



Notice is given of a Finance Committee Meeting to be held on:

Date: Tuesday, 27 August 2019

Time: Following Audit and Risk Meeting

Location: Council Chambers Fairlie

AGENDA

Finance Committee Meeting

27 August 2019

**Suzette van Aswegen
Chief Executive Officer**

Finance Committee Membership:

Mayor Graham Smith (Chair)
Russell Armstrong
Stuart Barwood
Chris Clarke
Paul Hannagan
James Leslie
Anne Munro

The purpose of local government:

(1) The purpose of local government is—

- (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
- (b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

(2) In this Act, good-quality, in relation to local infrastructure, local public services, and performance of regulatory functions, means infrastructure, services, and performance that are—

- (a) efficient; and
- (b) effective; and
- (c) appropriate to present and anticipated future circumstances.

(Local Government Act 2002)

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- 1 OPENING**
- 2 APOLOGIES**
- 3 DECLARATIONS OF INTEREST**
- 4 VISITORS**

5 REPORTS

5.1 MINUTES OF FINANCE COMMITTEE MEETING - 2 JULY 2019

File Reference: PAD

Author: Gisela Craig, Governance Advisor (Temp)

Authoriser: Darren Brown, Information and Engagement Manager

Attachments: Nil

RECOMMENDATION

1. That the Minutes of the Finance Committee Meeting held on Tuesday 2 July 2019 be received and adopted as a true and accurate record of the meeting.

5.2 COUNCIL FINANCIAL REPORT**File Reference:** NA**Author:** Adrian Hodgett, Finance Manager**Authoriser:** Paul Numan, General Manager Corporate Services

Attachments:

1. June 2019 Monthly Reporting to Council - Summary  
2. June 2019 Monthly Reporting to Council - Projects  
3. June 2019 Monthly Reporting to Council - Statements  

PURPOSE OF REPORT

The Financial reports for Council for the period ending 30 June 2019.

STAFF RECOMMENDATIONS

1. That the reports be received and information noted.

SUZETTE VAN ASWEGEN

CHIEF EXECUTIVE OFFICER



Financial Performance June 2019

	YTD Actual 2018/19	YTD Budget 2018/19	YTD Actual 2017/18	Variance v Budget	Variance v Budget (%)	Variance v 2017/18	Variance v 2017/18 (%)
Rates Revenue	9,597	9,296	8,777	301	3.24%	820	9.34%

The forecast average rates rise for 2018/19 per the Long-Term Plan was 8.05%. New properties now subject to Rates have further increased revenue above 2017/18 and budget.

Other Revenue	11,695	10,704	16,110	991	9.26%	(4,415)	-27.41%
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Year to date revenue is up on budget due to unbudgeted financial contributions of \$2,186k, reserve contributions of \$1,709k and tourism grant of \$890k. Compared to 2017/18, financial contributions are down by \$325k and reserve contributions are down \$1,189k, which are dependent upon developer activity. Grants are increased by \$587k due to the receipt of a tourism grant from MBIE. Other gains and losses are reduced by \$2,566k from 2017/18 due to reduced sales of sections. No vested assets have been recorded for the year to date, which were budgeted at \$3,687k and in 2017/18 were \$2,890k.

Operating Expenditure	16,662	16,339	17,338	(323)	-1.98%	677	3.90%
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Expenditure for 2018/19 is slightly up on budget due to the Church of the Good Shepherd and dog statue projects at Tekapo costing \$128k, which was not budgeted. These projects are to be funded by MBIE, COGS, China Airlines and the Lake Tekapo community. Expenditure is reduced from 2017/18, which included \$380k for roading emergency reinstatement.

Capital Expenditure	4,856	9,477	6,362	4,621	48.76%		
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Expenditure generally has caught up with budget, other than vested assets which will occur before the financial year-end. There are timing differences for some projects, including upgrade of the Twizel Waste Water plant \$850k to date, budgeted for 2019/20. Public toilet projects have cost \$419k, which was not budgeted and is partially funded by the MBIE tourism grant of \$340k.

Mackenzie District Council Capital Expenditure Summary For The Period Ended 30 June 2019

	Budget 2018/19	YTD Actual 2018/19
WATER		
Ashwick/Opuha Water Supply		
0158980. Comm Assets - Water Supply	10,000	18,827
Urban Water		
0248193. Vested Assets	800,000	0
0248203. Reticulation	8,000	0
0248204. Head Works - Renewal	70,000	84,813
0248205. Treatment - renewal	900,000	25,804
0248206. Service Connections - Renewal	20,000	52,210
0248211. Treatment - new	0	2,978
0248214. Reticulation Fittings	110,000	0
0248215. Plant	25,000	13,137
0248281. Reticulation - Renewal	420,000	175,597
0248285. Reticulation - New	250,000	85,324
Total Water Supply	2,613,000	458,690
SEWER		
Urban Sewer		
0258193. Vested Assets	1,150,000	0
0258401. Sewer Reticulation Renewal	84,000	9,135
0258410. Sewer Reticulation New	0	87,711
0258411. Sewer Treatment New	0	865,581
Total Sewer	1,234,000	962,427
STORMWATER		
Urban Stormwater		
0598193. Vested Assets	1,015,900	0
Total Stormwater	1,015,900	0
ROADING		
District Roading		
2548193. Vested Assets	721,000	0
2548211. Unsealed Road Metalling	650,000	747,295
2548212. Sealed Road Resurfacing	500,000	522,736
2548213. Drainage Renewal	70,000	79,982
2548214. Sealed Road Pavement Rehabilitation	200,000	19,537
2548215. Structures Component replacements bridges	50,000	234
25482151. Structures Component replacements cattelstops	10,000	0
2548222. Traffic Services Renewals	60,000	138,696
2548310. Footpaths - Surfacing	30,000	5,811
2548341. Minor Improvements	300,000	189,976
2548395. Sealing Past Houses	140,000	147,884
Total Roading	2,731,000	1,852,151

