City Services</b>			
Customer Services & Cemetery	299,487	19.6%	1,530,000
Project Services	32,498	2.3%	1,410,000
Planning & Community Services	3,586,458	28.6%	12,562,000
Regulatory Services	18,513	1.5%	1,205,000
Asset Management	19,082,126	16.3%	116,755,000
<b>Total City Services</b>	<b>23,019,082</b>	<b>17.2%</b>	<b>133,462,000</b>
<b>Total Net Capital Expenditure</b>	<b>29,193,675</b>	<b>13.0%</b>	<b>223,869,000</b>
<b>Total Net Council Costs</b>	<b>104,075,488</b>	<b>27.5%</b>	<b>378,934,000</b>

# Waitakere City Council

## Special Funds as at December 2007

Special Fund	Opening Balance	Receipts	Expenditure	Interest Receipts	Interest Allocation	Closing balance	Committed	Estimated Year End Balance
<b>Restricted Funds</b>								
Community Sport Fund	839,179		(264,445)			574,734	(339,445)	235,289
Auckland Regional Services Trust	7,965,307	2,924,848	(181,926)			10,708,229	(2,200,074)	8,508,155
Land Subdivision Reserve Fund	1,356,872		(10,588)			1,346,284	(164,412)	1,181,872
Waikumete Cemetery & Park Fund	988,105				33,360	1,021,465		1,021,465
<b>Total Restricted Funds</b>	<b>11,149,463</b>	<b>2,924,848</b>	<b>(456,959)</b>		<b>33,360</b>	<b>13,650,712</b>	<b>(2,703,931)</b>	<b>10,946,781</b>
<b>Non Restricted Funds</b>								
Waitemata Asset Acquisition Fund	93,071					93,071		93,071
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	955,173					955,173		955,173
Testing Station Plant Renewal Fund	30,000					30,000		30,000
Community Wellbeing Fund	646,948		(30,000)		17,585	634,533		634,533
<b>Total Non Restricted Funds</b>	<b>4,232,380</b>		<b>(30,000)</b>		<b>17,585</b>	<b>4,219,965</b>		<b>4,219,965</b>
<b>Total Special Funds</b>	<b>15,381,843</b>	<b>2,924,848</b>	<b>(486,959)</b>		<b>50,945</b>	<b>17,870,677</b>	<b>(2,703,931)</b>	<b>15,166,746</b>
<b>Community Sport Fund</b>								

The details of the Community Sport Fund are not included at this stage because the transactions for this fund are being investigated to verify the balance.

### Auckland Regional Services Trust Fund

The commitments against this fund are:

Creative Communities	75,000	Resolution 234/2004 Regional Arts and Culture Funding Allocation Subcommittee 3 March 2004.
Pacific Island Arts Centre	264,445	Resolution 804/2004 Regional Arts and Culture Funding Allocation Subcommittee 12 May 2004.

**Total** 339,445

**WAITAKERE CITY COUNCIL ESTIMATED DEBT PORTFOLIO AT  
31 December 2007**

	(\$'000's)
<i>Budget year end term debt position per 2007/2008 Annual Plan</i>	
Approved Annual Plan term debt	466,418
Further term debt approved by Council during 2007/2008	-
<b>Budget 2007/2008 year end gross term debt</b>	<b>466,418</b>
Less Current and future funding for strategic land acquisitions	115,763
Forecast year end Sinking Fund Commissioner funds	-
<b>Anticipated 2007/2008 Year End Net Term Debt</b>	<b>350,655</b>

