# RAS

LOCAL GOVERNMENT

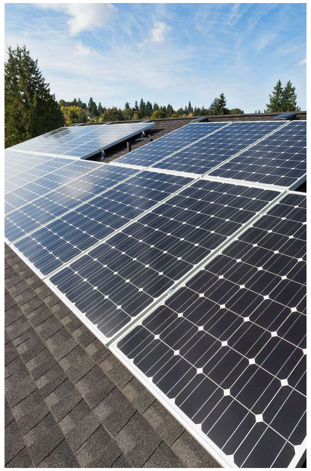
Ratepayer Assistance Scheme

# RATEPAYER ASSISTANCE SCHEME

THE OPPORTUNITY FOR LOCAL GOVERNMENT

DUNEDIN CITY COUNCIL

MAY 2026



# Introduction

## Development of RAS has been underway for over six years

- LGNZ, LGFA and Cameron Partners have led the process over this time
- Scott Necklen, Interim Chief Executive LGNZ
- Mark Butcher, Chief Executive LGFA
- Hugo Ellis, Partner Cameron Partners
- The process is now at a critical juncture requiring the sector to decide whether it supports RAS establishment
- Thank you for the opportunity to present RAS to you

# 1. New Zealand Local Government Funding Agency

## RAS is modelled on the LGFA which provides a strong precedent and insights

- LGFA was established in 2011 with a view to improving the efficiency of local government financing through:
  - Scale achieved from aggregation
  - Centralisation and specialisation of capabilities
  - A "rating arbitrage"

- LGFA is estimated to have saved the sector $100s of millions (and potentially up to $1 billion) in reduced financing margins

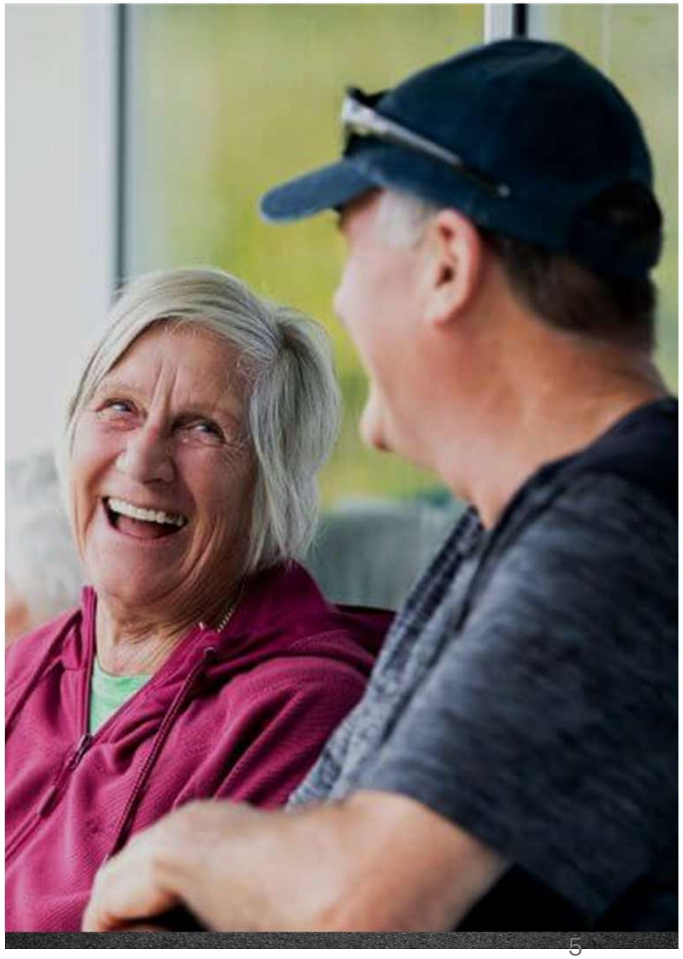
- In addition it has provided its shareholders with an average 5.6% cash dividend return, and the book value of equity has quadrupled

- The RAS structure and development process is modelled on the LGFA:
  - Utilises the strength of a LA rates charge to provide security
  - Achieves scale across the sector, centralises costs and accesses specialist capabilities
  - Structured to obtain very low cost financing and pass this on to ratepayers
  - Designed by, and majority owned by LAs
  - Development process with stage gates to minimise costs and support informed decision making