Mackenzie District Council Capital Expenditure Summary For The Period Ended 30 June 2019

Budget	YTD Actual
2018/19	2018/19

REGULATORY SERVICES

Civil Defence		
0108925. Plant and Equipment	39,000	29,854
Total Civil Defence	39,000	29,854
TOTAL REGULATORY SERVICES	39,000	29,854

COMMUNITY SERVICES

Waste Management		
0358807. Resource Consent	90,000	33,075
0358925. Plant and Equipment	60,000	0
Total Waste Management	150,000	33,075
Public Toilets		
1518916. Buildings	0	419,403
Total Public Toilets	0	419,403
Pensioner Housing		
1918940. Furniture & Fittings - Other	9,000	
Total Pensioner Housing	9,000	0
TOTAL COMMUNITY SERVICES	159,000	452,478

RECREATIONAL FACILITIES

Fairlie Township		
0528965. Comm Asset - Public Amenities	0	
0528977. Playground Upgrade	50,000	6,047
Total Fairlie Township	50,000	6,047
District General		
0548516. Implement of Development Plan	0	325,123
Total District General	0	325,123
Albury Hall		
1208925. Plant and Equipment	0	5,126
	0	5,126
Tekapo Community Hall		
1248940. Furniture & Fittings - Other	0	2,372
	0	2,372
Tekapo Township		
0548516. Implement of Development Plan	220,000	1,000

**Mackenzie District Council
Capital Expenditure Summary
For The Period Ended 30 June 2019**

	Budget 2018/19	YTD Actual 2018/19
Total Tekapo Township	220,000	1,000
Twizel Township & Reserves		
0558516. Implement of Development Plan	64,000	
Total Twizel Township & Reserves	64,000	0
Mackenzie Community Centre		
1228950. Community Assets - Buildings	20,000	
Total Mackenzie Community Centre	20,000	0
Twizel Community Centre		
1268940. Furniture & Fittings - Other	0	76,560
1268950. Community Assets - Buildings	30,000	
Total Twizel Community Centre	30,000	76,560
Twizel Swimming Pool		
1428965. Comm Asset - Public Amenities	500,000	273,657
Total Twizel Swimming Pool	500,000	273,657
TOTAL RECREATIONAL FACILITIES	884,000	689,885
TOTAL COMMUNITY AND TOWNSHIP SERVICES	1,043,000	1,142,363

COMMERCIAL

Development		
1348007. Alps2Ocean Capex	540,000	22,180
Total Development	540,000	22,180
Pukaki Airport Board		
0708905. Airport Development	0	144,394
Total Pukaki Airport Board	0	144,394
TOTAL COMMERCIAL	540,000	166,574

CORPORATE SERVICES

Fairlie Building		
0088916. Building Renovations	0	35,511
0088940. Furniture & Fittings - Other	20,000	6,922
Total Fairlie Building	20,000	42,433
Twizel Building		
0098940. Furniture & Fittings - Other	2,000	2,347
Total Twizel Building	2,000	2,347
Information Technology		

**Mackenzie District Council
Capital Expenditure Summary
For The Period Ended 30 June 2019**

	Budget 2018/19	YTD Actual 2018/19
0788006. GIS Aerials	30,000	0
0788010. Network Infrastructure	10,000	0
0788012. Software	20,000	8,069
0788013. Information Management System	0	17,160
0788014. Web site development	30,000	0
0788925. Plant and Equipment	5,000	28,999
Total Information Technology	95,000	54,228
Plant and Equipment		
2658930. Vehicles	144,000	144,932
Total Plant and Equipment	144,000	144,932
TOTAL CORPORATE SERVICES	261,000	243,940
GRAND TOTAL CAPITAL EXPENDITURE	9,476,900	4,856,000

