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Tabled by: Tim Mulheir MP  
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# Brisbane City Council Local Government Credit Review 2012

PREPARED BY QUEENSLAND TREASURY CORPORATION  
SEPTEMBER 2012



QUEENSLAND  
TREASURY  
CORPORATION

# Credit review summary

## Brisbane City Council

Date of review	September 2012		
QTC ratings	2012 rating:	Strong rating	Neutral outlook
	2011 rating:	Strong rating	Developing outlook
	2010 rating:	Strong rating	Negative outlook

## Rating rationale

Brisbane City Council (BCC or Council) has a strong balance sheet and derives stable rates and utility revenue from its large and diverse pool of rateable properties, including residential, commercial and industrial properties. It also has capacity to increase rates and utility revenue, if necessary, to balance its operating budget, meet debt service requirements or expand services.

During FY2012, BCC made progress on key issues that had influenced the assignment of a 'Developing' outlook in the 2011 Credit Review:

- Implementation of 'transformation' projects: BCC progressed its process redesign and restructuring project, with the phase of work redesign and organisational restructuring now largely completed. While some operating efficiencies have already been achieved the major benefits will be realised after FY2015 when new processes and systems have been fully implemented.
- Reduction in operating deficit (excluding capital items but including voluntary redundancy expenses): the FY2012<sup>1</sup> operating deficit was reduced to \$20 million or 1.2 per cent of recurrent revenue (FY2011 4.0 per cent), after averaging 6.5 per cent deficit in the period FY2008 to FY2011.
- Prioritised repair of flood damage: BCC has reprioritised operating and capital expenditure to ensure flood-damaged infrastructure is being promptly repaired. The net cost to BCC of the floods after receipt of reimbursement from the National Disaster Relief and Recovery Arrangements (NDRRA) funding program and insurance has been and is expected to be within Council's financial capacity. The NDRRA has been an integral component in limiting the financial impact of the floods on Council's financial profile.

BCC's forecast financial profile is also influenced by:

- Increasing debt levels: BCC's \$2,026 million capital expenditure program from FY2013 to FY2014 is forecast to result in gross debt peaking at \$2,415 million in FY2014, with a net debt to recurrent revenue ratio of 116 per cent (FY2012 73 per cent).

<sup>1</sup> The Brisbane City Council Annual Financial Statements 30 June 2012 is the primary source of data for FY2012. Council's 2012 Financial Sustainability Model and summary Legacy Way model are the primary sources of data for all other historical years and the forecast years.

- Legacy Way: Construction is progressing on this \$1,724 million toll road project under a fixed-price contract. More than 50 per cent of the interest rate risk on the project related borrowings has been hedged. BCC is expecting Legacy Way to generate operating deficits in each forecast year presented (FY2016 to FY2021), peaking at \$97 million in its first year of operation. These operating deficits could increase if traffic forecasts do not meet BCC's base case expectations as BCC is assuming full traffic risk.
- The financial benefits Council is expecting to realise from the \$194 million transformation project.

**BCC has been assigned a Strong rating, which is unchanged from FY2011, with the outlook changed from Developing to Neutral.**

BCC has retained its Strong rating. It has reduced its operating deficit in each of the past two years and has demonstrated its commitment to generating balanced operating results. The change in outlook reflects BCC's progress in the implementation of the transformation projects and tight control of the capital expenditure program with no new large projects forecast.

There could be downward pressure on Council's rating and/or outlook in the future if it is unable to significantly deliver on the operating efficiencies included in its forecasts and resultant balanced operating results.

Specific factors impacting BCC's credit rating are detailed below.

**1. BCC has the statutory power to regulate rates and rates revenue under the *City of Brisbane Act 2010*.**

BCC has its own power to levy rates and is generally only reliant on State and Australian Government contributions for major capital projects. This, coupled with its large and diverse ratepayer base, provides Council with revenue flexibility and capacity.

**2. Improving trend in operating results with a small FY2012 deficit of 1.2 per cent of recurrent revenue.**

BCC's FY2012 operating result (before capital contributions) was a deficit of 1.2 per cent of recurrent revenue (\$20 million), which was an improvement from the FY2011 deficit of 4.0 per cent (\$67 million) and the FY2008 deficit of 8.3 per cent as shown in the following table:

	Actual					Forecast				
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating result (\$M)	(129)	(114)	(131)	(67)	(20)	55	67	63	0	84
Operating result/Total recurrent revenue (%)	(8.3)	(6.7)	(7.2)	(4.0)	(1.2)	3.0	3.5	3.4	0.0	4.1

While BCC is yet to report a positive operating result, the significant improvement stems from tightening controls over operating expenses and focus on improving its operating

position. It is essential BCC maintains this focus on generating balanced operating results. In each of the years FY2017 to FY2021 operating surpluses are forecast, averaging 5.3 per cent of recurrent revenue.