# 2. The RAS Opportunity

RAS has been developed to address a range of economic and social issues

- NZ is experiencing a cost-of-living crisis, an ageing population and must invest  to meet infrastructure, H&S and environmental requirements
- Local government is responding but it needs additional tools to ensure its policies can be financed, administered efficiently and are effective
- The RAS:
  - Addresses ratepayer affordability
  - Provides ratepayers with flexibility to decide when to pay LA charges
  - Provides very competitive finance terms
- Multiple applications are possible:
  1. **Deferred Development Contributions / Development Levies**
  2. **IMPACT Loans**
  3. **Rates Postponement (RP)**



# 2. The RAS Opportunity cont.

## Government is supportive and has recommended further development

- While the RAS is similar to the LGFA it lends to ratepayers whereas the LGFA lends to LAs

- The RAS would be a new entity owned by LAs, providing a national shared service available to all LAs – it would:
  - Undertake administration of ratepayer loans
  - Be off-balance sheet for LAs

- The Minister for Local Government is supportive and officials have been engaged in the development process and undertaking policy work

- A final stop / go decision as early as possible in 2026 is being targeted

- The sector needs to confirm its support and funding for final development and establishment

# 3. Deferred DCs / DLs

Deferred DCs / DLs would spread the cost over say, 30 years, supporting development

- DC costs are significant, 2026 annual plans indicate ~$700 million nationally (excluding ~$200 million Watercare IGCs)
- The DLS is expected to enable LAs to raise more revenue to fund growth
- BUT the DLS, supply chain issues and inflation pressures means developers will need to pay more → affordability concerns and risk to developments
- The RAS would be able to effectively convert upfront DCs / DLs into series of annual payments over say 30 years (paying the upfront DC / DL to the LA and charging the property owner principal and interest annually to get repaid)
- Developers would have the option to pay in full or defer
- Future owners would expect to pay less for properties with deferred DCs / DLs to reflect the RAS levies that would be charged in future
- The present value of the future deferred DC levies can be repaid at any time

# 4. IMPACT loans

The RAS can finance and administer loans to ratepayers for property improvements

- Current legislation enables LAs to provide financing to ratepayers that can be repaid via a voluntary targeted rate

- IMPACT loans support ratepayers to invest in their properties to achieve desirable private and public benefits

- Potential examples, include home insulation, heat pumps, double glazing, solar panels, home batteries, water tanks, septic tanks, stock exclusion fencing, sea walls

- Current IMPACT loans usage across most LAs is low:
  - IMPACT loans must be financed out of LAs' existing financing capacity
  - LAs have encountered operational and regulatory challenges

- RAS :
  - Can undertake all administration of loans
  - Would be 'off-balance sheet' for LAs
  - Provide competitive financing options (~2% below equivalent floating mortgage rates)

# 5. Rates Postponement

## RP allows qualifying ratepayers to defer rates and pay on sale of their property

- RP  provides flexibility to ratepayers (like a reverse equity mortgage) to decide to pay LA charges at some time in the future, partially mitigating:
  - Affordability issues
  - Demographic changes
  - General cost of living challenges

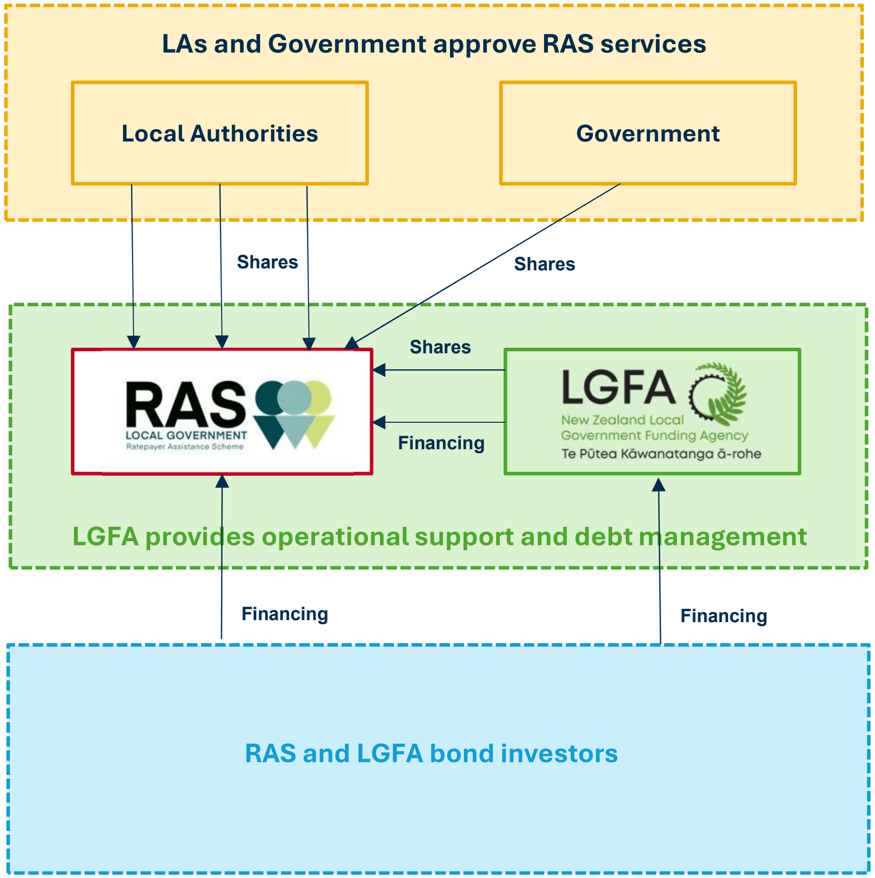
- In principle all LA charges could be deferred in the same way – in principle water charges can be included and are part of the RAS proposal

