

Taupo District Council Monthly Treasury Management Report



GREAT LAKE TAUPŌ
Taupō District Council

Month Ended: 30 April 2017

Borrowing

Current Standard & Poors Rating: AA

Funding Facility

We have \$23m issued under our Commercial Paper programme backed up by facilities with BNZ (\$40m) and Westpac (\$10m). We have issued \$175m of Floating Rate Notes under our Debenture Trust Deed, \$125m of which is from LGFA. There was no further debt raised in April outside of our normal Commercial Paper programme and no movements in interest rate swaps.

Borrowing Limits

Borrowing Limits	Policy Limits	2016/17
Net External Debt / Total Revenue (TMP)	< 200%	133%
Net Interest on External Debt / Total Revenue (TMP)	< 20%	7.0%
Net Interest on External Debt / Annual Rates Income (TMP)	< 25%	8.6%
Liquidity (External, term debt + committed bank facilities + liquid investments to existing internal debt)	> 110%	150%

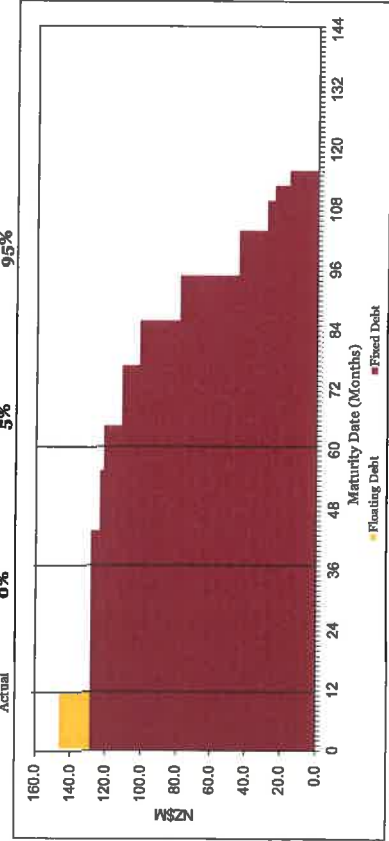
30-Apr-17
Actual Floating 12%

Interest Rate Risk Position

based on 12 Month Gross Debt Forecast \$146m

Overall Fixed
Policy Min 50%
Policy Max 95%
Actual 88%

1 - 3 years 15%-60% 0%
3 - 5 years 15%-60% 5%
5 years plus 15%-60% 95%



30-Apr-17

Committed Loan/Stock/Facilities/Investment (excl prefunding) \$221.3m

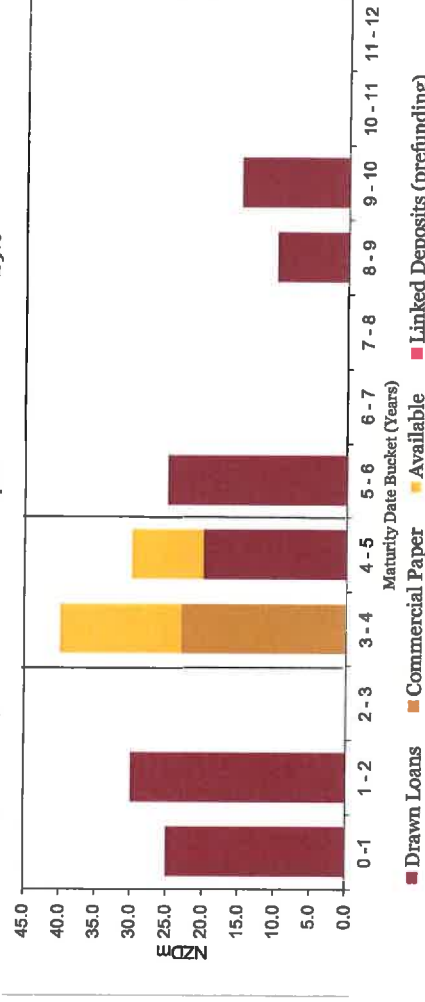
Current External Debt \$146m

Current Net Debt (incl prefunding and CF investment) \$101.7m

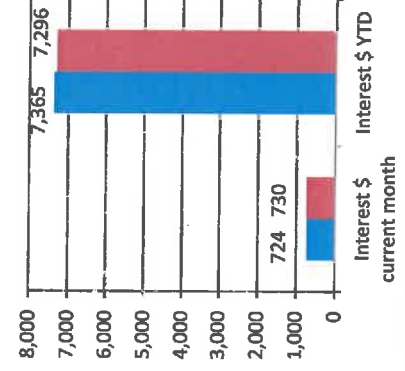
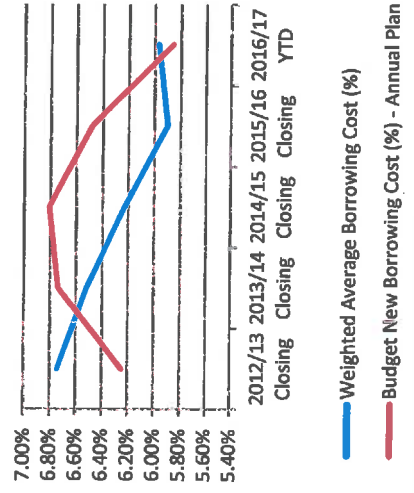
Funding & Liquidity Risk Position