**3. Regular rates increases used to fund operating activities, increases in services and contribute to expansion of infrastructure.**

BCC has historically implemented regular increases to rates and utility charges including increases above the Consumer Price Index (CPI), and has expanded its rates base to fund operating activities and contribute to the funding for the expansion of services/ infrastructure. While Council recognises the need to ensure rate increases reflect current operating conditions, the FY2012 increase for owner-occupied residential properties of 1.8 per cent was below CPI (Council's assumption for CPI is 2.5 per cent). The FY2013 budgeted increase is 2.5 per cent plus 1.9 per cent carbon tax cost recovery. The forecast revenue for FY2014 and FY2015 is based on rate increases above forecast CPI and growth in rateable properties.

Council's history of moderate increases improves its capacity to consider above CPI rate increases as part of its future ratings strategy.

**4. Unlike State and Commonwealth governments, BCC's revenues are not volatile and are not as highly correlated to economic conditions.**

**5. BCC's FY2012 balance sheet is strong, with increasing but still moderate net debt of \$1,277 million (FY2011 \$886 million) and high community equity of \$18,741 million (FY2011 \$19,335 million).**

The increase in net debt during FY2012 relates primarily to the Legacy Way project while the decrease in community equity includes \$630 million reduction in the asset revaluation reserve. The main components of the decrease were flood affected land and the write-down of CLEM7.

**6. New infrastructure has been appropriately financed.**

The expansion of infrastructure is being undertaken in a planned and coordinated manner. It has been generally financed in an appropriate and prudent manner ensuring the cost is borne by both users and ratepayers throughout the life of the assets, thereby ensuring the cost of long-term infrastructure is met equitably across generations.

BCC has demonstrated its flexibility in the timing of delivery of some of its capital expenditure program by reprioritising many projects since the flood. However, Legacy Way expenditure cannot be deferred now that construction has begun.

**7. Experienced senior management team.**

BCC has an experienced senior management team in place and advised that the recent loss of three senior executives to the State Government has been successfully managed, demonstrating their depth of management.

**8. Demonstrated capability to deliver core services and manage major infrastructure projects.**

*The most significant factors contributing adversely to the Strong rating are:*

**1. Forecast operating surpluses remain reliant on efficiency gains and cost reductions from restructuring, process improvement and continued tight cost control.**

Operating deficits have averaged 6.5 per cent of recurrent revenue in the period FY2008 to FY2011. However, BCC is focusing on achieving balanced operating results from FY2013 through implementing rates increases, tight expense control and successful execution of the transformation projects. The transition to operating surplus in FY2013 could be at risk if the forecast savings to employee expenses do not occur or there is a lower than forecast level of capitalisation of expenses.

2. **Delivery risk on both BCC's process re-engineering projects and large infrastructure program**
3. **Large capital expenditure program is materially increasing debt levels and the future debt service payments.**

BCC is forecasting payments for capital expenditure of \$2,026 million in the period FY2013 to FY2014. This will result in an increase in BCC's gross debt levels from \$1,657 million in FY2012 to \$2,415 million<sup>2</sup> in FY2014 with the net debt to recurrent revenue ratio reaching 116 per cent in FY2014. In FY2015, BCC will receive the Australian Government's \$400 million contribution for Legacy Way, which will be used to repay debt, with the net debt to recurrent revenue ratio then decreasing to 110 per cent.

	Actual					Forecast				
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net debt/total recurrent revenue (%)	40.4	3.0	41.3	52.5	73.3	108.3	116.2	109.7	108.9	103.8

Legacy Way debt repayment commences in FY2016. In the period FY2016 to FY2021, BCC's total principal and interest payments are forecast to average \$212 million per annum, with net debt forecast to slowly decrease.

4. **Financial impact of Council's commitment to the Legacy Way project.**

Council advised construction of the Legacy Way project is progressing satisfactorily with an expected completion date of 2016. When compared to the FY2011 Credit Review assumptions, the first toll revenue is now forecast in FY2016 rather than FY2015. However, from an overall Council financial perspective, it still results in increased debt and debt service requirements and is forecast to generate recurring net operating losses that must be funded from other BCC resources. The forecast project operating deficits may impact BCC's future financial flexibility.

Legacy Way generates an operating deficit of \$97 million in its first year of operation (FY2016), reducing to a deficit of \$52 million by FY2017. While, on BCC's base case traffic assumptions, Legacy Way generates recurring operating deficits, they represent a low percentage of BCC's forecast total recurrent revenue (4.9 per cent in FY2016 and 2.5 per cent in FY2017).

<sup>2</sup> All figures are expressed in nominal dollars

## Neutral outlook

BCC's rating outlook is changed from Developing to **Neutral** and reflects:

- BCC's transformation projects are advancing. These projects are being implemented over several years with a focus on minimising the implementation risk.
- Reducing operating deficits in both dollar amount and as a percentage of recurrent revenue and returning to an operating surplus in FY2013.
- Tight control of the capital expenditure program with no new large projects forecast.

