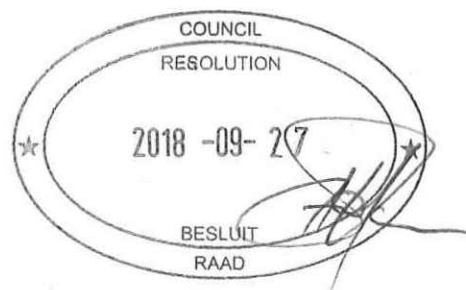


Reference No.  
Umar Banda (8100)  
COUNCIL: 27 September 2018



4. GROUP FINANCIAL SERVICES DEPARTMENT  
(TREASURY OFFICE)  
THE RAISING OF LONG TERM DEBT TO PARTLY FINANCE THE APPROVED  
CITY OF TSHWANE METROPOLITAN MUNICIPALITY 2018/19 CAPITAL  
EXPENDITURE PROGRAMME  
**(From the Executive Committee: 20 August 2018, the Special Mayoral  
Committee: 22 August 2018)**

1. PURPOSE

The purpose of the report is to seek the approval of Council to authorise the Accounting Officer to accept the terms and conditions attaching to the raising of long term debt by the City of Tshwane Metropolitan Municipality (City of Tshwane or City) under the existing Domestic Medium Term Note Programme (DMTN Programme) registered on the Interest Rate Market of the securities exchange operated by the Johannesburg Stock Exchange Limited (JSE).

2. STRATEGIC PILLARS

All the five pillars are applicable to this report:

- Pillar 1: A City that facilitates economic growth and job creation
- Pillar 2: A City that cares for its residents and promotes inclusivity
- Pillar 3: A City that delivers excellent services and protects the environment
- Pillar 4: A City that keeps residents safe
- Pillar 5: A City that is open, honest and responsive

3. BACKGROUND

At the Ordinary Council sitting of 31<sup>st</sup> May 2018, Council approved the City of Tshwane 2018/19 Medium Term Revenue and Expenditure Framework (MTREF), whose capital expenditure portion is R4,0115 billion for the 2018/19 financial year. The capital expenditure for the 2018/19 financial year will be funded by a combination of grants, external long term loans and internal resources as shown in the table below:

## FUNDING OF CAPITAL INVESTMENT: 2018/19 FINANCIAL YEAR

<b>SOURCE OF FUNDING</b>	<b>R'000</b>
National and Provincial Government grants	2 200 000
External long term loans	1 500 000
Internally generated funds, including public contribution and donations.	311 500
<b>TOTAL</b>	<b><u>4 011 500</u></b>

Furthermore, the May 2018 resolution of Council, which approved the 2018/19 MTREF, also granted the following approval:

That approval be granted to the City of Tshwane to enter the Debt Capital Markets for funding of capital programmes for the 2018/19 financial year limited to an amount not exceeding R1,5 billion in terms of Section 46 of Local Government: Municipal Finance Management Act, Act 56, 2003 (the MFMA).

The envisaged raising of long term debt, will be done under the newly registered City of Tshwane DMTN Programme of R5,5 billion, whose registration on the JSE was approved by Council on 28<sup>th</sup> September 2017.

## 4. DISCUSSION

### 4.1 Incurring of Long Term Debt

Section 46(1) of the MFMA, provides for the incurring of long term debt by a municipality for the purpose of, amongst others, financing of capital expenditure. In order to incur long term debt, a municipality must also comply with the provisions of section 46(3)(a) and (b) of the MFMA, which stipulates that the accounting officer of the municipality must at least 21 days prior to the meeting of the council at which approval of the debt is to be considered, have made public an information statement setting out:

- a. particulars of the proposed debt including the amount of the proposed debt,
- b. the purposes for which the debt is to be incurred,
- c. particulars of any security to be provided, and
- d. invited the public, the National Treasury (NT) and the relevant provincial treasury to submit written comments or representations to the council in respect of the proposed debt, and
- e. has submitted a copy of the information statement to the municipal council at least 21 days prior to the meeting of the council, together with particulars of:
  - i. the essential repayment terms, including the anticipated debt repayment schedule, and
  - ii. the anticipated total cost in connection with such debt over the repayment period.

## 4.2 Information Statement

In compliance with the provisions of Section 46 the MFMA, the following actions have been performed:

1. On 13<sup>th</sup> July 2018, the Information Statement (IS) (attached as annexure A) was published as per the requirements on Section 21A of Local Government: Municipal Systems Act, 32 of 2000 (MSA), in the Beeld and Pretoria News newspapers.

The publication of the Information Statement was also made available on the City of Tshwane website and at all offices of the Municipality and other selected venues frequented by members of the public. In total, at more than 130 public venues across the City of Tshwane, the IS was posted on notice boards for the public to read and take any action necessary, in terms of the IS. A list of the public venues where the IS was posted is attached as annexure B to the report.

2. Furthermore, the accounting officer submitted a copy of the IS to Council on 26<sup>th</sup> July 2018, through a Council report attached as annexure C to this report. The NT and the Gauteng Provincial Treasury also received copies of the IS under cover of appropriate letters addressed to them and signed by the Executive Mayor and City Manager, as prescribed in the Act.

## 4.3 Responses to the IS by NT, the Gauteng Provincial Treasury (GPT) and members of the public:

1. The closing date for receipt of comments from members of the public was 6<sup>th</sup> August 2018 however, on this day and up to 20<sup>th</sup> August 2018, no comments had been received. Accordingly the final position is that there were no comments from the public;
2. The IS was also submitted to the NT as prescribed, and the only response received is an email indicating that they will render their comments once they are ready to do so;
3. GPT rendered their comments, which are attached as annexure D of this report. Below is a summary of the comments, which are dealt with in detail in the annexure.

### **Summary of Responses to the Comments of the Gauteng Provincial Treasury**

In compliance with Section 46 of the MFMA, the City invited the GPT and NT to render their comments regarding the proposed long term debt to be incurred by City of Tshwane.

The GPT confirmed the correctness of the process which was followed in informing the public through the publication of the IS notifying the public of the intention to incur long term debt. Confirmed also by GPT as having followed process, is the fact that the intended debt incurrence is included in the approved MTREF for the 2018/19 financial year, the Integrated Development Plan the Service Delivery Budget and Implementation Plan.

Issues pertaining to the financial viability of this transaction and its impact in years to come, were raised in the following areas:

- a) The ability to repay the debt and finance costs attached thereto, the revenue streams identified to absorb the cash outflows that will occur in servicing the debt over its life. This included raising enquiries on the cash coverage ratio and sustaining collection levels at rates not below 95% to maintain the City's ability to continue the debt service of capital redemption and interest expenses on the new debt.
- b) Consumer debt recovery was also raised as an issue that needs close attention, in the sense that the growth in the debtors book should be curbed in order not to negatively affect tariff setting levels in future years. Also mentioned was liquidity management where a note was made of the current ratio which is currently below the norm, and the debt ratio which needs to be addressed. These financial ratios have been included in the Financial Sustainability Plan (FSP) as part of the financial improvement strategy contained in the FSP.
- c) Noted also was the projected improvement in the City's liquidity position over the MTREF, indicating that unlike in the previous financial years, the City will experience no strain in capital and interest payments on the new debt.
- d) NT comments were cited as an important aspect for consideration before finalising the transaction and, the strict adherence by the Accounting Officer in complying with his fiduciary responsibilities in terms of S171 of the MFMA.

Comments of GPT and the City's responses thereto are attached as annexure D of the report.

#### 4. Choice of Source of Proposed Long Term Debt

The City of Tshwane is a significant player in the South African Debt Capital Market (DCM) and it has over at least the past 20 years, issued long term debt through the Commercial Banks Market, Development Finance Institutions (DFI) such as the Development Bank of Southern Africa (DBSA) and the Bond Market.

Up to 2012, the City had been raising debt only through the Commercial Banks Market and the DBSA. It was then realised that the City, could potentially face the risk of high levels of lender concentration and thereby, fail to attract the best lending terms and conditions for future transactions. After taking advice from sister metropolitan municipalities in Gauteng and the City of Cape Town, the City of Tshwane made the decision to start raising long term debt in the DCM. To this effect, a process was begun in which the City had to establish and register a DMTN Programme on the JSE, under which it could start issuing municipal bonds, which are listed and publicly traded in the secondary market on the JSE. The first issue of listed bonds by the City were all made in the 2012/2013 financial year, in which three bonds totalling R2 140 million were issued and listed.



Following the successful debut in the bond market, the Commercial Bank Market and the DFIs introduced very aggressive pricing such that issuers of debt such as the City of Tshwane, were attracted to these two markets due to favourable pricing, in comparison with the DCM. With this development dovetailing very well with the City's newly developed Financial Sustainability Plan, the City then decided to source its long term debt funding from the Commercial Banks Market and the DBSA, mindful though of the potential lender high concentration risk. However, following the recent economic events in the country, where large State Owned Companies (the biggest bond debt issuers in the DCM) faced challenges, the State Owned Companies (SOCs) could not continue to raise debt in the DCM. This then had the effect of the DCM being starved of significant issue flow, and this resulted in a drop in pricing, making way for issuers such as City of Tshwane to return to the bond market.

## 5. Returning to the DCM and its Rationale

In developing the recently approved Financial Sustainability Plan (FSP), a process that commenced in the 2017/18 financial year, an extensive analysis of the strengths, weaknesses, opportunities and threats (SWOT analysis) of the City and its financial condition, was undertaken. Among the many factors identified during the SWOT analysis were internal and external opportunities available for exploitation in the short and medium terms. One such external opportunity was the prevailing environment of low interest rates in the DCM, as a result of a dearth of bond issues from SOCs. The ABSA Bank Limited research unit advised as follows in August 2017: *Supply and demand dynamics continue to outweigh credit fundamentals with pent up liquidity coupled with a shortage of corporate assets resulting in heavily subscribed auctions and minimal pricing slippage....*

In pursuance of this external opportunity, the City then requested its appointed Debt Capital Lead Manager and Arranger (Absa Bank Limited (acting through its Corporate and Investment Banking division)), to undertake research on interest rates in both the bond and similar markets and advise appropriately. The result of this research and advice given, led to the decision of the City to return to the DCM to raise long term debt. The attraction being that the City will benefit from lower costs of borrowing and thus keep the weighted average cost of borrowing below the benchmark of 12,5% per annum, thus aligning well with Strategy 4 of the FSP.