Policy Liquidity Ratio >=110%
Actual Liquidity Ratio* 150%
*Excludes TEL fund

0 - 3 years 15%-60% 31%
3 - 5 years 15%-60% 40%
5 years plus 10%-50% 29%



Interest Rate Performance

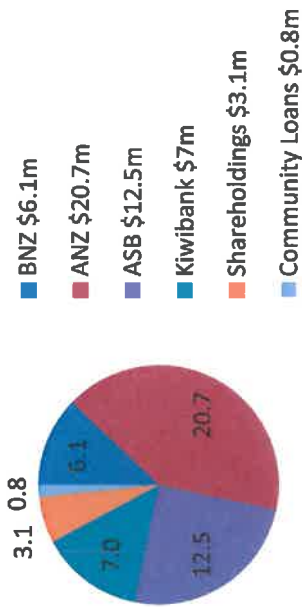


Taupo District Council Monthly Treasury Management Report



Month Ended: 30 April 2017

Summary



Investments Portfolio - \$50m Cash/Investments

Investment Interest Rate / Maturity Risk Position

Performance - Actual Returns v Budget Return \$'000

Performance - Actual Yield v Benchmark Yield %

OCR 1.75

Investments are tracking well this year compared with target benchmarks and returns.

Borrowings - \$148m

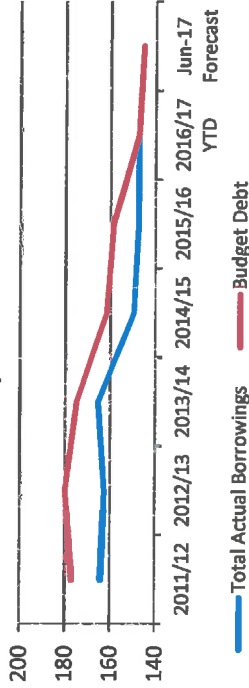
Borrowing Limits

Funding & liquidity Risk Position

Interest Rate Performance - Actual v Budget \$'000

Interest Rate Risk

Total Debt \$148m



Borrowings are forecast to reduce by \$2m this year to reach \$146m by year end.

Counterparty Credit Exposure

Within Policy Limits

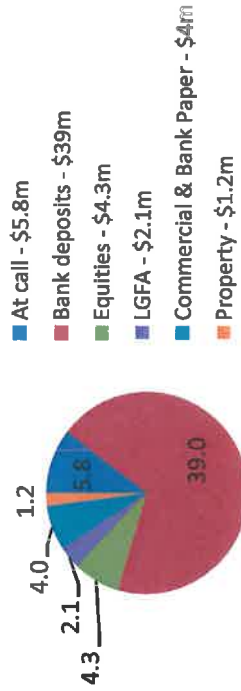
TEL Fund

Strategic Asset Allocation

Performance - Actual Total Return v Budget Total Return \$'000

Performance - Actual Total Return v Budget Total Return %

\$m Allocation Total TEL Investment \$56m



Exceptions to Policy

- Interest rate risk mgmt

Taupo District Council Monthly Treasury Management Report

Month Ended: 30 April 2017



Performance - Policy Compliance

We are performing well against target returns this year, exceeding that planned.

Performance against market benchmarks are also favourable for the month and year to date.