## Other issues

- Based on current forecasts, Council will be close to the maximum net financial liabilities to recurrent revenue ratio (as contained in the Master Facility Terms Agreement with QTC) in FY2015 and FY2016, which could require Council to take further steps to either increase recurrent revenue, decrease costs or reprioritise its capital program.
- By developing and owning arterial toll roads, BCC may be exposing itself to increased risk. While BCC has a very strong incentive to deal with traffic congestion issues, it is exposed to construction risk and, ultimately, traffic volume risk in an industry that has proven difficult for toll road owners to generate adequate operating cash flows. At the same time, it reduces Council's flexibility to manage and fund other capital works.

BCC has reviewed the draft 2012 Credit Review and confirmed its factual accuracy.

## Lending Terms and Conditions

Under the terms of the Master Facility Terms Agreement with QTC, BCC must comply with the following financial ratio covenants:

	\$M	Financial Ratio Covenant	FY2012
1	Net financial liabilities to recurrent revenue (%)	Less than 110% in each financial year, except for less than 130% in FY2014	73.3%
2(a)	Operating surplus (deficit) (%)	Not less than (5%) in any one year	(1.2%)
2(b)	Operating surplus (deficit) (%) (average)	Not less than an average of (2%) in the current year and four following financial years	1.7%
3	EBITDA Net Interest Coverage (times)	Greater than 3.5 times, except for greater than 3.0 times in FY2014	5.7 times
4	Net Interest Coverage (%)	Not greater than 10% in each financial year	3.2%

BCC complies with the financial ratio covenants under the Master Facility Terms Agreement.



## Recommendation

BCC's current information and FY2013 SBP request are as follows:

### Debt and related facilities

<i>Type of facility</i>	<i>Limit</i>	<i>Current balance</i>	<i>Comments</i>
General Facility	N/A	\$492.584M	Book value as at 31 Aug 2012
Clem7	N/A	\$443.592M	Book value as at 31 Aug 2012
Go Between Bridge	N/A	\$262.293M	Book value as at 31 Aug 2012
Legacy Way	N/A	\$459.331M	Book value as at 31 Aug 2012
Willawong Bus Depot Lease	N/A	\$46.087M	Book value as at 31 Aug 2012
Working Capital Account	\$200 M	Nil	Balance as at 31 Aug 2012
Debt Redraw Account	N/A	\$285M	Amount BCC can draw down at 31 Aug 2012
FY2013 State Borrowing Program (SBP) application		\$481.237 M plus estimated capitalised interest for Legacy Way borrowings of \$35.050 M for a total borrowing request of \$516.287 M	

### Forecast debt, equity, capital expenditure—FY2013–FY2017

Forecast capital expenditure	\$4,132 M
Forecast equity injections	\$ Nil
Forecast borrowing program	\$1,259 M

### Debt servicing capacity

Can the Local Government service its current debt?	Yes
Can the Local Government service the recommended SBP increase in debt	Yes
Recommended SBP limit	\$516.287 M
Portion of SBP limit recommended to be escrowed subject to further review	\$Nil

## Comments on SBP application

SBFA Act approval has already been obtained for the Legacy Way borrowings.

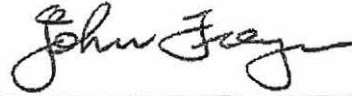
QTC recommends that BCC's FY2013 borrowing request of \$516.287 million (including capitalised interest) be approved.

# Approval

2012 Credit Review for Brisbane City Council



Acting Chief Executive



Executive General Manager, Business  
Services



## Appendix A: Financial statements—Historical and Forecast

Note that the forecasts are derived by BCC using the Anticipated Actuals for FY2012 as the base for projection. The Anticipated Actual results are not presented in Appendix A.