## 6. The Process of Returning to the Bond Market and Progress Made

As a result of improvements in governance brought about by, amongst others, the King IV Code, there are significant changes that had to be included in order to align the City's updated DMTN Programme with the new requirements. These in the main, included the following:

- a. The cross default threshold increased to 1% of total asset book
- b. Material indebtedness threshold also increased to 1% of total assets
- c. Material encumbrances on assets now include assets acquired after the DMTN Programme had been put in place
- d. Enforced early redemption of outstanding issued bonds, in the event that the issuer falls into default with the JSE compliance rules, fails to maintain a listing of outstanding bonds on the JSE or fails to maintain a credit rating

- e. In the event that the issuer or a related party purchasing its own bonds to an extent reaching 80% (issuer and related party aggregated), then the issuer is obliged to make an offer to purchase the remaining 20%

## 7. The City's Engagement with Investors

The City undertook a deal roadshow to have engagement sessions with potential investors in Pretoria, Johannesburg and Cape Town. These engagement sessions were used by the City to brief existing and potential holders of City of Tshwane bonds, on the state of the City.

In these briefing engagements, the City informed investors of its intention to issue bonds of up to R1,5 billion in the 2018/19 financial year, and thereby requesting investors' necessary support of the proposed issue. The City also laid out its current institutional status, its financial condition and the intended purpose of issuing the bond.

The City team, which engaged with potential investors during the investor road show, gave an important overview of the state of the City and how the current administration led by the Executive Mayor and the City Manager, has initiated a process to professionalise the City's personnel and lead a turnaround of the financial condition of the City.

Investors' interests covered a wide range of areas under the following categories:

### *a. Partnerships with the private sector*

The City leveraged on potential partnerships with the private sector in the area of funding municipal programmes, including financial public private partnerships such as those that have produced the likes of Tshwane House. It further leveraged on access to industry advice in dealing with non-core municipal services such as Wonderboom Airport and seeking advice on the replacement of the cancelled smart meters contract.

### *b. Service Delivery*

Important matters such as the curbing of non technical losses in water and energy, risks that the City could face in water shortages as is happening in other parts of the country, service delivery protests and how the City is managing these and importantly, strategies to deal with crime.

### *c. Revenue Management*

Investors were interested in mechanisms put in place to improve current collection levels which are lower than the prescribed norms. The discussion focussed on strategies in place to improve on these and ensure security of revenue.

The potential impact of the increase in VAT had on revenue collections and on affordability levels of consumers and the City's ability to absorb such an increase was extensively discussed.

*d. Funding of the City's operations and personnel costs*

Questions relating to reductions in government grants and what plans the City has in mitigating these, were addressed. Investors acknowledged the City's efforts to streamline operations and restructure the organisation and bring stability to City operations.

8. Intention to Issue Notes in terms of the updated DMTN Programme

The City of Tshwane intends to issue new notes of up to ZAR1,500,000,000 (one comma five billion Rand) (the Notes) under the updated and increased DMTN Programme for purposes of partly funding capital expenditure under the 2018/19 MTREF, within a spread of between 180 basis points to 300 basis points above the relevant Government Index or curve, but shall not exceed 12.90% per annum.

The City of Tshwane seeks to enter into the following agreements and/or documents in connection with the issue of the updated DMTN Programme and the issue of Notes:

- (a) the applicable pricing supplement(s), which will apply to the issue of the Notes (the Applicable Pricing Supplement), represents the **debt agreement** as contemplated in S46(2) of the MFMA, a draft copy of which is attached as annexure E.
- (b) a subscription agreement to be entered into between the City of Tshwane and Absa Bank Limited (acting through its Corporate and Investment Banking division) (as Dealer), which sets out the terms and conditions relating to the placement of the Notes;
- (c) a certificate of no adverse material change;
- (d) the disclosure statement pursuant to Regulation 6(1)(b) of the Regulations On Debt Disclosure promulgated under the MFMA and attached hereto as Annexure B (the Dislosure Statement);
- (e) the Strate electronic settlement instruction(s) in relation to the settlement of the Notes;
- (f) the relevant auditor engagement letter and managagement represenation letter with Auditor General; and
- (g) any other agreements or documents ancillary to the issue of the Notes, (collectively, the **Issue Documents**).

Accordingly, the City of Tshwane now wishes to enter into such Issue Documents and perform all such actions as may be required in relation to the issue of the Notes.

## 5. COMMENTS OF THE STAKEHOLDERS DEPARTMENTS

### 5.1 COMMENTS OF THE GROUP CHIEF FINANCIAL OFFICER

Cognisance is taken of the purpose, contents and recommendations of the report, as well as the attached annexure. Note is also taken of the legislative requirements to the report.

Provision has been made in the 2018/19 MTREF for the additional borrowing for the funding of the 2018/19 Capital Projects.

### 5.2 COMMENTS OF THE GROUP HEAD: GROUP LEGAL AND SECRETARIAT SERVICES

(Unaltered)

The purpose of the report is to seek the approval from Council to authorise the Accounting Officer to accept the terms and conditions attaching to the raising of long term debt by the City of Tshwane Metropolitan Municipality under the DMTN Programme registered on the JSE.

The following strategic pillars are relevant to this report:

- Pillar 1: A City that facilitates economic growth and job creation
- Pillar 2: A City that cares for its residents and promotes inclusivity
- Pillar 3: A City that delivers excellent services and protects the environment
- Pillar 4: A City that keeps residents safe
- Pillar 5: A City that is open, honest and responsive

Section 51 of the MSA, places a duty on the Municipality within its administrative and financial capacity to establish and organise its administration in a manner that would enable the Municipality to amongst others, be performance oriented and focussed on the objects of local government as embodied in Section 152, of the Constitution of the Republic of South Africa, Act, 108 of 1996 (the Constitution).

In terms of the provisions of section 11(3)(h) of the MSA, it is stipulated that a municipality exercises its legislative and executive authority by preparing, approving and implementing its budget.

The budget appropriations for the annual budget are indicative allocations based on the departmental business plans as informed by the Integrated Development Plan and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality.

Furthermore, it is noted that Section 19(1) of the MFMA as amended, articulates that a municipality may spend money on a capital project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget referred to in section 17(2) of the MFMA; as well as that the project, including the total costs, have been approved by the council.

Furthermore, section 153 of the Constitution, provides that a municipality must structure and manage its administration and budgeting and planning process to give priority to the needs of the local community, and to promote the social and economic development of the community.

On 28<sup>th</sup> September 2017, Council resolved to approve the establishment of an updated and increased size of the City of Tshwane DMTN Programme of R5,5 billion, to supersede all other DMTN Programmes existing as at the date of the updated DMTN Programme.

Having taken regard of the aforesaid and with specific reference to the contents of the report, Group Legal and Secretariat Services Department support the approval of the report and the recommendations thereof and submits that, the report and its annexures be referred to the Accounting Officer and Mayoral Committee for their attention and recommendation for Council approval.

## 6. IMPLICATIONS

### 6.1 HUMAN RESOURCES

None.

### 6.2 FINANCES

Sufficient provision has been made in the 2018/19 MTREF for the additional borrowing amounting to R1,5 billion for the funding of the 2018/19 Capital Program.

### 6.3 CONSTITUTIONAL AND LEGAL FACTORS

See Legal comments above.

### 6.4 COMMUNICATION

None.

### 6.5 PREVIOUS COUNCIL OR MAYORAL COMMITTEE RESOLUTIONS

#### PREVIOUS COUNCIL RESOLUTIONS

In connection with this report, there are a number of Council Resolutions which have been passed and the two mentioned below, are pertinent:

1. *Council Resolution of 31<sup>st</sup> May 2018 which inter alia resolved to give approval to the City of Tshwane to enter the capital market for the funding of the capital programmes for the 2018/19 financial year, limited to an amount not exceeding R1,5 billion in terms of Section 46 of the MFMA.*
2. *Council Resolution of 28<sup>th</sup> September 2017, approving an updated of the City of Tshwane Domestic Medium Term Note Programme and the increase in the Programme amount to R5,5 billion.*



## 7. CONCLUSION

This report envisages the raising of long term debt to partly fund capital expenditure under the 2018/19 MTREF, and this has already been approved and reaffirmed by Council.

In this regard, authority has been granted by Council for the City to enter the Debt Capital Markets and for the accounting officer to negotiate and accept all the terms and conditions necessary to secure the required long term debt borrowing.

In negotiating and accepting the terms and conditions necessary to secure the debt funding, the accounting officer must be guided by and abide by the terms contained in the published IS of 13<sup>th</sup> July 2018, pursuant to S46(3) of MFMA.

The published IS sets out the parameters within which the pricing of the proposed debt must reside.