**Mackenzie District Council
Financial Report
For The Period Ended June 2019**

	YTD Actual 2018/19	Full Year Budget 2018/19	%	YTD Actual 2017/18	%
Income					
Governance	493,384	511,490	96.46%	479,788	102.83%
Corporate Services	3,288,978	3,216,459	102.25%	2,911,644	112.96%
Water Supply	2,740,832	2,253,496	121.63%	3,163,738	86.63%
Sewer	1,481,488	1,773,205	83.55%	2,173,924	68.15%
Stormwater	138,961	1,129,234	12.31%	507,958	27.36%
Roading	3,496,267	4,128,438	84.69%	4,478,145	78.07%
Solid Waste	1,197,945	1,181,787	101.37%	1,136,272	105.43%
Planning	2,757,557	1,275,825	216.14%	2,171,947	126.96%
Regulatory Services	849,270	945,160	89.85%	1,207,715	70.32%
Community Facilities	1,348,063	460,821	292.54%	807,103	167.02%
Recreational Facilities	1,866,407	1,619,697	115.23%	1,775,469	105.12%
Commercial	1,633,018	1,504,329	108.55%	4,073,609	40.09%
	21,292,170	19,999,941	106.46%	24,887,312	85.55%
Operating Expenditure					
Governance	463,743	494,490	93.78%	460,626	100.68%
Corporate Services	3,591,404	3,188,289	112.64%	3,196,846	112.34%
Water Supply	1,491,407	1,444,598	103.24%	1,642,739	90.79%
Sewer	750,257	614,424	122.11%	731,496	102.56%
Stormwater	121,430	113,335	107.14%	93,299	130.15%
Roading	3,914,473	4,111,077	95.22%	4,164,535	94.00%
Solid Waste	933,595	1,169,425	79.83%	845,365	110.44%
Planning	1,021,266	1,172,352	87.11%	1,292,656	79.01%
Regulatory Services	844,288	949,517	88.92%	1,239,539	68.11%
Community Facilities	482,155	479,711	100.51%	523,467	92.11%
Recreational Facilities	1,950,559	1,669,589	116.83%	1,736,527	112.33%
Commercial	1,097,195	931,866	117.74%	1,411,336	77.74%
	16,661,772	16,338,673	101.98%	17,338,431	96.10%
Operating Surplus/(Deficit)	4,630,398	3,661,268	126.47%	7,548,881	-61.34%

**Mackenzie District Council
Financial Report
For The Period Ended June 2019**

	YTD Actual 2018/19	Full Year Budget 2018/19	%	YTD Actual 2017/18
Capital Expenditure				
Governance	-			-
Corporate Services	243,941	261,000	93.46%	224,311
Water Supply	458,691	2,613,000	17.55%	1,168,086
Sewer	962,426	1,234,000	77.99%	384,799
Stormwater	-	1,015,900	0.00%	277,455
Roading	1,852,151	2,731,000	67.82%	3,064,475
Solid Waste	33,075	150,000	22.05%	-
Planning	-	-		-
Regulatory Services	29,854	39,000	76.55%	10,847
Community Facilities	419,404	9,000	4660.04%	649,307
Recreational Facilities	689,886	884,000	78.04%	373,423
Commercial	166,573	540,000	30.85%	208,866
	4,856,001	9,476,900	51.24%	6,361,569

**Mackenzie District Council
Financial Report
For The Period Ended June 2019**

Balance Sheet	Actual 30/6/19	LTP June 2019	Actual June 2018
Current Assets			
Cash and cash equivalents	14,984,140	1,626,000	11,338,000
Receivables	3,011,980	2,250,000	2,862,000
Other Financial assets	-	1,526,000	1,406,000
Inventory	58,155	4,017,000	45,000
Total Current Assets	18,054,275	9,419,000	15,651,000
Non-current Assets			
Other Financial assets	11,743,496	20,924,000	11,573,000
Inventory	2,428,000	-	2,428,000
Forestry	6,556,586	5,432,000	5,910,000
Intangible assets	375,883	-	345,000
Property, plant and equipment	206,842,973	218,266,000	209,405,000
Total Non-current Assets	227,946,938	244,622,000	229,661,000
TOTAL ASSETS	246,001,213	254,041,000	245,312,000
Current Liabilities			
Payables and deferred revenue	3,429,940	1,097,000	3,615,000
Employee entitlements	266,861	312,000	257,000
Provisions	2,996	-	3,000
Total Current Liabilities	3,699,797	1,409,000	3,875,000
Non-current Liabilities			
Employee entitlements	23,108	22,000	23,000
Provisions	48,842	57,000	55,000
Borrowings and other financial liabilities	-	2,817,000	-
Total Non-current Liabilities	71,950	2,896,000	78,000
TOTAL LIABILITIES	3,771,747	4,305,000	3,953,000
NET ASSETS	242,229,466	249,736,000	241,359,000
Equity			
Accumulated Funds	119,019,114	123,033,000	115,436,000
Reserves	123,210,352	126,703,000	125,923,000
Total Equity	242,229,466	249,736,000	241,359,000

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5.3 QUARTERLY PORTFOLIO REPORT BANCORP TREASURY SERVICES LTD**File Reference:** na**Author:** Adrian Hodgett, Finance Manager**Authoriser:** Stuart Grant, Acting General Manager Corporate Services**Attachments:** 1. Mackenzie District Council Quarterly Report June 19 [↓](#) **PURPOSE OF REPORT**

To inform the Committee of the performance and Council's bond market investment.

STAFF RECOMMENDATIONS

That the report be received.

PARTICULAR POINTS TO NOTE**Comparison with the Benchmark**

The Council's portfolio increased in value by 1.74%, whereas the benchmark portfolio increased in value by 1.33% over the quarter, therefore the Council's Portfolio over-performed compared to the benchmark.