### Brisbane City Council Financial Statements and Key Financial Ratios

#### Income Statement

(\$000s)	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Budget 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020	Forecast 2021
Rates and utility charges (net)	1,011,991	1,131,538	1,209,633	754,161	769,249	816,343	860,769	907,324	959,231	998,429	1,036,704	1,078,417	1,121,717	1,166,628
Fees and charges	133,490	139,895	156,019	158,207	213,760	199,474	201,216	209,705	250,208	277,799	297,014	310,098	323,540	337,580
Public transport	154,538	182,136	209,713	237,206	277,466	302,798	331,518	345,506	360,633	376,363	392,780	409,913	427,793	446,453
Other revenues	187,499	172,314	173,513	274,437	195,182	175,322	189,129	195,887	185,776	193,893	201,872	209,933	218,316	227,034
Interest	14,071	18,435	18,491	103,114	100,119	97,960	99,701	101,921	101,378	100,041	100,047	100,660	101,281	101,496
Dividends	0	0	0	0	62,904	71,485	55,985	45,651	40,034	48,255	50,186	52,194	54,281	56,453
Donations, contributions, subsidies and grants	47,272	65,985	56,859	162,206	122,507	179,256	159,812	67,252	68,894	60,335	61,843	63,389	64,574	66,598
<b>Total recurrent revenue</b>	<b>1,548,861</b>	<b>1,710,303</b>	<b>1,822,228</b>	<b>1,689,331</b>	<b>1,742,187</b>	<b>1,842,664</b>	<b>1,898,229</b>	<b>1,874,245</b>	<b>1,966,154</b>	<b>2,053,117</b>	<b>2,140,447</b>	<b>2,224,604</b>	<b>2,311,903</b>	<b>2,402,242</b>
Employee benefits	661,871	728,927	696,185	709,224	723,101	711,977	696,332	710,343	734,560	779,304	795,044	827,350	878,561	897,100
Material and services	528,469	679,333	806,515	653,359	622,381	611,605	635,125	582,238	676,341	574,042	592,933	615,049	640,186	663,381
Finance costs	55,612	9,069	33,278	61,505	71,248	117,834	137,928	150,202	148,915	145,684	145,381	145,017	144,651	144,281
Depreciation	340,250	335,393	362,723	278,505	277,963	296,258	312,548	317,276	353,534	416,459	432,040	452,005	473,648	490,426
Other expenses	91,223	71,478	54,450	53,490	67,947	49,826	49,751	51,043	52,638	53,954	55,303	56,686	58,103	59,555
<b>Total recurrent expenses</b>	<b>1,677,425</b>	<b>1,824,200</b>	<b>1,953,151</b>	<b>1,756,083</b>	<b>1,762,638</b>	<b>1,787,499</b>	<b>1,831,684</b>	<b>1,811,102</b>	<b>1,965,989</b>	<b>1,963,483</b>	<b>2,020,701</b>	<b>2,096,118</b>	<b>2,195,149</b>	<b>2,254,742</b>
<b>Operating result (excluding capital revenues/expenditure)</b>	<b>(128,564)</b>	<b>(113,897)</b>	<b>(130,923)</b>	<b>(66,752)</b>	<b>(20,451)</b>	<b>55,165</b>	<b>66,545</b>	<b>63,144</b>	<b>165</b>	<b>83,634</b>	<b>119,745</b>	<b>128,486</b>	<b>116,754</b>	<b>147,500</b>
Profit/(loss) on disposal of non-current assets	57,211	18,489	(25,582)	(422,884)	(16,300)	(23,404)	(22,634)	(21,324)	(23,014)	(32,954)	(33,778)	(34,622)	(35,488)	(36,375)
Capital donations	76,718	66,150	80,796	55,865	30,768	39,188	49,600	29,500	29,500	30,238	30,993	31,768	32,562	33,377
Capital contributions	125,161	97,584	210,554	106,734	85,431	82,265	89,253	96,511	99,400	76,260	78,167	80,121	82,124	84,177
Capital grants and subsidies	44,662	28,837	45,807	85,956	69,392	32,267	28,652	458,029	17,452	22,380	22,940	23,514	24,101	24,704
ICP Discount	4,631	13,016	44,467	44,014	40,405	0	0	0	0	0	0	0	0	0
Other Comprehensive Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net result</b>	<b>179,557</b>	<b>84,147</b>	<b>136,185</b>	<b>(285,095)</b>	<b>109,435</b>	<b>185,461</b>	<b>211,416</b>	<b>625,860</b>	<b>123,503</b>	<b>179,558</b>	<b>218,068</b>	<b>229,266</b>	<b>220,054</b>	<b>253,382</b>

#### Key Statistics and Ratios

Growth in Rates and utility charges (%)	6.6%	11.8%	6.9%	-37.7%	2.0%	6.1%	5.4%	5.4%	5.7%	3.9%	4.0%	4.0%	4.0%	4.0%
Growth in total recurrent revenue (Excl capital items) (%)	8.8%	10.4%	6.6%	-7.3%	3.1%	5.8%	3.0%	-1.3%	4.9%	4.4%	4.3%	3.9%	3.9%	3.9%
Growth in employee benefits (%)	12.2%	10.1%	-4.5%	1.9%	2.0%	-1.5%	-2.2%	2.0%	3.4%	6.1%	2.0%	4.1%	6.2%	2.1%
Growth in materials and services (%)	18.6%	28.5%	18.7%	-19.0%	-4.7%	-1.7%	3.8%	-8.3%	16.2%	-15.1%	3.3%	3.7%	4.1%	3.6%
Growth in total recurrent expense (Excl capital items) (%)	13.1%	8.8%	7.1%	-10.1%	0.4%	1.4%	2.5%	-1.1%	8.6%	0.2%	2.6%	3.7%	4.7%	2.7%
Operating result/Total recurrent revenue (%)	-8.3%	-6.7%	-7.2%	-4.0%	-1.2%	3.0%	3.5%	3.4%	0.0%	4.1%	5.6%	5.8%	5.1%	6.1%
EBIT Interest Cover (times)	-1.3	-11.6	-2.9	-0.1	0.7	1.5	1.5	1.4	1.0	1.6	1.8	1.9	1.8	2.0
EBITDA Interest Cover (times)	4.8	25.4	8.0	4.4	4.6	4.0	3.7	3.5	3.4	4.4	4.8	5.0	5.1	5.4
Rates and Utilities as a percentage of recurrent revenue (%)	65.3%	66.2%	66.4%	44.6%	44.2%	44.3%	45.3%	48.4%	48.8%	48.5%	48.4%	48.5%	48.5%	48.6%
Rates and Utilities as a percentage of recurrent expenditure (%)	60.3%	62.0%	61.9%	42.9%	43.6%	45.7%	47.0%	50.1%	48.8%	50.6%	51.3%	51.4%	51.1%	51.7%
Rates and Utilities as a percentage of total revenue (%)	53.7%	58.9%	56.0%	37.8%	39.9%	40.9%	41.7%	36.9%	45.4%	45.7%	45.6%	45.7%	45.8%	45.8%
Finance Costs and Repayment of Borrowings to Total recurrent revenue (%)	17.0%	38.7%	6.2%	5.0%	5.5%	8.4%	9.7%	32.3%	10.7%	10.1%	9.8%	9.5%	9.3%	9.1%