### **IT WAS RECOMMENDED (TO THE SPECIAL MAYORAL COMMITTEE: 22 AUGUST 2018):**

That it be recommended to Council:

1. That the Council Resolution taken on 31<sup>st</sup> May 2018 where approval was granted for the City of Tshwane to enter the Debt Capital Markets to raise long term debt for the part-funding of the Capital Expenditure Programme for the 2018/19 financial year, for an amount not exceeding R1,5 billion, be reaffirmed by Council;
2. That the City of Tshwane be and is hereby authorised to issue the Notes under the Programme on the terms and conditions contained in the updated Programme Memorandum, read with the Applicable Pricing Supplement for purposes of partly funding capital expenditure under the 2018/19 Medium-term Revenue and Expenditure Framework (MTREF);
3. That the Applicable Pricing Supplement be and is hereby approved as the debt agreement as contemplated in accordance with section 46(2)(a) of the Municipal Finance Management Act (MFMA);
4. That the City of Tshwane be and is hereby authorised to enter into and perform its obligations under:
  - a. each Issue Document; and
  - b. any ancillary agreements and / or documents referred to in the Issue Documents, (collectively, the Approved Documents);
5. That the spread of the Notes be between 180 basis points to 300 basis points above the relevant Government Index or curve, and shall not exceed 12.9% per annum;

6. That Council authorises the accounting officer to negotiate and accept all the terms and conditions necessary, in compliance with S46 of the Municipal Finance Management Act (MFMA), as amended, to make it possible for the City of Tshwane to issue the Notes through the market auction process or the private placement process, in line with the applicable rules;
7. Subject to the MFMA, that Council authorises the accounting officer and/or the chief financial officer (the Authorised Signatories) to execute the Approved Documents and to settle any other documents or powers of attorney which may be necessary for the implementation of the Approved Documents; settle the terms of and sign and/or despatch any other documents and notices to be signed and/or despatched by/or on behalf of the City of Tshwane under or in connection with the Approved Documents; and generally do everything reasonably required or necessary for the implementation of the Approved Documents;
8. That upon finalisation of all negotiations and acceptance of the terms and conditions which are necessary to issue the Notes in terms of the authority bestowed upon him by Council, the accounting officer prepares a report to be submitted to Council for cognisance;
9. That any agreements, deeds or documents signed by the Authorised Signatories acting under the authority of this and the preceding resolutions shall conclusively be deemed to be the agreements, deeds and documents authorised by this and the preceding resolutions; and
10. That to the extent that any of the Authorised Signatories have already signed any of the Approved Documents and/or any other documents which may be necessary for the implementation of the issue of Notes on behalf of the City of Tshwane, his/her/their actions in this regard be and are hereby ratified.

**During the consideration of the report, it was agreed:**

- (a) That the report be approved pending the attachment letter from National Treasury as Annexure prior submission of the report to Council; and
- (b) That if the letter is not attached to the report, it would be considered referred back and it be submitted to the Mayoral Committee meeting scheduled for 5 September 2018.

**In view of the above, it was:**

**IT WAS RESOLVED (BY THE SPECIAL MAYORAL COMMITTEE: 22 AUGUST 2018):**

1. That the report be approved pending the attachment letter from National Treasury as Annexure prior submission of the report to Council; and

2. That if the letter is not attached to the report, it be considered referred back and it be submitted to the Mayoral Committee meeting scheduled for 5 September 2018.

**The Special Mayoral Committee on 22 August 2018 resolved to recommend to Council as set out below:**

**During consideration of this item by Council on 27 September 2018, the following Councillors participated in the debate:**

**RJ Kekana (Cllr Kekana, among others, indicated that the ANC were not in support of this report)**

**P Sutton  
MMC M Fourie  
Dr KL Maepa**

**It was thereafter resolved as set out below:**

**ANNEXURES:**

- A: Local Authority Notice – Intention to incur long-term debt information statement
- B: Information statement distribution – list of public venues
- C: Council resolution 26 July 2018
- D: Letter – comments Gauteng Provincial Treasury
- E: Applicable pricing supplement
- F: Letter from Treasury
- G: Response to comments of National Treasury



**RESOLVED:**

1. That the Council Resolution taken on 31<sup>st</sup> May 2018 where approval was granted for the City of Tshwane to enter the Debt Capital Markets to raise long term debt for the part-funding of the Capital Expenditure Programme for the 2018/19 financial year, for an amount not exceeding R1,5 billion, be reaffirmed by Council.
2. That the City of Tshwane be and is hereby authorised to issue the Notes under the Programme on the terms and conditions contained in the updated Programme Memorandum, read with the Applicable Pricing Supplement for purposes of partly funding capital expenditure under the 2018/19 Medium-term Revenue and Expenditure Framework (MTREF).
3. That the Applicable Pricing Supplement be and is hereby approved as the debt agreement as contemplated in accordance with section 46(2)(a) of the Municipal Finance Management Act (MFMA).
4. That the City of Tshwane be and is hereby authorised to enter into and perform its obligations under:
  - a. each Issue Document; and
  - b. any ancillary agreements and / or documents referred to in the Issue Documents, (collectively, the Approved Documents);

5. That the spread of the Notes be between 180 basis points to 300 basis points above the relevant Government Index or curve, and shall not exceed 12.9% per annum.
6. That Council authorises the accounting officer to negotiate and accept all the terms and conditions necessary, in compliance with S46 of the Municipal Finance Management Act (MFMA), as amended, to make it possible for the City of Tshwane to issue the Notes through the market auction process or the private placement process, in line with the applicable rules.
7. Subject to the MFMA, that Council authorises the accounting officer and/or the chief financial officer (the Authorised Signatories) to execute the Approved Documents and to settle any other documents or powers of attorney which may be necessary for the implementation of the Approved Documents; settle the terms of and sign and/or despatch any other documents and notices to be signed and/or despatched by/or on behalf of the City of Tshwane under or in connection with the Approved Documents; and generally do everything reasonably required or necessary for the implementation of the Approved Documents.
8. That upon finalisation of all negotiations and acceptance of the terms and conditions which are necessary to issue the Notes in terms of the authority bestowed upon him by Council, the accounting officer prepares a report to be submitted to Council for cognisance.
9. That any agreements, deeds or documents signed by the Authorised Signatories acting under the authority of this and the preceding resolutions shall conclusively be deemed to be the agreements, deeds and documents authorised by this and the preceding resolutions.
10. That to the extent that any of the Authorised Signatories have already signed any of the Approved Documents and/or any other documents which may be necessary for the implementation of the issue of Notes on behalf of the City of Tshwane, his/her/their actions in this regard be and are hereby ratified.

**(Remarks:**

**At the Council meeting of 27 September 2018 –**

1. **Cllr AM Maluleka on behalf of the ANC requested that their dissenting vote on the approval of this report be registered.**
2. **110 Councillors voted in favour of the long term debt in accordance with Section 160(3)(b) of the Constitution).**



## ANNEXURE B

# LOCAL AUTHORITY NOTICE

## CITY OF TSHWANE METROPOLITAN MUNICIPALITY

### INTENTION TO INCUR LONG-TERM DEBT

### INFORMATION STATEMENT



In terms of Section 46(3)(a)(i) and (ii) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), read in conjunction with Section 21A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following information statement is hereby made public in relation to long-term debt the City of Tshwane intends to incur.

#### PARTICULARS OF PROPOSED DEBT

The City of Tshwane intends to enter into a funding arrangement(s) through any one or more of the following mechanisms:

- The raising of a municipal debt instrument through the issuing of a listed bond.
- The raising of a loan, syndicated or not, from one or more financial institutions registered in South Africa as banks in terms of the Banks Act, 1990 (Act 94 of 1990).
- The raising of a loan, syndicated or not, from one or more development finance institutions, registered to carry out such business in South Africa.

Particulars, including the amount of proposed debt	Up to R1,5 billion unsecured, unsubordinated debt
Purpose of proposed debt	To partly finance the capital expenditure programme
Security to be provided	None
Maturity of proposed debt	Up to a maximum of 20 years, as will be determined on the trade date/signature date
Proposed debt repayment	Coupon ("fixed/floating interest rate") will be payable monthly, quarterly or semi-annually in arrears as will be determined on the trade date/signature date, and capital will be repaid either on the applicable redemption date of the debt or through an amortising arrangement over the life of the debt.
The anticipated total cost of the proposed debt	The anticipated total cost of the proposed debt and its repayment period can only be determined on the trade date/signature date.

#### INVITATION FOR PUBLIC COMMENTS

The City of Tshwane invites written comments or representations from the general public in respect of the proposed debt intended to be incurred. Any person who cannot write may make representations at the following address where representations will be transcribed:

David L Masimini  
 Director: Front Office and Funding Management  
 First Floor, Tshwane House, 320 Madiba Street, Pretoria, 0002

Comments or representations are to be made to the Chief Financial Officer at the following address by no later than 15:00 on 6 August 2018, and any enquiries relating to the above should be directed to:

David L Masimini  
 Director: Front Office and Funding Management  
 PO Box 408, Pretoria, 0001  
 Tel: 012 358 6045  
 Email: davidmasi@tshwane.gov.za

Chris K Thipe  
 Divisional Head: Treasury Office  
 PO Box 408, Pretoria, 0001  
 Tel: 012 358 6068  
 Email: christ@tshwane.gov.za

**Dr Moeketsi Mosola**  
**CITY MANAGER**



# KENNISGEWING VAN DIE PLAASLIKE REGERING

## STAD TSHWANE METROPOLITAANSE MUNISIPALITEIT VOORNEME OM LANGTERMYNSKULD AAN TE GAAN INLIGTINGSVERKLARING

Ingevolge Artikel 46(3)(a)(i) en (ii) van die Wet op Plaaslike Regering: Munisipale Finansiële Bestuur, 2003 (Wet 56 van 2003), gelees saam met Artikel 21A van die Wet op Plaaslike Regering: Munisipale Stelsels, 2000 (Wet 32 van 2000), word die volgende inligtingsverklaring in verband met langtermynskuld wat die Stad Tshwane wil aangaan, openbaar gemaak:

### BESONDERHEDE VAN VOORGENOME SKULD

Die Stad Tshwane beoog om 'n befondsingsreëling(s) deur enigeen of meer van die volgende meganismes aan te gaan:

- Die skep van 'n munisipale skuldinstrument deur 'n genoteerde verband uit te reik.
- Die aangaan van 'n lening, hetsy in sindikaatvorm of nie, by een of meer finansiële instellings wat in Suid-Afrika as banke geregistreer is ingevolge die Bankwet, 1990 (Wet 94 van 1990).
- Die aangaan van 'n lening, hetsy in sindikaatvorm of nie, by een of meer instellings vir ontwikkelingsfinansiering, wat geregistreer is om sodanige sake in Suid-Afrika te doen.