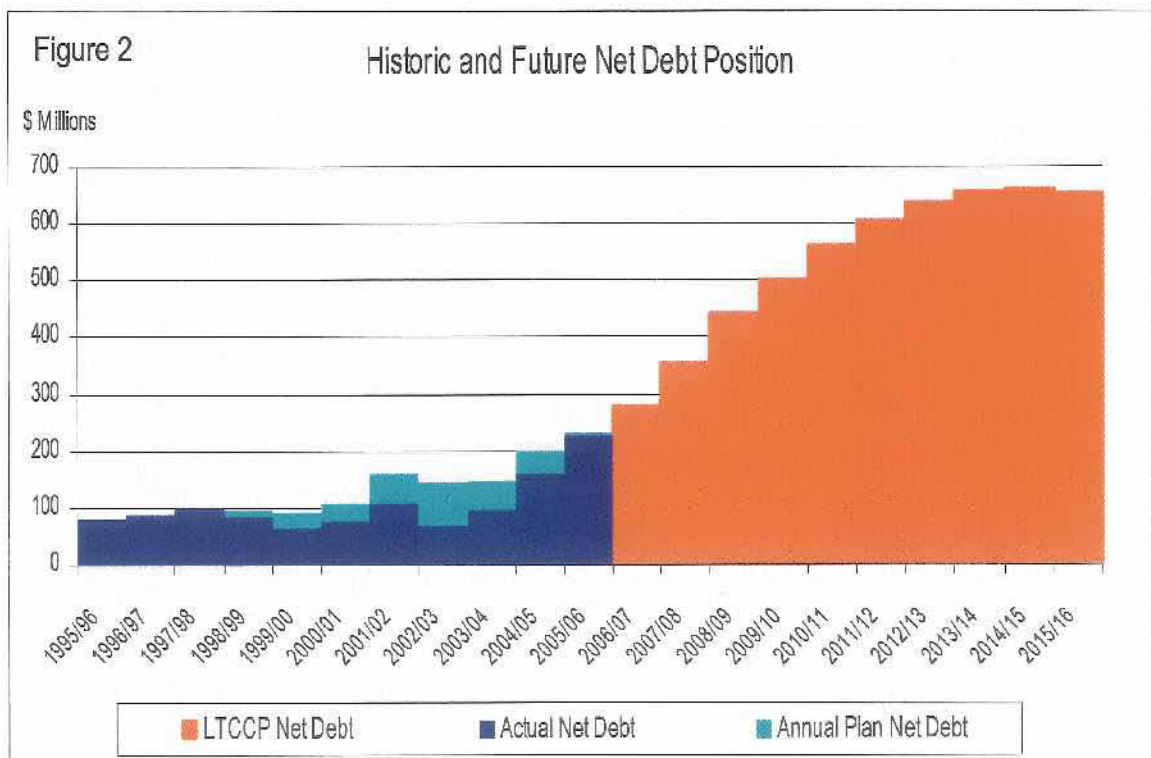
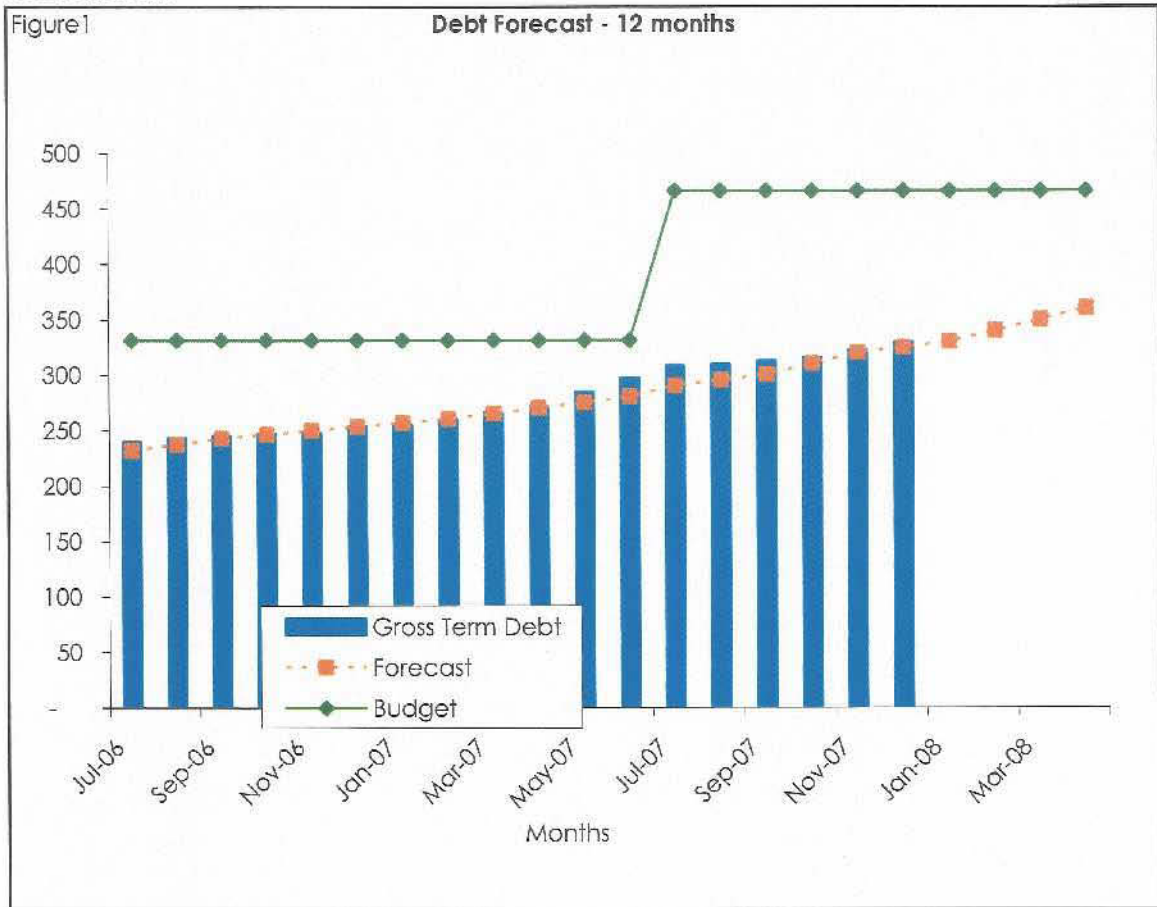
	December 07	November 07
	Estimated (\$'000's)	Estimated (\$'000's)
<i>Term debt position at 31 December 2007</i>		
Term debt borrowed externally	330,525	313,525
Special funds (used to reduce Council's external borrowing)	0	9,500
<b>Gross term debt</b>	<b>330,525</b>	<b>323,025</b>
Total Sinking Fund Commissioner assets	-	-
<b>Net term debt</b>	<b>330,525</b>	<b>323,025</b>