Brisbane City Council  
Financial Statements and Key Financial Ratios

Balance Sheet

(\$000s)	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Budget 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020	Forecast 2021
Cash assets and cash equivalents	82,417	337,385	391,362	299,481	380,367	160,039	210,023	261,958	268,030	277,466	274,767	278,167	291,582	294,120
Receivables	97,867	84,457	64,180	85,494	84,929	64,366	66,273	67,434	69,834	72,039	72,576	73,961	75,365	76,925
Inventories	16,930	17,545	17,658	14,268	14,212	14,108	14,588	13,330	15,407	12,788	13,222	13,736	14,326	14,865
Other current assets	78,566	89,359	145,492	70,270	71,839	72,027	69,390	71,123	65,120	66,748	68,417	70,127	71,880	73,677
<b>Total current assets</b>	<b>275,780</b>	<b>528,746</b>	<b>618,892</b>	<b>469,531</b>	<b>551,347</b>	<b>310,540</b>	<b>360,274</b>	<b>413,846</b>	<b>418,391</b>	<b>429,061</b>	<b>428,982</b>	<b>436,992</b>	<b>453,154</b>	<b>469,588</b>
Other Financial Assets	39,892	160,417	184,099	2,383,653	2,325,551	2,383,652	2,383,652	2,383,652	2,383,652	2,383,675	2,383,675	2,383,650	2,384,056	2,384,277
Non Depreciable Assets	4,375,741	4,440,773	4,676,880	4,679,956	4,074,498	4,569,104	4,626,401	4,683,698	4,740,995	4,798,292	4,855,589	4,912,888	4,970,183	5,027,480
Depreciable Assets	12,433,584	13,419,917	14,984,093	11,262,493	11,189,326	12,941,744	13,490,998	13,811,711	13,951,805	14,072,745	14,226,476	14,399,149	14,570,778	14,781,415
Capital Work in Progress	779,850	936,906	1,137,588	1,108,167	1,644,991	1,109,997	1,112,415	1,114,236	1,115,393	1,115,896	1,116,300	1,116,774	1,117,263	1,117,724
Intangible assets	26,132	19,848	15,577	14,830	11,459	25,342	122,775	217,482	233,886	233,599	235,685	230,107	216,427	197,118
Other Non-current assets	437,190	504,326	-	1,245,588	1,241,282	1,248,592	1,248,459	1,250,274	1,251,723	1,252,352	1,252,857	1,253,450	1,254,082	1,254,639
<b>Total non-current assets</b>	<b>18,092,389</b>	<b>19,482,187</b>	<b>20,888,037</b>	<b>20,694,687</b>	<b>20,487,107</b>	<b>22,276,431</b>	<b>22,984,699</b>	<b>23,461,063</b>	<b>23,677,454</b>	<b>23,866,559</b>	<b>24,070,769</b>	<b>24,296,420</b>	<b>24,512,990</b>	<b>24,782,862</b>
<b>Total assets</b>	<b>18,368,169</b>	<b>20,010,933</b>	<b>21,506,929</b>	<b>21,164,218</b>	<b>21,038,454</b>	<b>22,586,971</b>	<b>23,344,973</b>	<b>23,374,909</b>	<b>24,095,845</b>	<b>24,285,620</b>	<b>24,499,740</b>	<b>24,732,413</b>	<b>24,866,144</b>	<b>25,222,450</b>
Trade and other payables	340,029	918,169	507,625	484,323	455,012	492,671	499,293	501,007	497,821	495,486	489,148	490,703	493,600	492,734
Interest Bearing Liabilities	657,197	20,674	261,948	20,376	33,291	35,782	45,630	453,745	60,459	64,550	64,550	67,403	70,467	73,754
Other current liabilities	111,496	115,478	120,410	136,443	148,116	136,794	137,673	139,853	144,661	150,228	156,694	160,749	167,612	174,474
<b>Total current liabilities</b>	<b>1,108,722</b>	<b>1,054,321</b>	<b>889,983</b>	<b>647,142</b>	<b>637,419</b>	<b>665,247</b>	<b>682,595</b>	<b>1,094,605</b>	<b>702,941</b>	<b>709,364</b>	<b>710,392</b>	<b>718,854</b>	<b>731,679</b>	<b>740,962</b>
Clem Jones NSBT	433,272	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Bearing Liabilities	50,930	368,514	882,070	1,159,429	1,623,911	2,119,506	2,369,609	1,864,724	2,349,557	2,345,519	2,339,070	2,331,815	2,324,433	2,316,850
Other Non-current liabilities	28,058	45,159	31,171	22,965	36,082	25,850	304,985	301,937	308,199	314,010	315,307	317,300	325,315	326,330
<b>Total non-current liabilities</b>	<b>512,260</b>	<b>413,673</b>	<b>913,241</b>	<b>1,182,414</b>	<b>1,659,993</b>	<b>2,145,356</b>	<b>2,674,594</b>	<b>2,166,661</b>	<b>2,655,757</b>	<b>2,659,529</b>	<b>2,654,377</b>	<b>2,649,115</b>	<b>2,649,747</b>	<b>2,643,180</b>
<b>Total liabilities</b>	<b>1,620,982</b>	<b>1,467,994</b>	<b>1,803,224</b>	<b>1,829,556</b>	<b>2,297,412</b>	<b>2,810,603</b>	<b>3,357,189</b>	<b>3,261,266</b>	<b>3,358,698</b>	<b>3,368,893</b>	<b>3,364,770</b>	<b>3,367,969</b>	<b>3,381,426</b>	<b>3,384,142</b>
City capital and capital accounts	8,959,891	8,678,063	8,946,685	8,790,907	8,750,350	9,398,114	9,552,377	10,116,911	10,234,990	10,413,010	10,629,405	10,858,717	11,074,760	11,326,246
Asset revaluation surplus	7,532,806	9,245,592	10,369,147	10,185,199	9,555,335	10,189,185	10,196,372	10,203,157	10,208,472	10,210,775	10,212,624	10,214,785	10,217,016	10,219,120
Other reserves	162,020	331,240	484,095	355,583	421,624	188,509	238,474	292,942	292,942	292,942	292,942	292,942	292,942	292,942
Accumulated surplus / (deficit)	92,469	88,044	3,778	2,973	13,733	561	581	743	743	(0)	-	-	-	(0)
<b>Total community equity</b>	<b>16,747,187</b>	<b>18,542,939</b>	<b>19,803,705</b>	<b>19,334,662</b>	<b>18,741,042</b>	<b>19,776,368</b>	<b>19,987,784</b>	<b>20,613,643</b>	<b>20,737,147</b>	<b>20,916,727</b>	<b>21,134,971</b>	<b>21,364,443</b>	<b>21,684,718</b>	<b>21,838,308</b>