During the quarter in question over a period of declining interest rates a portfolio with a longer duration (MDC portfolio duration 2.34 years) will outperform a portfolio of a shorter duration (Benchmark portfolio duration is 2.35 years). However in the case of Mackenzie, the portfolio only has four bonds in it. Therefore movement in one bond has a significant impact and distort the performance compared to the benchmark portfolio.

Looking at overall performance on an annual basis the Council portfolio increased in value by 6.07% to 30 June compared to the benchmark portfolio increase of 4.49%.

Council also holds two Term deposits, classified as longer term investment funds, as at June 30, with a total value of \$6.2 million and a weighted average yield of 3.14%.

Movements in the Portfolio

The total value of the portfolio increased by \$0.03m and stands at \$1.89 million. The nominal value of the portfolio remains unchanged at \$1.775 million.

At the end of June the weighted average running yield of Councils bond portfolio was 4.22%.

Policy Adherence

- All financial market investments comply with the counterparty exposure limits as outlined in the Treasury Policy.
- All investments are readily tradable (liquid) on the secondary market.
- The duration of MDC's portfolio at 2.34 years is within the 25% allowable fluctuation band of the benchmark portfolio's duration of 2.35 years.

Financial Market Movements

The Official Cash Rate reduced by 0.25% to 1.50% during the period.

SUZETTE VAN ASWEGEN

CHIEF EXECUTIVE OFFICER

QUARTERLY TREASURY REPORT

FOR



FOR THE QUARTER ENDING 30 JUNE 2019

PREPARED BY BANCORP TREASURY SERVICES LIMITED



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1. FINANCIAL MARKETS OVERVIEW

1.1 GLOBAL OVERVIEW (FOR THE JUNE 2019 QUARTER)

An escalation in trade tensions between the US and China during the June quarter led to increasing rhetoric from central banks about global downside risks, worries about lack of wage and price inflation and strong signals of further interest rate cuts, augmented by suggestions of a possible return to using other monetary easing tools. Increased tensions in the Middle East and data showing further weakness in manufacturing activity in the main industrialised economies reinforced these central bank fears.

At the G20 summit at the end of June, US President, Donald Trump, and Chinese President, Xi Jinping, agreed to a truce on their trade dispute and to resume talks. As a sign of good will, the US promised to indefinitely defer more tariffs on Chinese imports and to allow US firms to sell high tech equipment to Huawei (but not goods related to national security), while China promised to buy large amounts of US agricultural products and, the next day, announced a relaxing of some restrictions on foreign investment.

The Federal Reserve's ("Fed") Open Market Committee ("FOMC") left the Fed Funds target range rate at 2.25% to 2.50% at its June meeting, as expected. However, the tone of the post-meeting statement was less dovish than expected. FOMC members' interest rate consensus (the dot plot) shows the Fed Funds rate to be 0.50% lower at the end of 2020 and 0.20% lower at the end of 2021 than projected in March. Also, consensus for the long run (neutral) Fed Funds rate fell from 2.80% in March to 2.50%.

European Central Bank ("ECB") President, Mario Draghi, signalled that the ECB is close to another round of policy easing through cutting interest rates or expanding its bond buying programme, or a combination of both. Draghi is worried about *"lingering softness"* in forward looking Eurozone data and warned that *"in the absence of improvement ... additional stimulus will be required."*

Bond yields fell dramatically over the June quarter. The benchmark US 10 year Treasury bond yield ended the March quarter at 2.41%. It flirted with the psychologically important 2.00% level in the June quarter, falling to a low of 1.97%, its lowest since November 2016, and ended the June quarter at 2.01%. German and French 10 year government bond yields hit record lows in June but recorded lesser falls than US Treasuries.

The Reserve Bank of Australia ("RBA") cut its cash rate by 25 basis points to 1.25% in June. Subsequent speeches by RBA Governor, Philip Lowe, and the minutes of the RBA's June meeting sent a very clear signal, viz. that *"it was more likely than not that a further easing in monetary policy would be appropriate in the period ahead."*

1.2 NEW ZEALAND OVERVIEW (FOR THE JUNE 2019 QUARTER)

	OCR	90 day	2 year swap	3 year swap	5 year swap	7 year swap	10 year swap
31-Mar-19	1.75%	1.85%	1.63%	1.64%	1.77%	1.93%	2.16%
30-Jun-19	1.50%	1.64%	1.35%	1.36%	1.44%	1.58%	1.79%
Change	-0.25%	-0.21%	-0.28%	-0.28%	-0.33%	-0.35%	-0.37%

The New Zealand CPI rose 0.1% over the March quarter, the same as in December and below consensus and RBNZ expectations. Annual CPI fell from 1.9% in December to 1.5% in March. Lower petrol prices over the March quarter swamped the annual rise in the tobacco tax and higher food prices. The Reserve Bank of New Zealand's ("RBNZ") underlying measures also reported lower inflation. The Factor Model rose 1.7% over the March year, from 1.9% over the December year, and the Sectoral Factor Model rose 1.7% over the March year, the same as December, both well below its 2.0% target.