Investments

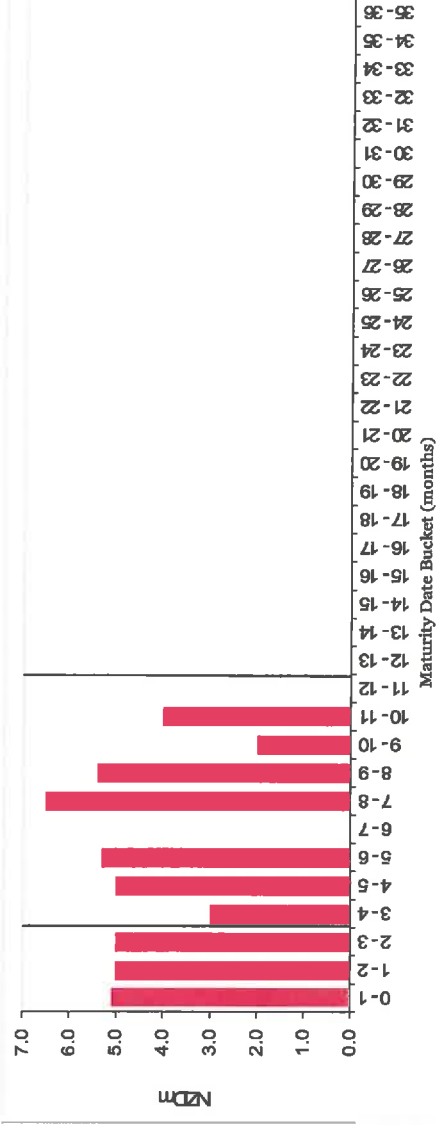
30-Apr-17

Investments \$46.3m

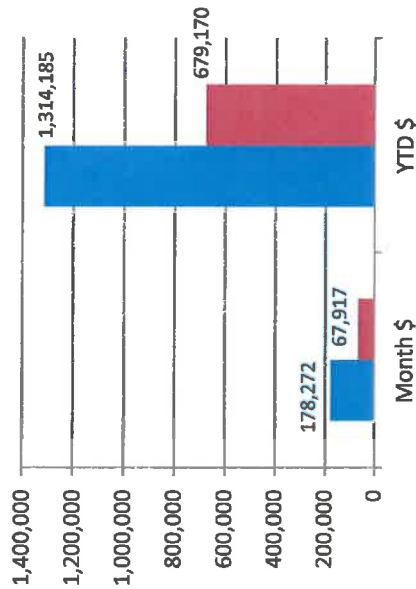
Does not include prefunding / TEL Fund

Investment Interest Rate / Maturity Risk Position

Policy limits	Actual	0 - 3 months	3 - 12 months	1 - 3 years	3 - 5 years
30%-80%	33%	20%-70%	67%	0%-50%	0%

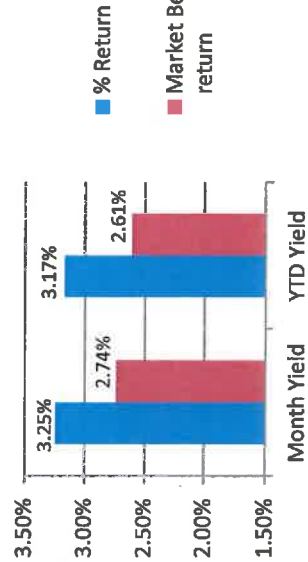


Investment Portfolio - Actual Return vs Budget \$'000 (cash return)



■ \$ Return ■ Budget return - per 16/17 annual plan

Investment Portfolio - Actual Return vs Market Benchmark Return (cash return)



Financial Investment Performance

Measure:

Internally managed general funds/special reserves actual investment returns must be benchmarked to a market interest rate. The benchmark is constructed as follows:

- 50% 6-month BKBM mid-rate (average of reporting month)
- 50% 6-month BKBM mid-rate, 6 months ago (average of month) = 100%

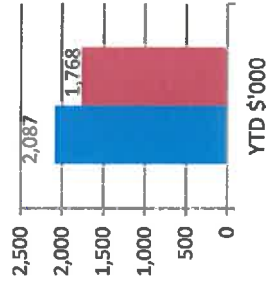
Month Ended: 30 April 2017

TEL Portfolio

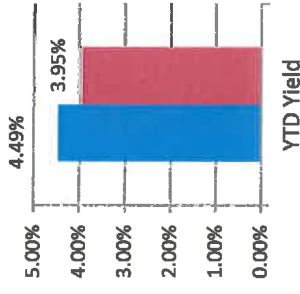
TEL Investment Portfolio - Performance - Total Return

YTD performance of the TEL portfolio is tracking better than budget. From a cash return perspective we are exceeding budget due to some healthy capital gains on the sale of equities that we have received throughout the year. From a total return perspective returns are also very favourable. However with the inclusion of unrealised gains and losses things can swing quite haphazardly in both directions on a monthly basis so for this reason we have chosen to exclude monthly data going forward. By simply focussing on the YTD results these movements are taken into account without showing wild monthly swings in either direction. And we continue to include both cash return data and total return data, although Policy only requires total return data to be reported.