Besonderhede, insluitende die bedrag van die voorgestelde skuld	Tot R1,5 miljard ongedekte, nie-ondergeskikte skuld
Doel van die voorgestelde skuld	Om gedeeltelik die program vir kapitale uitgawes te finansier
Sekuriteit wat verskaf moet word	Geen
Looptyd van voorgestelde skuld	Tot 'n maksimum van 20 jaar, soos bepaal sal word op die transaksiedatum/datum van ondertekening
Voorgestelde terugbetaling van skuld	Koepoon ("vaste/wisselende rentekoers") sal maandeliks, kwartaaliks of halfjaarlik terugwerkend betaalbaar wees soos bepaal sal word op die transaksiedatum/datum van ondertekening, en kapitaal sal terugbetaal word óf op die toepaslike aflossingsdatum van die skuld óf deur 'n delgingsreëling oor die leeftyd van die skuld.
Die verwagte totale koste van die voorgestelde skuld	Die verwagte totale koste van die voorgestelde skuld en sy terugbetalingstydperk kan slegs op die transaksiedatum/datum van ondertekening bepaal word.

### UITNODIGING VIR OPENBARE KOMMENTAAR

Die Stad Tshwane nooi die algemene publiek uit om skriftelik kommentaar te lewer of vertoë te rig ten opsigte van die voorgestelde skuld wat die Stad beoog om aan te gaan. Enige persoon wat nie kan skryf nie, kan by die volgende adres vertoë rig, waar dit getranskribeer sal word:

David L Masimini  
Direkteur: Bestuurskantoor en Befondsingsbestuur  
Eerste Vloer, Tshwane House, Madibastraat 320, Pretoria, 0002

Kommentaar of vertoë moet aan die Hoof- Finansiële Beampte gerig word, by die volgende adres, nie later nie as 15:00 op 6 Augustus 2018; en enige navrae in verband met bovermelde moet gerig word aan:

David L Masimini  
Direkteur: Bestuurskantoor en Befondsingsbestuur  
Posbus 408, Pretoria, 0001  
Tel: 012 358 6045  
Epos: davidmasi@tshwane.gov.za

Chris K Thipe  
Afdelingshoof: Tesouriekantoor  
Posbus 408, Pretoria, 0001  
Tel: 012 358 6068  
Epos: christ@tshwane.gov.za

Dr Moeketsi Mosola  
STADSBESTUURDER



## Group Financial Services Department

Tshwane House Building | 320 Madiba Street | Pretoria | 0002  
 PO Box 408 | Pretoria | 0004  
 Tel: 012 358 6068 | Fax:  
 Email: [christ@tshwane.gov.za](mailto:christ@tshwane.gov.za) | [www.tshwane.gov.za](http://www.tshwane.gov.za) | [www.facebook.com/CityOfTshwane](https://www.facebook.com/CityOfTshwane)

My ref:  
 Your ref:  
 Contact person: C Thipe  
 Section/Unit: Treasury Division

Tel: 012 358 6068  
 Fax:  
 Email: [christ@tshwane.gov.za](mailto:christ@tshwane.gov.za)

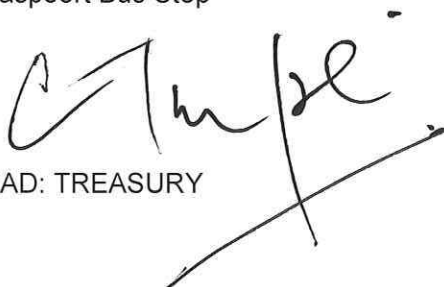
### INFORMATION STATEMENT DISTRIBUTION

1. Atteridgeville clinic
2. Saulsville fire station
3. Gazankulu clinic
4. Saulsville arena
5. Saulsvile clinic
6. Saulsvile library
7. TMPD headquarters office
8. Tshwane bus depot
9. Tshwane supply chain office
10. TMPD ticket office
11. Danville fire station
12. Lotus gardens clinic
13. Lotus garden post office
14. Sammy marks library
15. Sammy marks customer care
16. Sammy marks clinic
17. Sammy marks call centre
18. Bothongo plaza
19. Tshwane market ripening centre
20. Tshwane market green produce
21. Tshwane market customer office
22. Mayville Mansfield
23. Mayville park
24. Pretoria zoo
25. Anton lebede areyeng bus station
26. Moses murudu areyeng bus station
27. Hector Peterson areyeng bus station
28. Eugene marais hospital
29. Rooiwal cafeteria
30. Rooiwal water and sanitation
31. Rooiwal workshop
32. Transnet south pyramid cafeteria
33. Transnet South pyramid notice board
34. Transnet south pyramid boardroom
35. Groenkloof nature reserve
36. Wonderboom nature reserve

37. Fountains valley
38. Sinoville library
39. Derdepoort
40. Sinoville
41. BKS building
42. Lyttleton clinic
43. Lyttelton supply chain
44. Centurion Customer care centre
45. Centurion energy & electricity
46. Centurion hall B
47. Sunset view resort
48. Themba customer care centre
49. iveria call centre
50. North east satellite region
51. Jubilee square
52. Overkruin Library
53. Olivenhoutbosch clinic
54. Church square property
55. Bronkhorspruit office
56. Refilwe committee centre
57. Ga-mothakga resort
58. Centurion credit control block B
59. Electricity energy management block H
60. Environmental health
61. Lyttelton primary health care
62. Jubilee park
63. Mamelodi East Library
64. Mamelodi East Ext 17
65. Watloo Depot Water
66. Mamelodi West Resort
67. Mamelodi West Office
68. Earsterus Library
69. Silverton Clinic
70. Silverton Library
71. Watloo Electricity
72. Watloo Traffic Department
73. Mamelodi West Clinic
74. Mamelodi West Library
75. Mamelodi East Hall SNS
76. Mamelodi East Stanza Bopape
77. Mamelodi East Stanza Library
78. Mamelodi East Enkakgeni Hall
79. Mamelodi East Clinic Ext 8
80. Refilwe Library
81. Refilwe Community Hall
82. Bronkhorspruit Office
83. Kingsley Hostel
84. Mamelodi West Community Hall
85. Mamelodi Police Station West
86. Nelmapius Library
87. Rayton Metro Police
88. Rayton Community Hall
89. Rayton Library
90. Bronkhorspruit Court Query

91. Bronkhorspruit Petrol Station
92. Zithobeni Community Hall
93. Zithobeni Library
94. Zithobeni Swimming Pool
95. Kangala Masakhane C- Hall
96. Ekangala Thusong Centre
97. Ekangala Multipurpose Hall
98. Mamelodi East Swimming Pool
99. Mamelodi East Clinic Stanza
100. Mamelodi Ext 17 U save
101. Mamelodi Hospital
102. Mamelodi Complex
103. SAMCO Car Ford
104. Willows Complex
105. Wilgers Hospital
106. Silver lakes Complex
107. Siverlakes Rank
108. Six Fountain
109. Silver lakes Liquor City
110. Willows Acres Spur
111. Rayton Pick N Pay
112. Rayton Post Office
113. Rayton Taxi Rank
114. Cullinan Rehab
115. Cullinan Four Ways
116. Cullinan Taxi Rank
117. Cullinan Post Office
118. Pienaarspoort Station
119. Tshwane North College
120. Estefabrick Station
121. Department of International Relation
122. Department bus stop International Relations
123. Queenwood bus Station
124. Queenwood Bus South pan
125. Queenwood Bus Next to VOD
126. Kilner Park Complex
127. East Lynne Complex
128. East Lynne Steel Company
129. East Lynne KFC
130. Daspoort Bus Stop

C Thipe  
DIVISIONAL HEAD: TREASURY



Reference No 16445/1  
Umar Banda (8110)  
COUNCIL: 26 July 2018

## 4. GROUP FINANCIAL SERVICES DEPARTMENT SUBMISSION OF THE INFORMATION STATEMENT TO RAISE R1,5 BILLION DEBT FUNDING AS PART OF THE 2018/19 CAPITAL EXPENDITURE PROGRAMME (From the Mayoral Committee: 17 July 2018)

### 1. PURPOSE

The purpose of the report is to submit, in terms of *Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)* Section 46(3)(b) an Information Statement to Council, on particulars of debt at least 21 days before approval of such debt.

### 2. STRATEGIC PILLARS

- 2.1 A City that facilitates economic growth and job creation
- 2.2 A City that cares for residents and promotes inclusivity
- 2.3 A City that delivers excellent services and protects the environment
- 2.4 A City that keeps residents safe
- 2.5 A City that is open, honest and responsive

### 3. BACKGROUND

Council approved the 2018/19 Medium Term Revenue and Expenditure Framework (MTREF) on 31st May 2018, which approval included the proposed funding plan for the capital expenditure programme (CAPEX) under the MTREF. In terms of the MTREF, the 2018/19 CAPEX programme of R4 billion will be partly funded from borrowings of R1,5 Billion which must be sourced from the market in terms of the Municipal Finance Management Act (MFMA).

### 4. DISCUSSION

CTMM accordingly must approach the debt capital markets in order to commence negotiations to secure the required borrowing. In terms of the information statement, CTMM has three options to choose from, for raising the required long term debt:

- Option 1: Raise a municipal debt instrument through which a listed bond is issued off the established CTMM Domestic Medium Term Note (DMTN) Programme;
- Option 2: Raise long term debt through a syndication of commercial banks or through a single commercial bank lender. These lenders should be commercial banks registered in the Republic in terms of the Banking Act 90 of 1994;



- Option 3: Raise long term debt through a syndication of Development Finance Institutions (DFI) or through a single DFI lender, who is registered to conduct business in the Republic.

A full analysis of the options will be submitted to the Council meeting where the approval of the proposed debt will be considered.