The New Zealand unemployment rate fell from 4.3% in the December quarter to 4.2% in the March quarter, outperforming market expectations but the rest of the labour market data disappointed. Over the quarter, the participation rate, i.e. the number of people employed, fell as did the number of jobs filled.

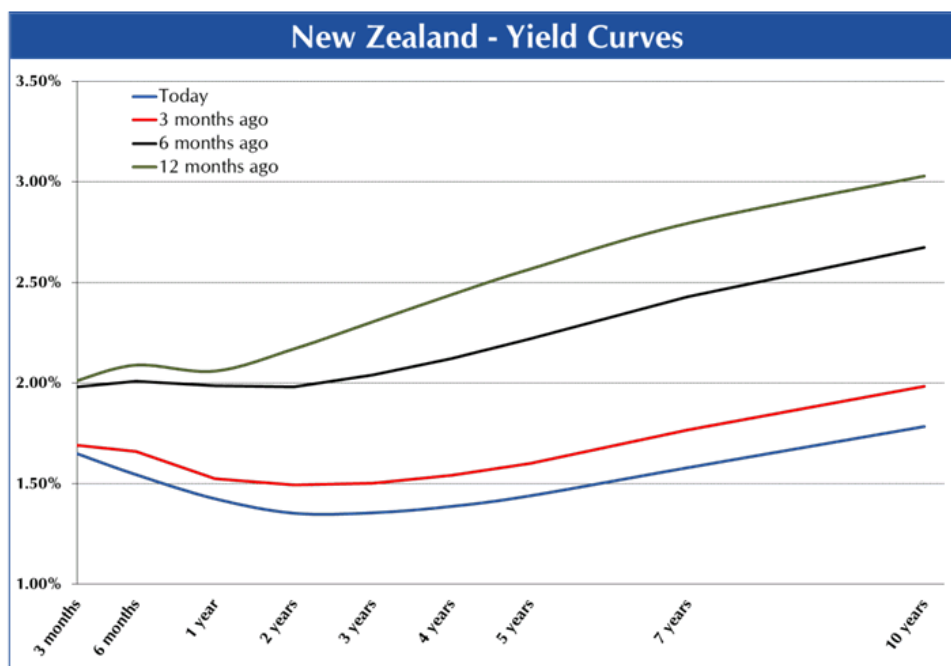
New Zealand's GDP rose 0.6% in the March quarter, matching the previous quarter, and was up 2.5% from the March 2018 quarter. The result beat expectations and was impressive given the slowdown of the global economy, the underperformance of the primary sector (due to dry conditions) and the services sector (which accounts for two thirds of the New Zealand economy) posting its weakest result since 2012. However, growth is expected to slow over the June quarter, particularly as the escalation in the US-China trade dispute only happened after the March quarter end.

The RBNZ's newly formed Monetary Policy Committee ("MPC") cut the Official Cash Rate ("OCR") from 1.75% to 1.50% in May in response to weaker than expected inflation, employment and wages data. The MPC's final decision came down to "*holding the OCR and committing to a downward bias, versus cutting the OCR now.*" The MPC unanimously decided on a pre-emptive OCR cut.

The MPC held the OCR at 1.50% at its meeting in late June and declared that "*more support from monetary policy was likely to be necessary*" and that it is keenly watching "*the employment and inflation outlook*" in deciding when to next cut the OCR. Just so there was no ambiguity about the MPC's statement, it repeated that "*a lower OCR may be needed over time.*"

Market pricing implies two more (0.25%) OCR cuts within the next year. The MPC and markets will be closely analysing CPI and labour market data due for release in July ahead of the next MPC meeting and *Monetary Policy Statement* on 7 August.

Pushed down by increased market expectation for more OCR cuts (and interest rate cuts by other developed central banks) and falling global bond yields, New Zealand swap rates consistently fell to fresh record lows over the June quarter, extending their fall over the past year as shown in the following graph.

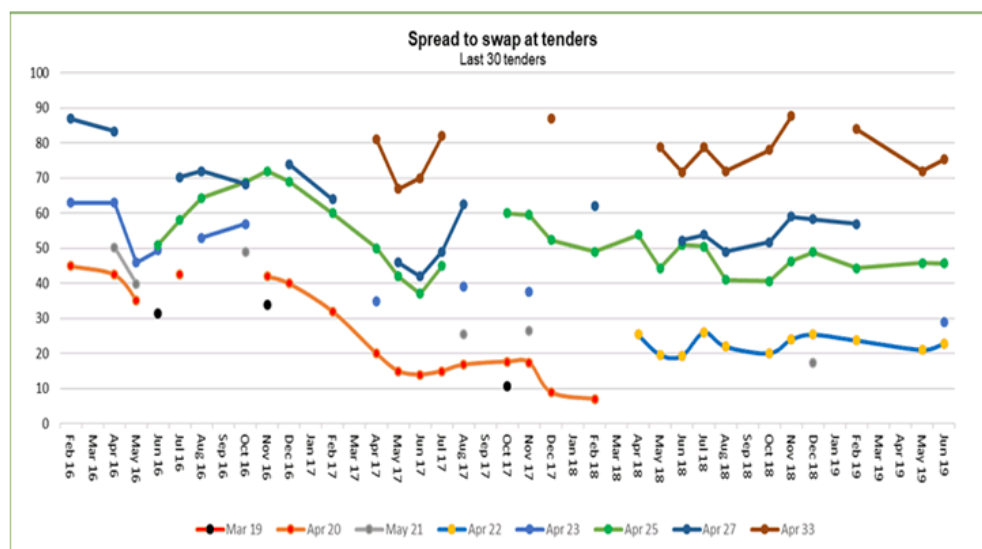


1.3 LOCAL AUTHORITY SECTOR

Listed below are the credit spreads and applicable interest rates for Floating Rate Notes ("FRN") and Fixed Rate Bonds ("FRB"), at which Mackenzie District Council ("MDC") could source debt from the Local Government Funding Agency ("LGFA").