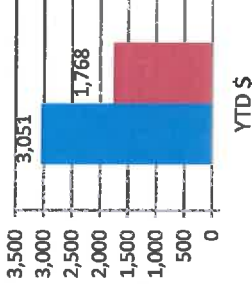
TEL Investment Portfolio - Actual vs Budget \$'000 (cash return basis)



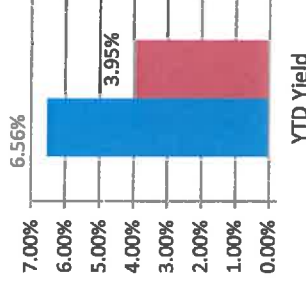
TEL Investment Portfolio - Actual vs Budget Yield (cash return basis)



TEL Investment Portfolio - Actual vs Budget \$'000 (total return basis)



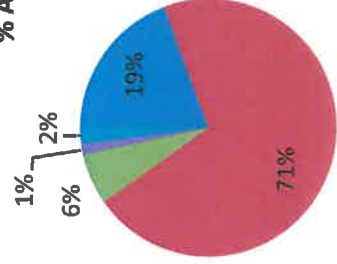
TEL Investment Portfolio - Actual vs Budget Yield (total return basis)



TEL Investment Portfolio - Strategic Asset Allocation - Policy Compliance

TEL strategic asset allocation is within the target allocation. We still have a lot of cash within lower yielding term investments but continue to look for opportunities to maximise our returns within lower risk equities and bonds.

% Allocation



Equities:

We received a dividend in April from Hallenstein Glasson of NZ\$23k.
We sold our APA shares resulting in a capital gain of AU\$111k.

Taupo District Council Monthly Treasury Management Report

Month Ended: 30 April 2017



Counterparty Credit Exposure - Policy Compliance

Counterparty Credit Risk (Interest Rate Risk Mgmt Instruments and Investments, excl. property)

Policy Credit Limit (NZ\$) per NZ Registered Bank (Interest rate risk management)

Policy Credit Limit (NZ\$) per NZ Registered Bank (Investments)

Policy Credit Limit (NZ\$) per NZ Registered Bank (Total maximum per counterparty)

\$20,000,000
\$35,000,000
\$55,000,000

	Min LT/ST credit rating	Max \$ per counterparty (\$m)	\$m per issuer	Policy Max % of total investment portfolio	Actual Issuer % of total investment portfolio
NZ Govt	NA	Unlimited	0.00	100%	0%
NZ registered bank	A+/A-1	35.00	93.60	100%	98%
NZ LGFA	AA-/A-1	40.00	2.00	50%	2%
Corporate	A-/A-1	5.00	0.00	50%	0%
SOE	BBB/A-2	5.00	0.00	50%	0%
NZ local authority	A+/A-1	10.00	0.00	25%	0%
NZ local authority unrated		5.00	0.00	25%	0%

	Credit Exposure - Total Investments (\$m)		Credit Exposure (Swaps) (\$m)		Credit Exposure (Carbon Credits) (\$m)	
	Short Term Rating	Long Term Rating				
Westpac	A-1+	AA-	0.00	0.00	0.00	0.00
ANZ	A-1+	AA-	31.70	15.75	0.00	0.00
ASB	A-1+	AA-	17.50	0.00	0.00	0.00
BNZ	A-1+	AA-	25.40	13.93	0.00	0.00
Kiwibank	A-1	A+	16.00	0.00	0.00	0.00
CBA	A-1+	AA-	0.00	0.00	0.00	0.00
UDC	A-1+	AA-	0.00	0.00	0.00	0.00
LGFA	A-1+	AA+	2.00	0.00	0.00	0.00
Mercury Energy	A-2	BBB+	0.00	0.00	0.00	0.00
Genesis		BBB+	0.00	0.00	0.00	0.00

Property Investment Performance *

* Note that property investment is reported separately from this report

Exceptions to Policy

Investment maturity risk position :
Council adopted a new treasury management policy in June 2015. This included a significant policy change to interest rate risk management parameters, moving to sub-limits over time bands. It will take 3-4 years for Council to transition its existing interest rate hedging instruments to align with the new policy.

Underwriting

Sounds Air - no underwriting has been required to date.