#### 1. Particulars of the debt

Section 46(3)(b) requires a copy of the Information Statement pertaining to the incurring of long-term debt to be submitted to the municipal council, at least 21 days prior to the meeting of council, at which approval of the debt is to be considered. The Information Statement must accompany particulars of:

- The essential repayment terms including the anticipated repayment schedule,
- The anticipated total cost in connection with such debt over the repayment period.

The long term debt to be raised is anticipated to be granted under the following terms:

Source of debt:	The Bond Market OR Commercial Banks OR Development Finance Institutions
Purpose:	Financing of the 2018/19 capital investment programme
Amount:	R1 500 million
Duration:	Up to twenty years
Structure:	Amortizing/Bullet
Interest rate:	Up to 12,9% per annum
Total estimated cost:	To be determined on the day of loan signing
Type of instrument:	Loan or bond
Security to be provided:	None

The above terms are the parameters within which the City will negotiate with potential service providers for the stated loan amount of R1 500 million. The anticipated total cost in connection with such debt over the repayment period cannot at this stage be determined due to the necessary engagements not having been concluded. However the limit in interest rate that the City of Tshwane will agree to, will not exceed 12,9% per annum. The City's current weighted average cost of borrowing (WACB) is 11,5% per annum on its total long term debt book of R11, 5 billion and the target for the 2018/19 financial year, is that the WACB must remain below 12% per annum. If the City is charged the maximum 12,9% per annum for the proposed new loan, then the projected WACB of 12% per annum for 2018/19 will be achieved.

The expectation though, based on market sentiment and the positive credit rating of A1.za (investment grade rating which represents above-average long term creditworthiness relative to other domestic issuers) is that the City will attract an interest rate well below the 12,9% per annum ceiling.

## 5. COMMENTS OF THE STAKEHOLDER DEPARTMENTS

### 5.1 COMMENTS OF THE CHIEF FINANCIAL OFFICER

Cognisance is taken of the purpose, contents and recommendations of the report, as well as the attached annexure. Note is also taken of the legislative requirements to the report.

Provision has been made in the 2018/19 Medium-Term Term and Revenue Expenditure Framework for the additional borrowing for the funding of the 2018/19 Capital Projects.

### 5.2 COMMENTS OF THE GROUP HEAD: GROUP LEGAL AND SECRETARIAT SERVICES

The purpose of this report is to submit, in terms of Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), (herein after called MFMA) Section 46(3)(b) an Information Statement to Council, on particulars of debt at least 21 days before approval of such debt.

The report adheres to the parameters of the submission of the Information Statement in terms of Section 46(3)(b) of the MFMA setting out the particulars of the essential repayment terms, including the anticipated debt repayment schedule and the anticipated total cost in connection with such debt over the repayment period.

Therefore the report is legally sound and in order wherein the recommendation are supported.

## 6. IMPLICATIONS

### 6.1 HUMAN RESOURCES

None.

### 6.2 FINANCES

Sufficient provision has been made in the 2018/19 MTREF for borrowings amounting to R1,5 billion for the funding of the 2018/19 financial year's capital projects.

### 6.3 CONSTITUTIONAL AND LEGAL FACTORS

The report seeks to ensure compliance with Section 46(3) of the Municipal Finance Management Act which provides as follows:

## Section 46.

(1) .....

(2) .....

(3) A municipality may incur long-term debt only if the accounting officer of the municipality—

(a) has, in accordance with section 21A of the Municipal Systems Act—

(i) at least 21 days prior to the meeting of the council at which approval for the debt is to be considered, made public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided; and

(ii) invited the public, the National Treasury and the relevant provincial treasury to submit written comments or representations to the council in respect of the proposed debt; and

(b) has submitted a copy of the information statement to the municipal council at least 21 days prior to the meeting of the council, together with particulars of—

(i) the essential repayment terms, including the anticipated debt repayment schedule; and

(ii) the anticipated total cost in connection with such debt over the repayment period.

## Section 21A of the Municipal Systems Act

21A. Documents to be made public. All documents that must be made public by a municipality in terms of a requirement of this Act or the Municipal Finance Management Act or other applicable legislation, must be conveyed to the local community ~-

(a) by displaying the documents at the municipality's head and satellite offices and libraries;

(b) by displaying the documents on the municipality's official website if the municipality has a website as envisaged by section 21B; and

(c) by notifying the local community in accordance with section 21A of the place, including the website address where detailed particulars concerning the documents can be obtained.

(2) If appropriate any notification in terms of subsection (1)(c) must invite the local community to submit written comments or representations to the municipality in respect of the relevant documents.

#### 6.4 COMMUNICATION

The information statement will be communicated in terms of section 46(3) of the MFMA to the public, and the National and Provincial Treasuries as well as the Department of Local Government in the Province for their comment.

#### 6.5 PREVIOUS COUNCIL OR MAYORAL COMMITTEE RESOLUTIONS

Council resolution 6 of 31 May 2018: 2018/19 MEDIUM-TERM AND EXPENDITURE FRAMEWORK FOR THE CITY OF TSHWANE

6. That approval be granted for the City of Tshwane to enter the capital market for the funding of the capital programmes for the 2018/19 year limited to an amount not exceeding R1,5 billion in terms of Section 46 of the Municipal Finance Management Act (MFMA).

#### 7. CONCLUSION

The report is tabled in line with Section 46 of the MFMA and will allow the City to initiate the funding process for the 2018/19 financial year.

**The Mayoral Committee on 17 July 2018 resolved to recommend to Council as set out below:**

#### ANNEXURES:

- A. Copy of Information Statement Issued 1
- B. Copy of Information Statement Issued 1
- C. Local Authority Notice
- D. Newspaper advert in Beeld

#### RECOMMENDED:

1. That cognisance be taken of the Information Statement issued by the Accounting Officer in terms of Section 46(3)(a) of the Municipal Finance Management Act (MFMA) on 13 July 2018 for comment from the public, national and provincial treasury; and
2. That cognisance be taken and receive the submission of the Information Statement in terms of Section 46(3)(b) of the Municipal Finance Management Act (MFMA) setting out the particulars of—
  - (i) the essential repayment terms, including the anticipated debt repayment schedule; and
  - (ii) the anticipated total cost in connection with such debt over the repayment period.

# LOCAL AUTHORITY NOTICE

## CITY OF TSHWANE METROPOLITAN MUNICIPALITY

### INTENTION TO INCUR LONG-TERM DEBT

### INFORMATION STATEMENT



In terms of Section 46(3)(a)(i) and (ii) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), read in conjunction with Section 21A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following information statement is hereby made public in relation to long-term debt the City of Tshwane intends to incur.

#### PARTICULARS OF PROPOSED DEBT

The City of Tshwane intends to enter into a funding arrangement(s) through any one or more of the following mechanisms:

- The raising of a municipal debt instrument through the issuing of a listed bond.
- The raising of a loan, syndicated or not, from one or more financial institutions registered in South Africa as banks in terms of the Banks Act, 1990 (Act 94 of 1990).
- The raising of a loan, syndicated or not, from one or more development finance institutions, registered to carry out such business in South Africa.

Particulars, including the amount of proposed debt	Up to R1,5 billion unsecured, unsubordinated debt
Purpose of proposed debt	To partly finance the capital expenditure programme
Security to be provided	None
Maturity of proposed debt	Up to a maximum of 20 years, as will be determined on the trade date/signature date
Proposed debt repayment	Coupon ("fixed/floating interest rate") will be payable monthly, quarterly or semi-annually in arrears as will be determined on the trade date/signature date, and capital will be repaid either on the applicable redemption date of the debt or through an amortising arrangement over the life of the debt.
The anticipated total cost of the proposed debt	The anticipated total cost of the proposed debt and its repayment period can only be determined on the trade date/signature date.

#### INVITATION FOR PUBLIC COMMENTS

The City of Tshwane invites written comments or representations from the general public in respect of the proposed debt intended to be incurred. Any person who cannot write may make representations at the following address where representations will be transcribed:

David L Masimini  
 Director: Front Office and Funding Management  
 First Floor, Tshwane House, 320 Madiba Street, Pretoria, 0002

Comments or representations are to be made to the Chief Financial Officer at the following address by no later than 15:00 on 6 August 2018, and any enquiries relating to the above should be directed to:

David L Masimini  
 Director: Front Office and Funding Management  
 PO Box 408, Pretoria, 0001  
 Tel: 012 358 6045  
 Email: davidmasi@tshwane.gov.za

Chris K Thipe  
 Divisional Head: Treasury Office  
 PO Box 408, Pretoria, 0001  
 Tel: 012 358 6068  
 Email: christ@tshwane.gov.za

**Dr Moeketsi Mosola**  
**CITY MANAGER**



# KENNISGEWING VAN DIE PLAASLIKE REGERING

## STAD TSHWANE METROPOLITAANSE MUNISIPALITEIT

### VOORNEME OM LANGTERMYNSKULD AAN TE GAAN

### INLIGTINGSVERKLARING



27

Ingevolge Artikel 46(3)(a)(i) en (ii) van die Wet op Plaaslike Regering: Munisipale Finansiële Bestuur, 2003 (Wet 56 van 2003), gelees saam met Artikel 21A van die Wet op Plaaslike Regering: Munisipale Stelsels, 2000 (Wet 32 van 2000), word die volgende inligtingsverklaring in verband met langtermynskuld wat die Stad Tshwane wil aangaan, openbaar gemaak:

#### BESONDERHEDE VAN VOORGENOME SKULD

Die Stad Tshwane beoog om 'n befondsingsreëling(s) deur enigeen of meer van die volgende meganismes aan te gaan:

- Die skep van 'n munisipale skuldinstrument deur 'n genoteerde verband uit te reik.
- Die aangaan van 'n lening, hetsy in sindikaatvorm of nie, by een of meer finansiële instellings wat in Suid-Afrika as banke geregistreer is ingevolge die Bankwet, 1990 (Wet 94 van 1990).
- Die aangaan van 'n lening, hetsy in sindikaatvorm of nie, by een of meer instellings vir ontwikkelingsfinansiering, wat geregistreer is om sodanige sake in Suid-Afrika te doen.