Maturity	Credit Spread	FRN Rate	FRB Yield
April 2020	0.43%	2.03%	1.87%
May 2021	0.48%	2.08%	1.79%
April 2022	0.55%	2.15%	1.85%
April 2023	0.67%	2.27%	1.95%
April 2024	0.72%	2.32%	2.06%
April 2025	0.78%	2.38%	2.20%
April 2027	0.90%	2.50%	2.41%
April 2033	1.08%	2.68%	2.98%

The chart below illustrates the credit spreads (measured over the applicable swap rate) for all current LGFA debt dating back to 2016.



2. INVESTMENT MANAGEMENT

2.1 PORTFOLIO SUMMARY

Below is a summary of the performance of Mackenzie District Council's ("MDC") Long Term Funds Portfolio ("LTFP") and the benchmark portfolio for the quarter ending 30 June 2019.

- The LTFP outperformed the benchmark index, increasing in value by 1.74% compared to the benchmark portfolio's increase of 1.33%.
- The weighted average purchase yield of the portfolio as at 30 June 2019 was 4.22%.
- The nominal value of the portfolio remained constant at \$1,775,000 during the June 2019 quarter.
- As at 30 June 2019, in addition to the funds in the LTFP, MDC had \$6.2 million invested in Term Deposits ("TD") which were classified as longer term investment funds.

MDC portfolio value at 31 March 2018	\$1,855,985
MDC portfolio value at 30 June 2019	\$1,861,028
Add coupon payments	\$27,262
Net – purchases/sales/maturities	Nil
Total	\$1,888,290
Percentage change in effective cash value	+ 1.74%

Benchmark portfolio value at 31 March 2019	\$11,813,544
Benchmark portfolio value at 30 June 2019	\$11,872,480
Add coupon payments	\$97,900
Total	\$11,970,380
Percentage change in effective cash value	+ 1.33%

2.2 PORTFOLIO ACTIVITY

During the June 2019 quarter, the LTFP, which had a duration of 2.34 years, increased in value by 1.74%, noticeably outperforming the benchmark index, which had a duration of 2.35 years and which recorded a 1.33% increase. Given the very similar durations of the two portfolios, the relative performance would be expected to have been a lot closer than what it was. The difference can be attributed to the fact that the LTFP only has four bonds and an 'abnormal' performance by one or more bonds in this portfolio can produce an 'outlier' of a result when compared to the benchmark which has ten bonds and one short term security.

Looking at the performance on an annual basis, the LTFP increased in value by 6.07% for the year ending 30 June 2019, compared to the benchmark portfolio's increase of 4.49%.

In reality the benchmarking comparison is largely redundant when the LTFP only contains four bonds, because of the potential for 'outlier' performances.

There were no bond maturities in the LTFP during the June 2019 quarter.

As at 30 June 2019, MDC had two TDs of which were classified as longer term investment funds, i.e. they were not being used for short term liquidity purposes. Details of these TDs are as follows:

- \$1.2 million with Westpac Bank for a term of 270 days, maturing 17 September 2019 at a rate of 3.50%.
- \$5.0 million with Westpac Bank for a term of 179 days, maturing 20 December 2019 at a rate of 3.05%.

The weighted average yield of the two TDs was 3.14%.

2.3 POLICY ADHERENCE

- As at 30 June 2019, the LTFP was compliant with the investment credit rating parameters contained in MDC's Investment Policy.
- In terms of liquidity, all of the bonds in the LTFP traded regularly on the secondary market during the June 2019 quarter. We are confident that the LTFP could be liquidated at short notice, if necessary.

3. INVESTMENT STRATEGY

Since 2014, MDC has been investing in TDs on a large majority of occasions rather than in corporate bonds due to the yield advantage that TDs provided. This strategy of investing in TDs is continually monitored to ensure that TDs provide a yield advantage over similar duration corporate bonds.

Detailed in the table below are the yields as at 30 June 2019 for various corporate bonds rated 'BBB+' or better by S&P Global Ratings, in which MDC would be able to invest under its existing Investment Policy (the yields in brackets are as at 31 March 2019).