<i>Term debt - source of funds at 31 December 2007</i>		
Debenture stock - fixed rate (security: Debenture Trust Deed)	103,500	88,500
Debenture stock - floating rate (security: Debenture Trust Deed)	205,025	205,025
Secured bank loans (security: Debenture Trust Deed)	15,000	15,000
Unsecured bank loans / (investments)	7,000	5,000
<b>External borrowing</b>	<b>330,525</b>	<b>313,525</b>
Special funds (used to reduce Council's external borrowing)	0	9,500
<b>Gross term debt requirement</b>	<b>330,525</b>	<b>323,025</b>

	(\$'000's)	(\$'000's)
<i>Working capital borrowing at 31 December 2007</i>		
Unsecured bank loans / (investments)	4,500	-
Special funds (used to reduce Council's external borrowing)	15,425	5,925
<b>Council working capital borrowing requirement</b>	<b>19,925</b>	<b>5,925</b>

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

Debt Forecast



### Fixed-Floating Debt Mix



### Net Interest Rate Repricing Risk Profile

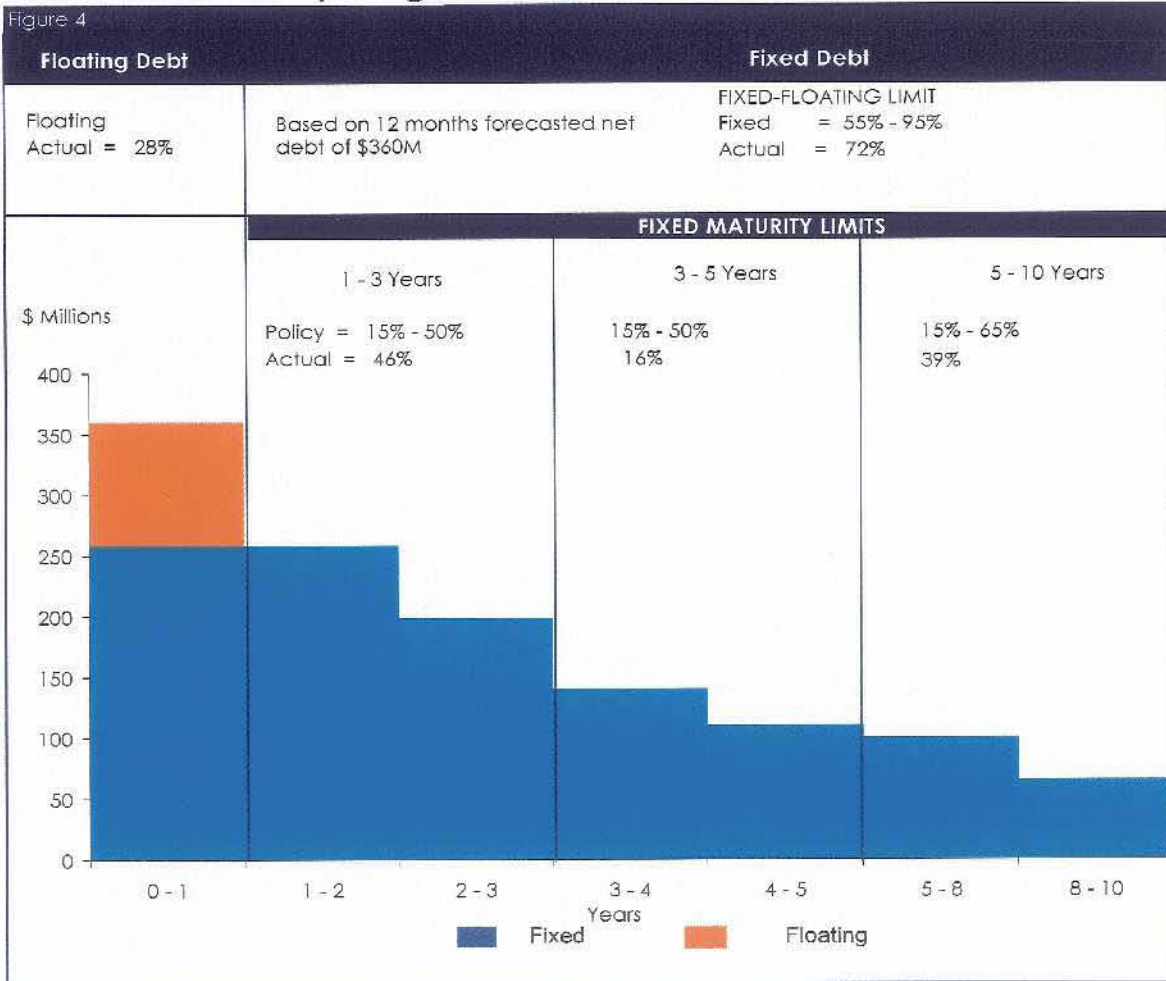
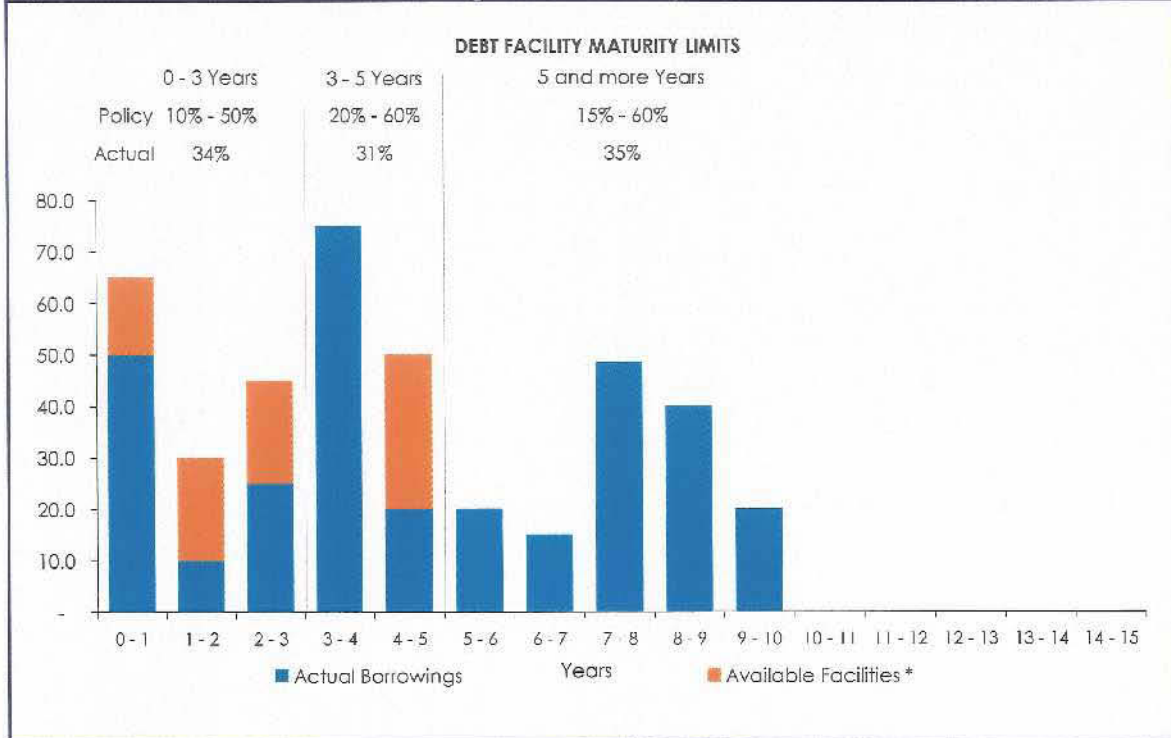


Figure 5

Funding Risk: Debt Maturity Profile



\* 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

Council Approved Debt Sources	\$ Millions		
	Committed Funding Sources	Usage	Available
Bank Loans			
Short Term (uncommitted)	\$0.0	\$7.0	\$0.0
Long Term (committed)	\$100.0	\$15.0	\$78.0
Commercial Paper			
Bank Overdraft	\$1.0	\$0.0	\$1.0
Senior Bonds			
Retail	\$0.0	\$0.0	\$0.0
Wholesale	\$308.5	\$308.5	\$0.0
Other	\$0.0	\$0.0	\$0.0
<b>TOTAL</b>	<b>\$409.5</b>	<b>\$330.5</b>	<b>\$79.0</b>

The Liability Management and Investment Policy gives guideline parameter for the mix of fixed/floating interest rate management and maturity profile. From time to time the actual position may marginally be outside the recommended guideline as a result 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 2007/2008 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 the published Annual Plan. The orange section is the Long Term Council Community Plan net term debt as published for 2006 - 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 Councils' 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.

# Wholesale Market Interest Rates and the Trade Weighted Index