- RAS RP is an opportunity for a standardised, highly efficient national RP scheme at very competitive financing rates (~2% below equivalent floating mortgage rates; ~4% to 5% below reverse mortgage rates)

- British Columbia, Canada (population ~5 million) has a property tax regime similar to New Zealand's rating system and a well-established property tax deferment scheme, providing strong insights – in 2024:
  - 83,000+ users
  - ~C$2.7 billion in loans (4x growth from ~C$670 million in 2016)
  - ~3.9% of British Columbia households

# 6. What it is and how it works

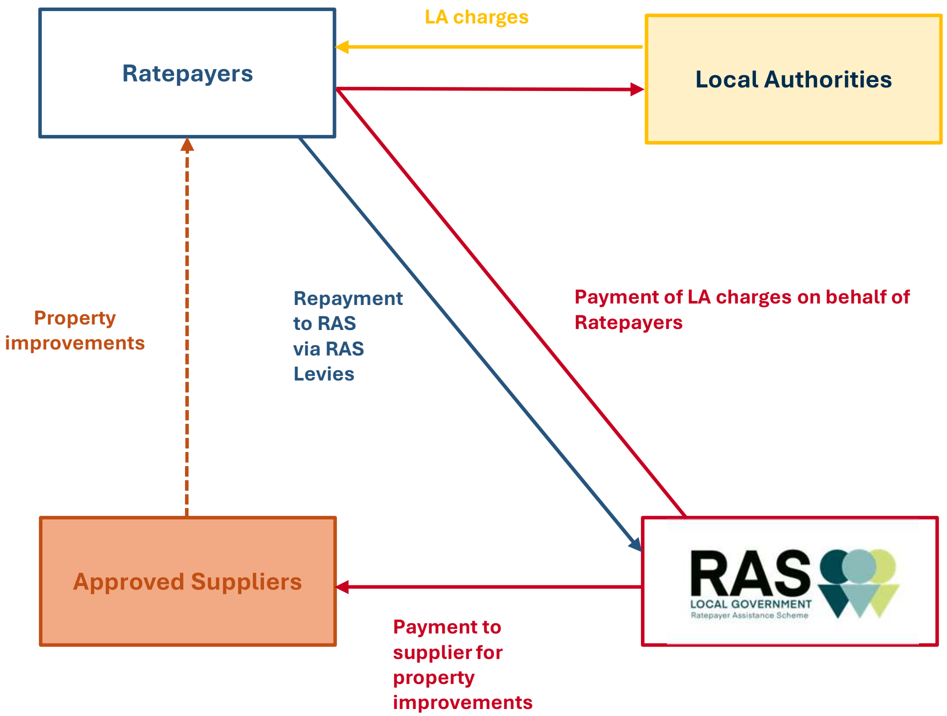
Structurally the RAS has many similarities to the LGFA – it would be owned by LAs, LGFA and government, providing services to LAs and their ratepayers




- The RAS would be a new entity (a CCO)
- It would have no discretion – all its services would be approved by LAs and central government
- All LAs would be able to use the services of the RAS, subject to meeting RAS's membership requirements – e.g.
  - Origination (e.g. web page link, promotion)
  - IT interface (e.g. data sharing)
  - Security requirements (e.g. J&S guarantee)
- LGFA has a critical role with RAS:
  - Assisting with development
  - At all levels of the capital structure:
    - Equity
    - Preference shares
    - Debt
  - Treasury management services and debt issuance activities once RAS is ready to issue debt in its own name