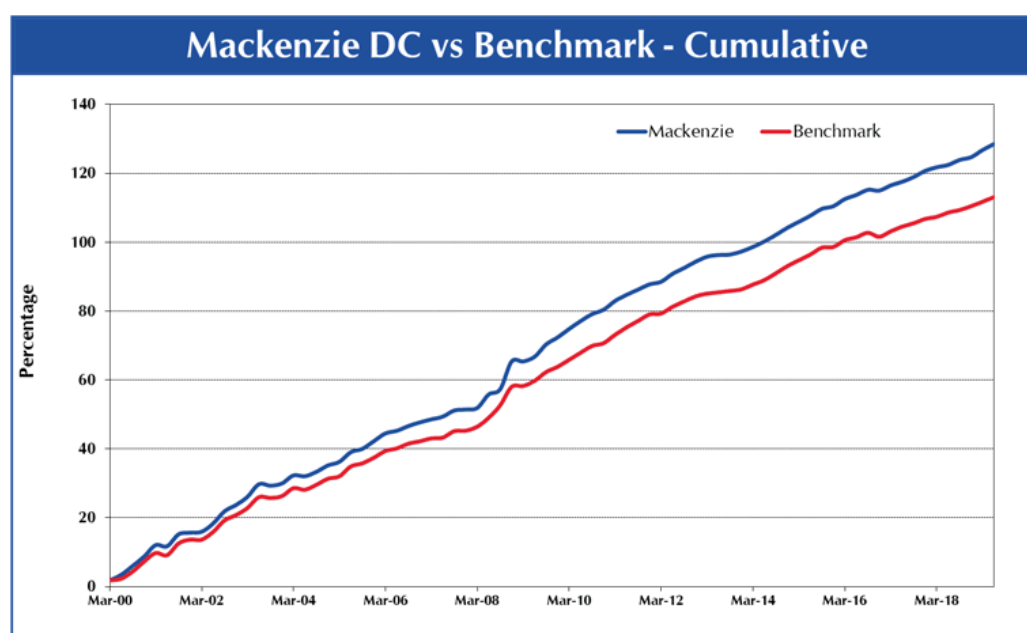
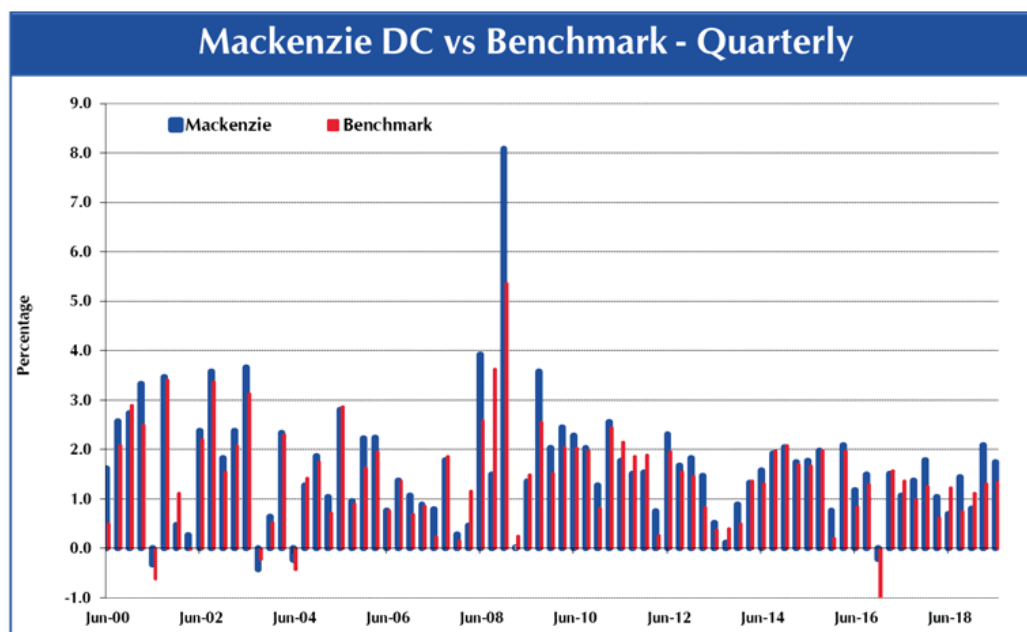
There are no bonds in the table where the applicable yield matches or exceeds that of the weighted average yield of 3.14% the two TDs in the LTFP. The Fonterra 15 November 2025 bond is the closest at 2.90%, but it has a duration of just over six and a quarter years and would expose MDC to revaluation losses if interest rates moved higher over the life of the bond.

Security	Maturity	Coupon	Rating	Yield
Auckland Airport	13-Dec-19	4.73%	A-	1.83% (2.17%)
BNZ	18-Jun-20	4.42%	AA-	1.69% (2.02%)
Transpower	10-Jun-20	6.95%	AA-	1.79% (2.02%)
ANZ	22-Mar-21	4.00%	AA-	1.89% (2.20%)
Wellington Airport	15-May-21	6.25%	BBB +	2.32% (2.58%)
Spark Finance	25-Mar-22	4.50%	A-	2.23% (2.52%)
Fonterra	07-Mar-23	4.42%	A-	2.54% (2.81%)
Genesis Energy	08-Mar-23	5.81%	BBB +	2.62% (3.04%)
Chch City Holdings	27-Nov-24	3.58%	A +	2.34% (2.74%)
Auckland Council	24-Mar-25	4.18%	AA	2.04% (2.56%)
Fonterra	14-Nov-25	4.13%	A-	2.90% (3.27%)

As we have been doing for some time now and did again in the June 2019 quarter, when TDs mature, we will compare the TD rates with bond yields to ascertain whether it is appropriate to continue investing in TDs. We will only recommend that MDC purchases bonds if such a purchase will meet MDC's requirements - to maintain an acceptable running yield, yet at the same time not expose MDC to excessive longer term revaluation risk.