Besonderhede, insluitende die bedrag van die voorgestelde skuld	Tot R1,5 miljard ongedekte, nie-ondergeskikte skuld
Doel van die voorgestelde skuld	Om gedeeltelik die program vir kapitale uitgawes te finansier
Sekuriteit wat verskaf moet word	Geen
Looptyd van voorgestelde skuld	Tot 'n maksimum van 20 jaar, soos bepaal sal word op die transaksiedatum/datum van ondertekening
Voorgestelde terugbetaling van skuld	Koepon ("vaste/wisselende rentekoers") sal maandeliks, kwartaalliks of halfjaarlik terugwerkend betaalbaar wees soos bepaal sal word op die transaksiedatum/datum van ondertekening, en kapitaal sal terugbetaal word óf op die toepaslike aflossingsdatum van die skuld óf deur 'n delgingsreëling oor die leeftyd van die skuld.
Die verwagte totale koste van die voorgestelde skuld	Die verwagte totale koste van die voorgestelde skuld en sy terugbetalingstydperk kan slegs op die transaksiedatum/datum van ondertekening bepaal word.

#### UITNODIGING VIR OPENBARE KOMMENTAAR

Die Stad Tshwane nooi die algemene publiek uit om skriftelik kommentaar te lewer of vertoë te rig ten opsigte van die voorgestelde skuld wat die Stad beoog om aan te gaan. Enige persoon wat nie kan skryf nie, kan by die volgende adres vertoë rig, waar dit getranskribeer sal word:

David L Masimini  
Direkteur: Bestuurskantoor en Befondsingsbestuur  
Eerste Vloer, Tshwane House, Madibastraat 320, Pretoria, 0002

Kommentaar of vertoë moet aan die Hoof- Finansiële Beamppte gerig word, by die volgende adres, nie later nie as 15:00 op 6 Augustus 2018; en enige navrae in verband met bovermelde moet gerig word aan:

David L Masimini  
Direkteur: Bestuurskantoor en Befondsingsbestuur  
Posbus 408, Pretoria, 0001  
Tel: 012 358 6045  
Epos: davidmasi@tshwane.gov.za

Chris K Thipe  
Afdelingshoof: Tesouriekantoor  
Posbus 408, Pretoria, 0001  
Tel: 012 358 6068  
Epos: christ@tshwane.gov.za

Dr Moeketsi Mosola  
STADSBESTUURDER

## HOUE VAL BUIE HOF

# Duiwel los ná Zuma jr. verskyn

## BLF pluk joernaliste rond, vloek 'setlaars'

Isabel Venter

Gemoedere het gister hoog geloop buite die landdroshof in Randburg waar Duduzane Zuma, seun van oudpres. Jacob Zuma, op twee aanklagte van strafbare manskap verskyn het. Nadat Zuma jr. (34) weg is by die hof het alle het losgebars toe Kallie Kriel, uitvoerende hoof van AfriForum, joernaliste buite die hof oer die saak wou toesprek. Lede van die organisasie Black First Land First (BLF) het probeer keer dat Kriel praat. Hulle het ook joernaliste probeer keer om hul werk te doen.

Hulle is woedend dat die saak teen Zuma jr. voortgaan omdat daar voorheen besluit is om hom nie te vervolg nie. BLF-lede het Kriel uitgekryt vir 'n rassisme en gesê "hulle sal nie toe-

laat dat enige rassisme namens hul mense praat nie".

Andile Mngxitama, leier van die BLF, het daarop aangedring dat die media oer die waarheid verslag doen en moet ophou om "partydig" te wees.

"Dit is terrorisme van witnopolitiekapitalisme. Ons moet duidelik wees enige wit persoon wat aan ons raak - ons sal hulle heel toe stuur," het Mngxitama gesê.

Gedeeltes van die voorval is op video vasgevang.

Lindsay Maasdorp van die BLF beweer hy is in die gemaal deur Hanna Labuschagne, 'n TV-kameraman van kykNET, aangerand. "Kyk hierina - hy het my geslaan op my mond! Is hy 'n joernalist? 'n Wit \*\*\*\*\* seëtar het my geslaan - het julle dit gesien?" het Maasdorp vir om-

standers geskreue.

In 'n video van Network24 kan Labuschagne gesien word waar hy omdraai en omerk dat hy net sy werk doen.

'n Vrou, duidelik ook 'n lid van BLF, agtervolg Labuschagne en skreeu verder op hom dat hy 'n rassisme is. In een stadium slaan sy om op sy rug en sy hy moet \*\*\*\*\*.

Labuschagne ontken dat hy Maasdorp geslaan het. Volgens hom was daar 'n redelike deurmekaarspul op die trappe en het baie mense aan mekaar gestamp en gestoot.

Maasdorp is dieselfde man wat Maandag buite die handels- hof in Johannesburg afgeneem is waar Zuma jr. op aanklag van korrupsie verskyn het. Toe het hy op die media gevloek en joernaliste gedreig, het EWN berig.

Kallie Kriel word buite die hof deur Andile Mngxitama, leier van BLF, gekonfronteer. Foto's: FELIX DLANGAMANDLA



verhinder om hul werk op nuustonele te doen," sê Du Plessis.

By die hof is daar heelwat bespiegel oor die getal private veiligheidswagte waarmee Duduzane opgedaag het.

AfriForum sê Zuma jr. privaat vervolg as die nasionale vervolgingsgesag (NVG) besluit het om hom nie te vervolg nie vir die dood van twee mense, Phumzile Dube en Jeanette Mashaba.

Volgens AfriForum het Zuma jr. in Februarie 2014 op die M1 in Johannesburg met sy Porsche agterin 'n minibustaxi vasgejaag. Dube is op slag dood en drie ander is beseer. Mashaba is 'n paar weke later dood.

In Julie 2014 het die NVG geveel om Zuma jr. te vervolg, weens "onvoldoende bewyse". Die NVG het in 2015 weer besluit om hom nie te vervolg nie.

Phindi Mjonodwane, woordvoerder van die NVG, het aan EWN gesê hulle het intussen van plan verander nadat 'n geregtelike doodsondersoek gedoen is en niese inligting na vore gekom het wat hulle laat besluit het om hom te vervolg.

Zuma jr. is Maandag op borgtog van R100 000 vrygelaat nadat hy in die landeshof in Johannesburg op aanklag van korrupsie verskyn het.

# Hoë hof onthef Joost se broers as J9-trustees

Mike van Rooyen en Christiaan du Plessis

Amor Vittone het gister in trane uitgebars toe sy hoor dat die hof in haar guns beslis het oor Joost van der Westhuizen se trust.

Die twis tussen die familie van die ontslae Springbok-rugbykaptein en Vittone, sy vervreemde vrou, het 'n nuwe kinkel gekry toe die hooggeregshof in Bloemfontein Joost se twee broers as trustees van sy J9-trust onthef het.

Die aanstelling van Pieter en Gustav van der Westhuizen en Gavin Varesjes van SA Rugby Legends deur die meester van die hooggeregshof is tersyde gestel.

Die trust besit twee meenthuise in Fourways, noord van Johannesburg, wat verhuur word. Uit dié huurgeld word 'n toelaan maandeliks vir die twee kinders, Kylie en Jordan, betaal.

Regter Philip Loubser het in sy uitspraak gesê die meester het nie die regte besluit geneem toe hy die aanstellingsbriewe van die broers en Varesjes in 2017 uitgereik het nie.

Hy was daarvan bewus dat Vittone toe reeds 'n dringende aansoek by die hooggeregshof in Pretoria ingedien het om 'n onafhanklike prokureur as trustee te laat aanstel.

Toe het die meester gesê hy sal hom by die beslissing van die hof berus. Terwyl die dringende aansoek nog hangende was, het hy die broers en Varesjes aangestel.

"Ek het net probeer sterk wees vir my kinders. Ek kan nie glo ons het gewen nie," het Vittone gesê.

Sy het vroeër die aansoek gebring as ma van die twee kinders, wat die begunstigdes van die trust is.



Amor Vittone Foto's: CORNEL VAN HEERDEN



Pieter van der Westhuizen

Die Van der Westhuizen-broers en Varesjes word ook in die uitspraak gelas om in hul persoonlike hoedanigheid Vittone se regskoste te betaal.

"Om ander mense die trustees te maak, is nie wat Joost sou wou gehad het nie," sê Vittone. Sy sê dit was 'n lang hoofproses wat haar by tye modeloos ge-

laat het. Intussen is die hofgeveg oor Joost se 2015-testament nog in die hooggeregshof in Pretoria hangend. Vittone betwis dié testament. Sy sê hul gesamentlike testament is die enigste een wat geld.

"Mense sê ek wil net Joost se geld hê, maar dit nie waaroor dit gaan nie. Ek en Joost het in ons huwelik saamgewerk om die geld te verdien," sê Vittone.

Ulrich Roux, die opdraggewende prokureur van die Van der Westhuizen-broers en Varesjes, het ook hy sal eers van sy klênte opdrag moet kry of hulle gaan appeller. Nadat uitsluit oer die testamente gegee is, kan hulle heraansoek doen om as trustees aangestel te word.

## KENNISGEWING VAN DIE PLAASLIKE REGERING

### STAD TSHWANE METROPOLITAANSE MUNISIPALITEIT VOORNEME OM LANGTERMYNSKULD AAN TE GAAN INLIGTINGSVERKLARING

Ingevolge Artikel 46(3)(a)(i) en (ii) van die Wet op Plaaslike Regering: Munisipale Finansiële Bestuur, 2003 (Wet 56 van 2003), gelees saam met Artikel 21A van die Wet op Plaaslike Regering: Munisipale Stelsels, 2000 (Wet 32 van 2000), word die volgende inligtingsverklaring in verband met langtermynskuld wat die Stad Tshwane wil aangaan, openbaar gemaak:

#### BESONDERHEDE VAN VOORGENOME SKULD

Die Stad Tshwane beoog om 'n befondsingsreëling(s) deur enigiene of meer van die volgende meganismes aan te gaan:

- Die skep van 'n munisipale skuldinstrument deur 'n genoeëde verband uit te reik.
- Die aangaan van 'n lening, hetsy in sindikaalvorm of nie, by een of meer finansiële instellings wat in Suid-Afrika as banke geregistreer is ingevolge die Bankwet, 1990 (Wet 94 van 1990).
- Die aangaan van 'n lening, hetsy in sindikaalvorm of nie, by een of meer instellings vir ontwikkelingsfinansiering, wat geregistreer is om sodanige sake in Suid-Afrika te doen.