# 7. What it is and how it works

The RAS effectively does what LAs can and already do, but does it more efficiently and effectively, taking on the administrative burden and risk while being off-balance sheet




- The RAS would have the power to impose a levy charge equivalent to a rate and obtain a very high credit rating
- LAs would opt-in and ratepayers would also opt-in
- The interface between LAs, RAS and ratepayers would be as seamless as possible – eg with RP or deferred DCs/DLs:
  - Ratepayers would "apply" through the LA's website
  - The application would go directly to RAS for processing
  - Once approved, payment of the rate charge or DC / DL would be made to the LA by the RAS
  - The RAS would levy the ratepayer directly to obtain repayment
- In the case of IMPACT loans the process would be the same except that RAS would make payment to the approved supplier of the property improvement

# 8. Who is involved ?

Multiple stakeholders are involved in finalizing and assessing the 2025 Business Case

**RAS Steering Group**

- Local Government New Zealand
- Funding Councils for final business case development (Auckland, Hamilton City, Hutt City, New Plymouth District, Palmerston North City, Queenstown Lakes District, Tauranga City, Wellington City) [1]
- New Zealand Local Government Funding Agency
- Rewiring Aotearoa
- Energy Efficiency Conservation Authority (EECA)[2]

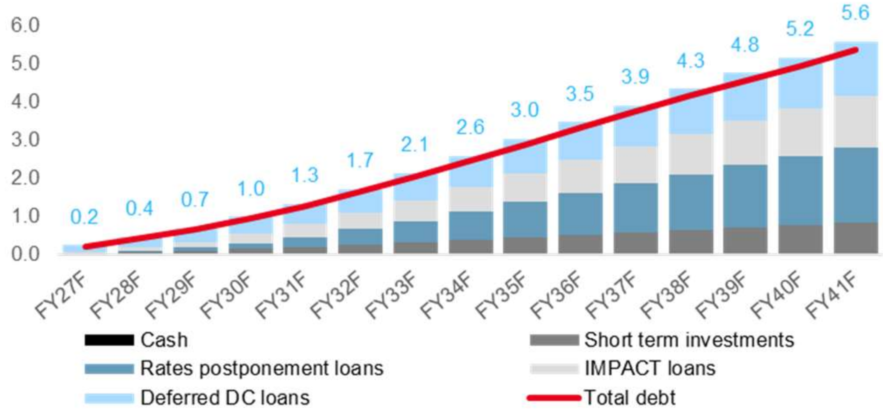
- Strategic Advisory Group – Hon Nick Smith, Cameron Bagrie and Stuart Henderson
- Department of Internal Affairs, Treasury, MHUD, MBIE
- Ministerial Offices
- Advisers (Cameron Partners – lead financial, Fr@nk – IT Advisor, PWC – Accounting & Tax, PwC – IT, Simpson Grierson – Legal)

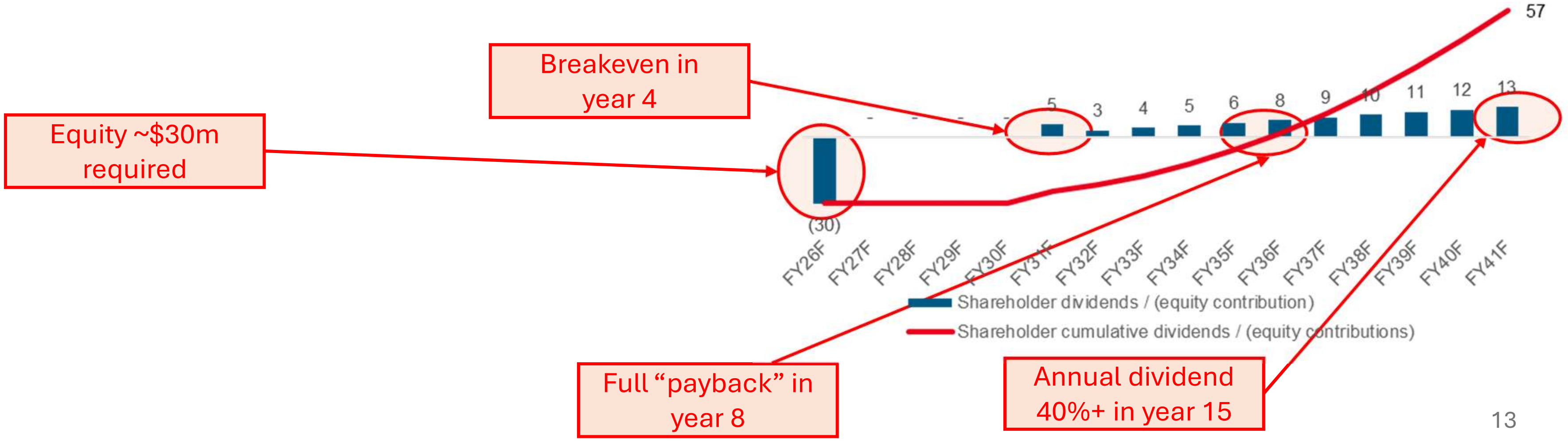
[1] Christchurch City Council has previously contributed financially to earlier stages of the RAS development
[2] EECA has provided financial support by way of a grant to RAS that is repayable when certain conditions are met