Key Statistics and Ratios

Cash expenses cover (excl depr) (mths)	0.7	2.7	3.0	2.4	3.1	1.3	1.7	2.1	2.0	2.1	2.1	2.0	2.0	2.0
Current ratio (times)	0.2	0.5	0.7	0.7	0.9	0.5	0.5	0.4	0.6	0.6	0.6	0.6	0.6	0.6
Asset Average Useful Life - Depreciable Assets (years)	36.5	40.0	41.3	40.4	40.3	43.7	43.2	43.5	39.5	33.8	32.9	31.9	30.8	30.1
Net debt/Total recurrent revenue (%)	40.4%	3.0%	41.3%	52.5%	73.3%	108.3%	116.2%	109.7%	108.9%	103.8%	99.5%	95.3%	91.0%	87.3%
Gross debt/Total recurrent revenue (%)	45.7%	22.8%	62.8%	70.2%	95.1%	117.0%	127.2%	123.7%	122.6%	117.3%	112.3%	107.8%	103.6%	99.5%
Payback period (years)	3.7	1.3	5.2	11.1	22.6	9.0	8.9	8.2	11.0	6.7	6.0	5.6	5.3	5.0
Total Interest Bearing Debt/Total Interest Bearing Debt + Community Equity (%)	4.1%	2.1%	5.5%	5.8%	8.1%	9.8%	10.8%	10.1%	10.4%	10.3%	10.2%	10.1%	10.0%	9.9%
Total Liabilities/Total Liabilities + Community Equity (%)	8.8%	7.3%	8.3%	8.6%	10.9%	12.4%	14.4%	13.7%	13.9%	13.6%	13.7%	13.6%	13.5%	13.4%
Change in community equity (%)	9.8%	10.7%	6.8%	-2.4%	-3.1%	5.5%	1.1%	3.1%	0.6%	0.9%	1.0%	1.1%	1.0%	1.2%
Total community equity/Total assets (%)	91.2%	92.7%	91.7%	91.4%	89.1%	87.6%	85.6%	86.3%	86.1%	86.1%	86.3%	86.4%	86.5%	86.6%

