



Waitaki
DISTRICT COUNCIL
TE KAUNIHERA Ā ROHE O WAITAKI

Local Government Credit Ratings

August 2025

STRICTLY PRIVATE AND CONFIDENTIAL



BANCORP

BANCORP TREASURY SERVICES LIMITED



Credit Ratings

- ❖ A credit rating provides an independent assessment of the credit quality of an entity, with borrowers utilising the rating to support their funding arrangements by giving comfort to investors and lenders when making investment or lending decisions.
- ❖ In New Zealand credit ratings to the local authority sector are provided by S&P Global Ratings (“S&P”) and Fitch Ratings (“Fitch”).
- ❖ For WDC as it considers a credit rating thought should be given to the reasons for seeking and the benefits from maintaining a credit rating, which should be balanced against the costs, both direct and indirect, and governance requirements associated with obtaining and maintaining a rating.
- ❖ The advantages of a credit rating are as follows:
 - Results in lower funding costs from LGFA borrowing.
 - Results in financial covenants associated with LGFA borrowing being relaxed (debt to revenue to 285% and then to 280% in FY 26) from 175% and interest as a percentage of rates income to 30% (from 25%).
 - Improves investor or lender understanding of WDC’s financial position and outlook (credit worthiness).
 - Provides objective feedback to WDC regarding the impact on the creditworthiness of various strategic decisions, capital projects and Council’s projected financial position.

Credit Ratings

- ❖ The advantages of a credit rating continued:
 - A credit rating adds a greater governance discipline to WDC and the decision making of its executives and Council.
 - Establishes a means of direct comparison with similar entities.
 - Via the rating process engenders corporate and civic pride and achieves a buy in from various parties within WDC and the community.
- ❖ Other considerations associated with a credit rating are as follows:
 - Uncertainty of the initial credit rating as there is no guarantee on the actual rating that will be assigned.
 - If WDC was not able to maintain its operating results and performance as forecast, the rating agency would review the rating grade and assess the risk of a downgrade. This may result in impairing the image of the Council increase its borrowing costs and trigger covenant breaches.
 - The initial credit rating process normally takes between 60 and 90 days and can involve significant time commitment from senior executives. The process includes management meetings with the rating agency, the provision of financial, strategic, operational information and reviewing for factual accuracy and confidential information, the credit rating agency's formal report prior to publication. An annual review of the rating is undertaken by the rating agency.

Credit Ratings

- ❖ S&P have signalled concerns over the uncertainties around water reforms, which would have a negative rating impact for the sector as it has implications for the institutional framework score, noting that this has already impacted some credit ratings.
- ❖ S&P's fee for a rating is ~AUD63,000 (NZD69,200) to establish the initial rating and maintain it on an ongoing basis.
- ❖ Fitch's fee for a rating is ~NZD57,500 to establish the initial rating and ~NZD57,000 to maintain it on an ongoing basis.
- ❖ The LGFA has differential pricing according a borrower's credit rating, this is as follows:
 - 'AA+/'AA' is nil
 - 'AA-' is 0.05%
 - 'A+/A' is 0.10%
 - Unrated is 0.20% (which WDC currently is)
 - For Commercial Paper a 0.05% saving is achieved

Credit ratings for others in the sector

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

As at 30 June 2025



Credit Rating Background

External Credit Rating (S&P, Fitch)	Lending (NZ\$ millions)	Lending (%)	Number of Councils and CCO's
AA+	\$925	4.1%	6
AA	\$5,601	24.9%	11
AA-	\$9,878	43.9%	23
A+	\$2,911	12.9%	5
A	\$1,233	5.5%	2
Unrated	\$1,966	8.7%	38
Total	\$22,513	100.0%	85



Credit ratings for others NZ entities

Issuer Name	Issuer Rating
ANZ NZ	AA-
ASB Bank	AA-
Auckland International Airport	A-
Auckland International Airport	A-
Auckland International Airport	A-
Bank of China (NZ) Ltd	A
BNZ	AA-
BNZ	AA-
BNZ	AA-
Chorus Ltd	BBB
Christchurch City Holdings	AA-
Contact Energy	BBB
Fonterra Cooperative Group	A
Genesis Energy Ltd	BBB+
Kiwi Property Group Ltd	BBB
Mercury NZ Ltd	BBB+
Meridian Energy	BBB+
National Australia Bank	AA-
Toyota Finance	A+
Transpower New Zealand	AA-
Westpac New Zealand Ltd	AA-



Rating Methodology for Local Authorities

Fitch assesses the following factors.

1. Sovereign risk
2. Socio-Economic Profiles
3. Risk Profile Assessment is broken down into three categories and further subcategories
 - a. Revenue
 - i. Revenue robustness
 - ii. Revenue cyclicity
 - iii. Revenue adjustability
 - b. Expenditure
 - i. Expenditure sustainability
 - ii. Expenditure adjustability
 - c. Liabilities and Liquidity
 - i. Liability and liquidity robustness
 - ii. Liability and liquidity flexibility
4. Debt sustainability
 - a. Three key metrics
 - i. Payback ratio (net adjusted debt/operating balance), which is the primary rating metric
 - ii. Synthetic debt service cover ratio (operating balance /mortgage-style debt annuity), which is a secondary metric
 - iii. Fiscal debt burden (net adjusted debt/operating revenue).
5. ESG considerations

S&P assesses the following factors on an equal weighting basis

1. Institutional Framework
2. Economy
3. Financial Management
4. Budgetary performance
5. Liquidity
6. Debt burden


Outlook for Waitaki District Council

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- ❖ On the assumption that one way or another, WDC will get its Water Services Delivery Plan signed off as being financially sustainable, then WDC is a long way to getting a credit rating.
- ❖ Sign off would assume that Waters would have sufficient revenue (FFO) to meet its debt and interest obligations, a key requirement for the rating agencies.

- ❖ LGFA requirements

EXPECTATIONS – FOR THE INHOUSE WATER MODEL

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

- ☐ Governance
 - An independent Chair for the committee overseeing water services (Directors Institute of NZ).
 - Are additional independent skills required for a high risk and high-profile area of the council.
- ☐ Financial Prudence
 - Councils should focus on achieving the financial prudence balanced budget benchmark each year.
 - WSDP's will require sufficient water revenue
 - LGFA will look to ensure revenue is not transferred from non-water activities to make the WSDP look better
- ☐ Inhouse expertise to navigate the technical, regulatory and long-term investment challenges that water entities will required.
- ☐ Good Reporting
 - Financials for the water activities
 - Reporting against regulatory standards
 - Future Capex plans

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Any questions



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Bancorp Treasury Services Ltd
Head Office, Level 3, 30 Customs Street, Auckland
09 912 7600

www.bancorp.co.nz