

QLDC Council
4 June 2020

Report for Agenda Item | Rīpoata moto e Rāraki take : 4

Department: Finance, Legal & Regulatory

Title | Taitara AMENDMENT TO FOUNDATION DOCUMENTS FOR THE LOCAL GOVERNMENT FUNDING AGENCY

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

The purpose of this report is to ensure Council's future participation with the Local Government Funding Agency (LGFA) by agreeing and executing the amendments to the LGFA's foundation document.

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council:

1. **Note** the contents of this report;
2. **Endorse** the amendments to the New Zealand Local Government Funding Agency foundation documents; and
3. **Authorise** the Chief Executive and two elected members [to be named] to execute the documents which will allow Council to continue to participate with the New Zealand Local Government Funding Agency:
 - a. Amendment and Restatement Deed (notes subscription Agreement)
 - b. Amendment and Restatement Deed (Multi-issuer Deed)
 - c. Amendment and Restatement Deed (Guarantee and Indemnity)

Prepared by:



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GM Finance Legal & Regulatory

20/05/2020

Reviewed and Authorised by:



Mike Theelen
Chief Executive

20/05/2020

CONTEXT | HOROPAKI

- 1 The New Zealand Local Government Funding Agency (LGFA) is a Council-Controlled Organisation (CCO) operating under the Local Government Act 2002. LGFA specialises in financing Local Government by providing more efficient funding costs and diversified funding sources for local authorities.
- 2 The LGFA was established in 2011 to raise debt on behalf of local authorities on terms that are more favourable to them than if they raised the debt directly. It achieves this predominately through its capital structure that includes Borrower Notes (debt securities that can be converted to equity under specific circumstances) and investors in the LGFA are supported by a joint and several guarantee from participating local authorities.
- 3 Queenstown Lakes District Council (QLDC) joined the LGFA as a borrower and a joint guarantor in 2013, but is not a shareholder of the LGFA. QLDC currently has borrowings of \$115m and borrower notes of \$1.52m with the LGFA.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

- 4 Over the last year, the LGFA has been investigating a framework that would enable direct lending to CCOs and reviewed its capital structure. At its AGM on 21 November 2019, the shareholders agreed to amend the LGFA's foundation and shareholder agreements to facilitate the following:
 - a. Improving the LGFA's capital structure by increasing future Borrower Notes from 1.6% to 2.5%. This means all parties borrowing will leave 2.5% of the amount borrowed with the LGFA as Borrower Notes i.e. for every \$100 borrowed, QLDC would receive \$97.50 and invest with the LGFA \$2.50 for the duration of the lending. This amendment will have no material change to QLDC but will enhance the LGFA's capital structure which in turn will enhance its services to Council through its borrowing programme.
 - b. Allow the LGFA to lend direct to CCO's without the need for Council to be "the middle man". This change will provide a more efficient process for both Council and CCO's.
- 5 To facilitate the change, a number of complex documents have had to be amended and need to be signed by two elected members. The following documents have been prepared by Russell McVeagh on behalf of the LGFA and have been reviewed by Simpson Grierson. The LGFA has requested they be signed to allow the LGFA to improve its capital structure and lend direct to CCO's:
 - a. Amendment and Restatement Deed (notes subscription Agreement)
 - b. Amendment and Restatement Deed (Multi-issuer Deed)
 - c. Amendment and Restatement Deed (Guarantee and Indemnity)
- 6 QLDC has already agreed to and executed the original deeds. It is important to note that the changes are not designed to increase the LGFA's or Council's borrowing, but instead to provide flexibility. The LGFA is not able to lend to a CCO unless it is 100% owned by Council and has Council permission to do so..

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

- 7 The decision or matters of this report are not considered significant in accordance with Council’s Significance and Engagement Policy, as such no consultation is deemed to be necessary. Consultation was undertaken when Council first proposed to join the LGFA in 2012.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

- 8 This matter relates to the Strategic/Political/Reputation risk category. It is associated with RISK00040 within the QLDC Risk Register. This risk has been assessed as having a low inherent risk rating.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

- 9 There are no financial implications in relation to Council agreeing and executing the amendments to the LGFA’s foundation document.

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

- 10 The recommended option:
 - Will help 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.
 - Can be implemented through current funding under the Ten Year Plan
 - Is consistent with the Council's plans and policies; and
 - Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

ATTACHMENTS | NGĀ TĀPIRIHANGA

A	Amendment and Restatement Deed (notes subscription Agreement)
B	Amendment and Restatement Deed (Multi-issuer Deed)
C	Amendment and Restatement Deed (Guarantee and Indemnity)