# 9. RAS 2025 financial Base Case

Strong surpluses may be available to reduce financing rates to ratepayers and provide returns to shareholders

- The 2025 Base Case is considered conservative – it assumes:
  - 60% of LAs as members on day 1
  - Deferred DC / DLs uptake of 35% (with 50% repaid in year 1)
  - RP uptake of 2.8% achieved by FY41
  - IMPACT loans relating to solar panels, home batteries and home heat pumps and water heat pumps based on RA and EECA analysis
  - Net interest margin 1% initially reducing once bonds issued
  - Surplus cashflow is available to distribute to shareholders



# 10. Council support required

Local government needs to indicate whether it is willing and able to support RAS

- The minister requires an indication of councils' support to:
  - Make RAS products available to their ratepayers and therefore their intentions to join RAS as members
  - Ultimately, their willingness and ability to provide the equity capital required
- ~$3 million in "at risk" funding has been provided by 8 councils (plus EECA) until a "stop/go" decision
- Assuming a "go" decision…
  - ~$30 - $35 million in total equity is estimated:
    - Establishment costs
    - IT system
    - Meet operating deficits until breakeven is achieved
  - Development funding already provided will qualify as equity (included in est. equity requirement)
  - Councils can use RAS if they are not shareholders – it will be imperative that there is widespread council support as shareholders and members

# 11. Next Steps

## Obtain councils support to present to the minister

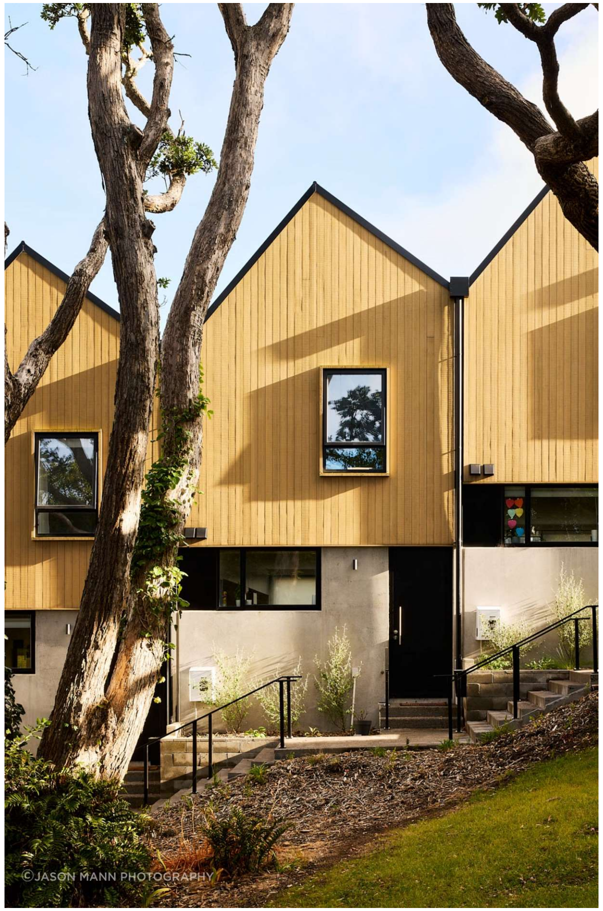
- A number of other "non-funding" councils have been approached
- To date, 100% of councils that have considered RAS at council meetings have approved support

## Assuming Cabinet approves the RAS "ask" to complete a stop / go decision

- LGFA will seek shareholder approval to become a shareholder and subscribe for RPS
- Councils will be approached to:
  - Join RAS as members and promoting the products to ratepayers
  - Participate as shareholders in RAS by subscribing for equity

## What information and resources are available for councils?

- LGNZ website has an information page /resource centre dedicated to RAS
- LGNZ, LGFA and Cameron Partners are available to answer questions and present to councils



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