Brisbane City Council  
Financial Statements and Key Financial Ratios

Cash Flow

(\$000s)	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Budget 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020	Forecast 2021
<b>Cash flow from operating activities</b>														
Receipts from customers	1,318,187	1,513,614	1,625,571	1,251,440	1,334,937	1,330,940	1,389,829	1,459,559	1,566,223	1,647,756	1,725,456	1,796,451	1,871,034	1,948,523
Payments to suppliers and employees	(1,294,739)	(1,456,829)	(1,583,452)	(1,481,855)	(1,496,368)	(1,313,664)	(1,327,689)	(1,292,232)	(1,401,565)	(1,340,029)	(1,389,661)	(1,437,033)	(1,503,325)	(1,555,820)
Other Revenue	268,617	232,737	234,881	331,962	292,209	175,322	189,152	195,908	186,251	193,610	201,879	209,934	218,325	227,049
Donations and Contributions	5,404	5,923	258	24,087	4,448	4,340	4,440	4,568	4,706	4,824	4,944	5,068	5,195	5,324
Subsidies and Grants	41,792	60,044	56,576	137,853	118,059	174,916	155,372	62,684	64,188	55,511	56,899	58,321	59,779	61,274
Interest received	14,032	18,479	15,110	96,725	99,716	97,986	99,701	101,921	101,378	100,041	100,047	100,660	101,281	101,496
Other expenses	(94,885)	(61,209)	(93,943)	(99,320)	(108,250)	(49,826)	(49,751)	(51,043)	(52,638)	(53,954)	(55,303)	(56,686)	(58,103)	(59,555)
Interest paid	(53,547)	(4,758)	(21,422)	(57,238)	(71,546)	(82,784)	(89,519)	(97,625)	(148,915)	(145,684)	(145,381)	(145,017)	(144,651)	(144,281)
<b>Net Cash inflow (outflow) from operating activities</b>	<b>204,861</b>	<b>308,001</b>	<b>233,579</b>	<b>203,855</b>	<b>173,205</b>	<b>337,230</b>	<b>371,536</b>	<b>383,740</b>	<b>319,628</b>	<b>462,075</b>	<b>498,881</b>	<b>531,698</b>	<b>549,536</b>	<b>584,011</b>
<b>Cash flow from investing activities</b>														
Payments for property, plant and equipment	(518,088)	(664,145)	(1,305,189)	(834,915)	(848,737)	(1,259,992)	(766,451)	(845,617)	(627,959)	(631,827)	(683,356)	(715,612)	(729,096)	(780,216)
Proceeds from disposal of property, plant and equipment	280,295	921,802	113,754	107,568	98,262	76,968	59,468	61,968	65,968	34,159	35,013	35,889	36,786	37,706
Contributions	125,161	97,584	210,554	106,734	86,431	82,265	89,253	96,511	99,400	76,260	78,167	80,121	82,124	84,177
Subsidies and Grants	44,562	28,837	45,807	85,956	69,392	32,267	28,652	458,029	17,452	22,380	22,940	23,514	24,101	24,704
Other cashflows from investing	819	(119,001)	11,000	14,761	47,232	71,485	55,965	46,651	40,034	48,256	50,186	52,194	54,281	56,453
<b>Net Cash inflow (outflow) from investing activities</b>	<b>(67,152)</b>	<b>265,077</b>	<b>(924,074)</b>	<b>(519,896)</b>	<b>(547,400)</b>	<b>(397,007)</b>	<b>(533,094)</b>	<b>(182,458)</b>	<b>(405,105)</b>	<b>(450,772)</b>	<b>(497,050)</b>	<b>(523,696)</b>	<b>(531,804)</b>	<b>(577,177)</b>
<b>Cash flow from financing activities</b>														
Transfer to (from) QTC repay and redraw facility	(36,908)	111,284	(61,513)	16,129	0	0	0	0	0	0	0	0	0	0
Proceeds from borrowings	86,104	223,543	885,565	230,494	480,592	481,237	258,422	306,047	153,656	60,000	60,000	63,000	66,150	69,458
Repayment of borrowings	(207,369)	(652,872)	(79,509)	(22,384)	(25,429)	(36,683)	(46,880)	(455,394)	(62,108)	(61,847)	(64,550)	(67,403)	(70,467)	(73,754)
Other cash flow from financing	(60)	(65)	(71)	(77)	(83)	0	0	0	0	0	0	0	0	0
<b>Net cash inflow (outflow) from financing activities</b>	<b>(158,233)</b>	<b>(318,110)</b>	<b>744,472</b>	<b>224,182</b>	<b>455,080</b>	<b>444,554</b>	<b>211,542</b>	<b>(149,347)</b>	<b>91,548</b>	<b>(1,847)</b>	<b>(4,550)</b>	<b>(4,403)</b>	<b>(4,317)</b>	<b>(4,296)</b>
<b>Net increase/decrease in cash</b>	<b>(20,524)</b>	<b>254,968</b>	<b>53,977</b>	<b>(91,880)</b>	<b>80,885</b>	<b>(215,223)</b>	<b>49,984</b>	<b>51,935</b>	<b>6,072</b>	<b>9,456</b>	<b>(2,719)</b>	<b>3,400</b>	<b>13,415</b>	<b>2,538</b>
Cash at beginning of reporting period	102,940	82,417	337,385	391,362	299,482	375,262	160,038	210,022	261,958	268,029	277,485	274,766	278,166	291,581
<b>Cash at end of reporting period</b>	<b>82,417</b>	<b>337,385</b>	<b>391,362</b>	<b>299,482</b>	<b>380,367</b>	<b>160,038</b>	<b>210,022</b>	<b>261,958</b>	<b>268,029</b>	<b>277,485</b>	<b>274,766</b>	<b>278,166</b>	<b>291,581</b>	<b>294,119</b>