Besonderhede, insluitende die bedrag van die voorgestelde skuld	Tot R1,5 miljard ongedekte, nie-onderskikte skuld
Doel van die voorgestelde skuld	Om gedeeltelik die program vir kapitale uitgawes te finansier
Sekuriteit wat verskaf moet word	Geen
Looptyd van voorgestelde skuld	Tot 'n maksimum van 20 jaar, soos bepaal sal word op die transaksiedatum/datum van ondertekening
Voorgestelde terugbetaling van skuld	Koepoon ("vaste/wisselende rentekoers") sal maandeliks, kwartaaliks of halfjaarlik terugverkend betaalbaar wees soos bepaal sal word op die transaksiedatum/datum van ondertekening, en kapitaal sal terugbetaal word of op die toepaslike aflossingsdatum van die skuld of deur 'n delingsreëling oor die leeftyd van die skuld.
Die verwagte totale koste van die voorgestelde skuld	Die verwagte totale koste van die voorgestelde skuld en sy terugbetalingstydperk kan slegs op die transaksiedatum/datum van ondertekening bepaal word.

#### UITNODIGING VIR OPENBARE KOMMENTAAR

Die Stad Tshwane nooi die algemene publiek uit om skriftelike kommentaar te lewer of vertoë te rig ten opsigte van die voorgestelde skuld wat die Stad beoog om aan te gaan. Enige persoon wat nie kan skryf nie, kan by die volgende adres vertoë rig, waar dit getranskribeer sal word:

David L Masimini  
Direkteur: Bestuurskantoor en Befondsingsbestuur  
Eerste Vloer, Tshwane House, Madibastraat 320, Pretoria, 0002

Kommentaar of vertoë moet aan die Hoof- Finansiële Beampte gerig word, by die volgende adres, nie later nie as 15:00 op 6 Augustus 2018; en enige navrae in verband met bovermelde moet gerig word aan:

David L Masimini  
Direkteur: Bestuurskantoor en Befondsingsbestuur  
Posbus 408, Pretoria, 0001  
Tel: 012 358 6045  
Epos: davidmasi@tshwane.gov.za

Chris K Thipe  
Afdelingshoof: Tesouriekantoor  
Posbus 408, Pretoria, 0001  
Tel: 012 358 6068  
Epos: christ@tshwane.gov.za

Dr Moeketsi Mosola  
STADSBESTUURDER



## WELKOM BY ONS NUWE TUISTE IN MENLYN



Besoek ons vandag by Penta Motor Groep Menlyn vir 'n unieke Alfa Romeo, Fiat, Fiat Professional, Jeep en Abarth ondervinding.

Die Menlyn span is tot jou diens!



PENTA MOTOR GROUP MENLYN

H/v January Masilela & Garsfonteinrylaan, Menlyn • 010 466 4032



Academy Singers from Austria perform during the 10th World Choir Games Tshwane 2018 champion held at St Alban's Cathedral. PICTURES: THOBILE MATHON/AFRICAN NEWS AGENCY/ANA

## Proud parents support choristers

VIRGILATTE GWANGWA  
virgillatte.gwangwa@iol.co.za

PROUD parents and friends gathered at the Desmond Abernethy Hall at Pretoria Boys High School yesterday to support their loved ones as they performed at the World Choir Games.

On the programme was the Mixed Youth Choir Open competition, where pupils from each school gave it their all during their performances.

In the audience was Susan Foutie from Centurion, who said it was the first time she was attending the competition, and the experience was amazing.

She was at the school to support a friend's daughters. "My friend's daughters both sing in the DP Malan High School Choir, and I must say these kids are really talented. All the choirs that sang here today have so much ability," she said.

The Mkhiti family also dedicated their day to supporting their daughter, who sang with the Willow Ridge High School Choir. Siphiwe Mkhiti said they were going to attend all the sessions, from morning to evening, as it was a proud moment for their daughter.

"These competitions mean a lot to our daughter, so we decided to dedicate this day to supporting her choir. We even went to the friendship concert at Menlyn Park," he said.

Mkhiti said the World Choir Games was like the Olympics of music, and they were happy that their children were exposed to other traditions and cultures.

He said: "The other day she came home speaking Mandarin which she learns at school, and to be able to speak that language with other Chinese learners excites her."

The category saw the performance by four of the South African choirs, two being from the City of



The Genesis Choir from the US after its performance at Pretoria Boys High in the Mixed Youth Choirs competition yesterday.

PICTURE: JACQUES NAUDE/AFRICAN NEWS AGENCY/ANA



LEFT: Juventus Children's Choir from the Czech Republic perform during the 10th World Choir Games at the St Alban's Cathedral.



RIGHT: Petri Sangare from Sweden sing their hearts out during the Musica Sacra Cappella.

## WORLD CHOIR GAMES JULY 13

**Aula Theatre, University of Pretoria**  
■ Foldore with accompaniment at 11am  
Champions competition

**Musalon, University of Pretoria**  
■ Mixed Chamber Chorus at 11.30am and  
2pm Champions competition

**Desmond Abernethy Hall, Boys High**  
■ University and College Chorus at 11.30am  
and 2.30pm Open competition

**Opera Stage, State Theatre**  
■ Pop Chorus at 2pm  
Champions competition



**ZK Matthews Great Hall, Unisa**  
■ Female Chamber Chorus at 11am  
Male Chamber Chorus at 11.30am  
Open competition

■ Female Chamber Chorus at 3.30pm  
Champions competition

■ Award Ceremony II - 1  
Details to be announced

■ Closing Ceremony Saturday  
Parade of Nations  
■ Choirs will parade from Tshwane House to  
the area opposite the Union Buildings at 3pm  
tomorrow.  
■ The closing ceremony at Sun Arena is not  
open to the public, but will be broadcast on  
kyNET from 7.30pm tomorrow.

## Events for the whole family

### Food and wine

■ Capital City Wine show, July 26 and 27,  
4pm to 9pm at The Meadow Hotel, Time  
Square. Tickets at Computicket. [www.capitalcitywineshow.co.za](http://www.capitalcitywineshow.co.za)

■ McCain Treat Friday food truck, July 28,  
10am to 2pm at Scotchman Plaza, 22  
Commissioner Street. 011 476 8270.

■ Career Expo  
■ High School Career Expo, July 27, from  
9am at Forest Hill Shopping Centre. Free  
entrance. 012 007 0917.

### Shows

■ Last chance to see AQUA the Aussie Circus  
Spectacular, Hevel Road near Centurion  
Mall. Tickets: R150 and R400. Ends Sunday.  
012 663 1702.

■ Tshwane Rea Tshwane comedy show by  
Sipho "Schoolboy" Ntuli, tomorrow at 8pm,  
at the South African State Theatre. Tickets  
R200. 012 392 400.

■ OAK Youth Theatre's Beauty and the Beast  
at the Atterbury Theatre until July 21. Tickets  
at Computicket.

### Talks

■ The Africana Society presents a walking  
tour through Melville with Nel Redelinghuys,  
July 21. Meet at Groenkloof at 9am. Booking  
essential. Kibus on 083 284 5154

### Fun Run

■ AfroFun Springsbok VashA 25km,  
10km and 5km, tomorrow at 7.20am, at  
Voortrekker Monument. Entry fee: 25krc:  
R148; 10krc: R91; 5krc: R45.

■ 3rd Annual Long Walk, run to Freedom

July 21, at Eco Boulevard, 270 Witch Hazel  
Avenue, Centurion. 21km: R91; 10km: R65;  
5km: R45. [facilitiesbmv.co.za](http://facilitiesbmv.co.za)

■ Color Run, July 21, 2pm at Pretoria  
Rugby Club, 75 Tullius Street, Groenkloof.  
R220 per person. For more information call  
082 777 5777.

■ Friends of the Zoo fun run and walk, National  
Zoo Pretoria, July 21. Fun walk starts  
at 6.30am. R25 to R40 and you can stay on  
and enjoy the zoo. 012 323 0294.

### Art

■ Oil Painting Class by Janine, tomorrow  
10am to 1pm, at Rose Cafe, Ludwig's Roses,  
Pretoria East. R350 per person including light  
breakfast and lunch. 072 259 3868.

### Holidays

■ Snow World at Menlyn, Menlyn Park  
shopping centre until July 29, from 11am  
daily. Tickets: R40 - R60. 012 471 0327.

### Outdoor

■ Wodac 2018, World of Dogs and Cats at  
Gallagher July 20 to 22. To find out more,  
[www.dogscats.co.za](http://www.dogscats.co.za) or email [dogs@cats.co.za](mailto:dogs@cats.co.za)

■ iafrica.com. 10am to 5.30pm on Friday, July  
20. 9am to 5.30pm Saturday and Sunday.  
Computicket. 011 266 3000.

### Music

■ A tribute to Neil Diamond, tonight,  
8.30pm, Rockwood Theatre, Parkview. R150  
per person. 012 368 1555.

■ The Open Warehouse presents the Cuban  
National Women's Choir, July 20, 7pm at The  
Open Warehouse. Tickets at Webtickets.  
[www.zwebtickets.co.za](http://www.zwebtickets.co.za). For more information

call 087 654 0479.