Benchmark										
Security	Maturity Date	Coupon	<u>31-Mar-19</u>	Yield	Value	<u>30-Jun-19</u>	Coupons	Yield	Value	Effective cash
			Nominal			Nominal	01/04 to 30/06			
			\$		\$	\$			\$	30/06/2019
							\$			\$
90 Day Bank Bill	30-Jun-19		1,000,000	1.85	995,407	1,000,000		1.65	995,858	995,858
ASB Bank	25-Feb-20	4.42	1,000,000	2.04	1,025,394	1,000,000		1.89	1,033,009	1,033,009
BNZ	18-Jun-20	4.42	1,000,000	2.02	1,041,190	1,000,000	\$22,100	1.51	1,025,578	1,047,678
LGFA	15-May-21	6.00	1,000,000	1.75	1,110,764	1,000,000	\$30,000	1.69	1,090,178	1,120,178
Dunedin CT	25-Nov-21	4.88	1,000,000	2.08	1,088,839	1,000,000	\$24,400	2.05	1,079,943	1,104,343
Fonterra	25-Feb-22	5.90	1,000,000	2.53	1,099,364	1,000,000		2.01	1,111,993	1,111,993
ANZ/National Bank	1-Sep-22	3.75	1,000,000	2.45	1,045,423	1,000,000		2.06	1,064,247	1,064,247
Auck Int Airport	9-Nov-22	4.28	1,000,000	2.39	1,081,726	1,000,000	\$21,400	2.32	1,079,396	1,100,796
Transpower	15-Mar-23	5.44	1,000,000	2.39	1,116,846	1,000,000		2.15	1,135,891	1,135,891
Westpac	23-Mar-23	3.72	1,000,000	2.55	1,044,800	1,000,000		1.92	1,065,983	1,065,983
Auckland Council	25-Mar-24	5.81	1,000,000	2.32	1,163,791	1,000,000		1.68	1,190,404	1,190,404
			<u>\$11,000,000</u>		<u>\$11,813,544</u>	<u>\$11,000,000</u>	<u>\$97,900</u>		<u>\$11,872,480</u>	<u>\$11,970,380</u>
Value as at 31/03/2019					\$11,813,544				30/06/2019	11,872,480
									Coupons	97,900
									Total	11,970,380
									Effective change in cash	\$156,837
									% change	1.33%
									Duration-years	2.35 yrs

Mackenzie District Council										
Security	Maturity Date	Coupon	<u>31-Mar-19</u>	Yield	Value	<u>30-Jun-19</u>	Coupons	Yield	Value	Effective Cash
			Nominal			Nominal	01/04 to 30/06			
			\$		\$	\$			\$	30/06/2019
BNZ SUB DEBT	17-Dec-20	5.31	500,000	3.43	516,571	500,000	6,637	3.43	517,716	524,353
ASB BANK	26-May-21	4.25	500,000	2.64	528,565	500,000	10,625	2.64	524,181	534,806
GENESIS	18-Mar-22	4.14	275,000	3.19	285,813	275,000		3.19	290,798	290,798
CHINA CONSTRCTN	15-Jun-23	4.00	500,000	3.46	525,036	500,000	10,000	3.46	528,146	538,146
			<u>1,775,000</u>		<u>1,855,985</u>	<u>1,775,000</u>	<u>27,262</u>		<u>1,860,841</u>	<u>1,888,103</u>
Value 31/03/2019					<u>\$1,855,985</u>				Value 30/06/2019	1,861,028
									Coupons	27,262
										<u>1,888,290</u>
									Effective change in cash	\$32,305
									% change	1.74%
									Duration-Years	2.34



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5.4 ALPINE ENERGY DIVIDEND STATEMENT**File Reference:** N/A**Author:** Gisela Craig, Governance Advisor (Temp)**Authoriser:** Darren Brown, Information and Engagement Manager**Attachments:** 1. Mackenzie District Council Dividend Statement [!\[\]\(5a132f13505a6571904d622757b7a8f0_img.jpg\) !\[\]\(0f17417dd77a61b2fdbff69a33adf9f2_img.jpg\)](#)**STAFF RECOMMENDATIONS**

That the information be noted.

BACKGROUND

Alpine Energy Shareholder Statement as attached.

SUZETTE VAN ASWEGEN

CHIEF EXECUTIVE OFFICER



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29 July 2019

Mackenzie District Council
PO Box 52
Fairlie 7949

SHAREHOLDER DIVIDEND STATEMENT

DATA OF DIVIDEND DECLARATION	25 JULY 2019
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DATE OF DIVIDEND PAYMENT	31 JULY 2019
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GROSS DIVIDEND	\$273,316.00
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RESIDENT WITHHOLDING TAX	NIL
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IMPUTATION CREDITS	\$76,528.48
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DIVIDEND PAID	\$196,787.52
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