Key Statistics and Ratios

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Capital expenditure to depreciation expense ratio (times)	1.7	2.2	3.8	3.2	3.2	4.4	2.6	2.8	1.9	1.6	1.7	1.7	1.6	1.7
Net Operating Cash Flow to Capital Expenditure (%)	39.5%	46.4%	17.9%	24.4%	20.4%	26.8%	48.5%	45.4%	50.9%	73.1%	73.0%	74.3%	75.4%	74.9%
Net Cash flow from operations to interest coverage ratio (times)	3.7	34.0	7.0	3.3	2.4	2.9	2.7	2.6	2.1	3.2	3.4	3.7	3.8	4.0



## Appendix B: QTC's Local Government Credit Rating and Outlook Definitions

### Ratings

<b>Very Strong</b>	A local government with a very strong capacity to meet its financial commitments in the short, medium and long-term. It has a record of reporting operating surpluses and is highly likely to be able to manage major unforeseen financial shocks and any adverse changes in its business without revenue and/or expense adjustments. Its capacity to manage core business risks is very strong.
<b>Strong</b>	A local government with a strong capacity to meet its financial commitments in the short, medium and long-term. It generally has a record of operating surpluses and may occasionally report minor operating deficits. It is able to address its operating deficits, manage major unforeseen financial shocks and any adverse changes in its business, with minor revenue and/or expense adjustments. The expense adjustments are likely to result in only minor changes to the range of and/or quality of services offered. Its capacity to manage core business risks is strong.
<b>Sound</b>	A local government with an adequate capacity to meet its financial commitments in the short, medium and long-term. While it is likely that it may have a record of minor to moderate operating deficits, the local government is expected to regularly report operating surpluses. It is likely able to address its operating deficits, manage major unforeseen financial shocks and any adverse changes in its business, with minor or moderate revenue and/or expense adjustments. The expense adjustments are likely to result in some changes to the range of and/or quality of services offered. Its capacity to manage core business risks is sound.
<b>Moderate</b>	A local government with an adequate capacity to meet its financial commitments in the short to medium-term and an acceptable capacity in the long-term. While it has some record of reporting minor to moderate operating deficits, the local government may also have recently reported a significant operating deficit. It is likely able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business, with moderate revenue and/or expense adjustments. The expense adjustments are likely to result in a number of changes to the range of and/or quality of services offered. Its capacity to manage core business risks is moderate.
<b>Weak</b>	A local government with an acceptable capacity to meet its financial commitments in the short to medium-term and a limited capacity in the long-term. It has a record of reporting moderate to significant operating deficits with a recent operating deficit being significant. It is unlikely to be able to address its operating deficits, manage unforeseen financial shocks, and any adverse changes in its business, without the need for significant revenue and/or expense adjustments. The expense adjustments would result in significant changes to the range of and/or quality of services offered. It may experience difficulty in managing core business risks.
<b>Very Weak</b>	A local government with a limited capacity to meet its financial commitments in the short and medium-term, and a very limited capacity long-term. It has a record of reporting significant operating deficits. It is highly unlikely to be able to address its operating deficits, manage unforeseen financial shocks and any adverse changes in its business without the need for structural reform and major revenue and/or expense adjustments. The expense adjustments are likely to result in significant changes to the range and/or quality of services offered and it may need the assistance from higher levels of government. It will have difficulty in managing its core business risks.

## Ratings (cont'd)

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<b><i>Distressed</i></b>	A local government with a very limited capacity to meet its short-term financial commitments and no capacity to meet its medium to long-term financial commitments. It has a record of reporting significant operating deficits. To be able to address its operating deficits, meet its medium and long-term obligations, manage unforeseen financial shocks and any adverse changes in its business, major revenue and expense adjustments and structural reform will be required. The local government is unlikely to have the capacity to manage core business risks and may need assistance from higher levels of government.
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## Outlooks

A ratings outlook generally focuses on the potential movement in an entity's rating in the short term (ie, less than 24 months). Outlooks may be positive, neutral or negative.

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<b><i>Positive or negative</i></b>	As a result of a foreseeable event or circumstance occurring, there is the potential for enhancement/deterioration in the local government's capacity to meet its financial commitments (short and/or long-term) and resultant change in its rating. However, it does not necessarily indicate that a rating change may be forthcoming.
<b><i>Neutral</i></b>	There are no known foreseeable events that would have a direct impact on the local government's capacity to meet its financial commitments. It may be possible for a rating upgrade or downgrade to occur from a neutral outlook, if such an event or circumstance warranted as such.

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