■ Unisa Music Foundation presents  
saxophonist Douglas Mackay, July 22 at  
4pm, Miriam Makeba Concert Hall, Unisa  
Muckleneuk Campus. Ticket at the door,  
R130 for adults and R100 for pensioners and  
students. 012 429 3336.

### Markets

■ Boeremark market in Moreleta Street,  
Silverton, tomorrow, 5.30am to 9.30am.  
079 897 1025.

■ Hazel Food Market, tomorrow, 8am to  
2pm, on Thomas Edison and Mackenzie  
streets, Menlo Park.

■ Greenlyn Goods Market at Greenlyn  
Village, Menlo Park, 8am to 2pm at Greenlyn  
Village tomorrow. 082 373 3517.

■ Irene at Smuts Market, tomorrow, 8.30am  
to 2pm, at Jan Smuts Museum. 012 751  
2267.

■ Irene Green Market tomorrow, 9am,  
at Jan Smuts House Museum, Irene. Call:  
082 553 5044.

■ The Cowhouse Market is on every Saturday  
and Sunday, 10am to 10pm, in Hazeldean.  
Call James Mough 072 3950154.

■ Vegan Food Fair, Sunday, 9am to 4pm at  
Kitsgag Drumming, on Tierpoort and Levis  
Road, Garsfontein. Call 072 187 2986 or  
email [veganfoodfairs@gmail.com](mailto:veganfoodfairs@gmail.com)

■ Kimad Village Market, Sunday 10am  
to 3pm, at Kimad Golf Course, Weltevire  
Road. Call 082 444 8248 or visit [www.kimadvillagemarket.co.za](http://www.kimadvillagemarket.co.za)

■ Ngwenya Country Market, Sunday from  
9am, at Ngwenya Glass Village, Muldersdrift.  
Call 082 497 6054.

■ National Antiques and Decorative Arts  
Fair, from July 20 to 22, in the Crystal Court,  
level 5, Mall of Africa. For more information  
contact Gilli Osso at 083 377 6721.

## LOCAL AUTHORITY NOTICE CITY OF TSHWANE METROPOLITAN MUNICIPALITY INTENTION TO INCUR LONG-TERM DEBT INFORMATION STATEMENT



In terms of Section 46(3)(a)(i) and (ii) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), read in conjunction with Section 21A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the following information statement is hereby made public in relation to long-term debt the City of Tshwane intends to incur.

### PARTICULARS OF PROPOSED DEBT

The City of Tshwane intends to enter into a funding arrangement(s) through any one or more of the following mechanisms:

- The raising of a municipal debt instrument through the issuing of a listed bond.
- The raising of a loan, syndicated or not, from one or more financial institutions registered in South Africa as banks in terms of the Banks Act, 1990 (Act 94 of 1990).
- The raising of a loan, syndicated or not, from one or more development finance institutions, registered to carry out such business in South Africa.

Particulars, including the amount of proposed debt	Up to R1,5 billion unsecured, unsubordinated debt
Purpose of proposed debt	To partly finance the capital expenditure programme
Security to be provided	None
Maturity of proposed debt	Up to a maximum of 20 years, as will be determined on the trade date/signature date
Proposed debt repayment	Coupon ("fixed/floating interest rate") will be payable monthly, quarterly or semi-annually in arrears as will be determined on the trade date/signature date, and capital will be repaid either on the applicable redemption date of the debt or through an amortising arrangement over the life of the debt.
The anticipated total cost of the proposed debt	The anticipated total cost of the proposed debt and its repayment period can only be determined on the trade date/signature date.

### INVITATION FOR PUBLIC COMMENTS

The City of Tshwane invites written comments or representations from the general public in respect of the proposed debt intended to be incurred. Any person who cannot write may make representations at the following address where representations will be transcribed:

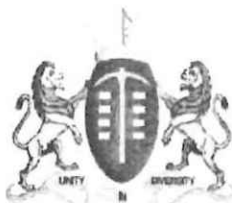
David L Masimini  
Director: Front Office and Funding Management  
First Floor, Tshwane House, 320 Madiba Street, Pretoria, 0002

Comments or representations are to be made to the Chief Financial Officer at the following address by no later than 15.00 on 6 August 2018, and any enquiries relating to the above should be directed to:

David L Masimini  
Director: Front Office and Funding Management  
PO Box 408, Pretoria, 0001  
Tel: 012 358 6045  
Email: [davidmasi@tshwane.gov.za](mailto:davidmasi@tshwane.gov.za)

Chris K Thipe  
Divisional Head: Treasury Office  
PO Box 408, Pretoria, 0001  
Tel: 012 358 6098  
Email: [christ@tshwane.gov.za](mailto:christ@tshwane.gov.za)

Dr Mooketel Mosola  
CITY MANAGER

**GAUTENG PROVINCE**PROVINCIAL TREASURY  
REPUBLIC OF SOUTH AFRICA

Enquiries: Owen Witbooi  
Tel: 011 227 9001  
Fax :0865604264  
Email: [owen.witbooi@gauteng.gov.za](mailto:owen.witbooi@gauteng.gov.za)

The City Manager  
City of Tshwane Metropolitan Municipality  
P.O. Box 408  
Pretoria  
0004

Attention: Dr. M E Mosola

Dear Sir

**RE: COMMENTS ON THE PROPOSED LONG-TERM BORROWING OF R1, 5 BILLION**

We refer to your email dated 25 July 2018 requesting our comments on the City's intention to borrow **R1, 5 billion** to partly finance the City's capital expenditure programme.

In terms of the compliance review, we have received the following documents:

- the information statement outlining the particulars of the proposed long term-loan together with the letter to the provincial treasury which was also placed on the City's website;
- a copy of the newspaper advertisement;
- a copy of the proposed repayment schedule; and
- a copy of the certification of long-term borrowing signed by the Municipal Manager and Executive Mayor.

The proposed borrowing is consistent with the approved 2018/19 MTREF budget, capital budget, Integrated Development Plan (IDP) and the Service Delivery and Budget Implementation Plan (SDBIP).



In terms of the City's ability to meet the financial obligations that will arise from the proposed long-term borrowing, we have reviewed the financial position of the City as follows:

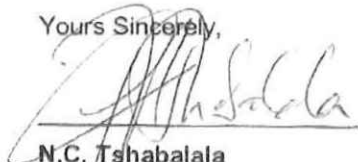
- The city indicated the proposed debt repayment to be over a 20-year period but did not indicate the revenue streams from which the intended borrowing will be funded.
- The City's cash coverage ratio is less than a month which is below the recommended National Treasury threshold of three months.
- The City's revenue collection seems to be at an acceptable level for the past five years, with an average collection rate of 94 percent and 98 percent in the 2017/18 financial year, which is above the National Treasury norm of 95 percent.
- The total outstanding debtors book as at 30 June 2018 amounted to R11, 7 billion of which R9 billion is over 90 days. In this regard, we must caution the City in terms of the impact and extra burden the proposed debt would have on future tariffs.
- The past trends indicate challenges on debt recovery as outstanding debtors rose from R6, 8 billion in 2014/15 to R7, 6 billion in 2015/16 and eventually to R9, 4 billion in 2016/17. The City continues to honour the repayment of its existing long-term borrowings with a payment of R596 million for the financial year that ended on 30 June 2018 against the opening balance of loans and bonds that amounted to R10, 6 billion as reported in the 2016/17 Annual Financial Statements.
- Provision has been made in the annual budget in the form of a sinking fund aimed at ensuring that the City is able to repay the capital on maturity.
- The debt ratio for the financial year ending 2017 was 48 percent (50% for 2016) with the municipality being slightly above the recommended ratio of 45 percent is an indication that the City reached the maximum capacity level for borrowings.
- The total outstanding creditors as at 30 June 2018 amount to R7, 1 billion which is within 30 days.
- The 2016/17 Annual Financial Statements indicates a year-on-year net increase in cash held. The 2018/19 annual budget indicate that cash held will increase by R646 million in 2018/19, R782, 5 million in 2019/20 and R754, 4 million in 2020/21.
- Although the City's current ratio shows a positive improvement year on year at 1.16:1 in 2016/17 and 1.03:1 in 2015/16, it is still below the norm of 1.5 - 2:1 as stipulated in Circular 71 of the National Treasury.



The City is hereby reminded to also consider the comments from the National Treasury and the public before finalizing of this transaction. The Accounting Officer must also the requirements of Chapter 15 of the MFMA and the Debt disclosure regulations, when considering and finalising the proposed long-term loan. In this regard, the Accounting Officer should reflect on his fiduciary responsibilities and ensure that:

- the information provided to all stakeholders is credible;
- loan repayments will be met without defaulting on other creditors payments;
- supply chain management processes adopted by council are followed; and
- the proposed loan is utilised for the intended purposes and in line with the capital budget and the related legislative requirements.

Yours Sincerely,



**N.C. Tshabalala**

**HOD: Gauteng Provincial Treasury**

**Date:** 13/08/2018

Cc: MFMA Implementation: NT

Fax (012) 315-5230

## **The City of Tshwane's responses to comments of the Gauteng Provincial Government**

- A. *We refer to your email dated on the 25 July 2018 requesting our comments on the City's intention to borrow R1,5 billion to partly finance the City expenditure programme.*

*In terms of the compliance review, we have received the following documents:*

- *the information statement outlining the particulars of the proposed long term-loan together with the letter to the provincial treasury which was also placed on the City's website;*
- *a copy of the newspaper advertisement;*
- *a copy of the proposed repayment schedule; and*
- *a copy of the certification of long-term borrowing signed by the Municipal Manager and Executive Mayor.*

*The proposed borrowing is consistent with the approved 2018/19 MTREF budget, capital budget, Integrated Development Plan (IDP) and the Service Delivery and Budget Implementation Plan (SDBIP)*

### **The City is in agreement with this comment.**

*The City indicated the proposed debt repayment to be over a 20-years period but did not indicate the revenue streams from which the intended borrowing will be funded.*

### **The revenue streams from which the loan repayments will be made are part of the operating revenue budget, which also shows an operating surplus.**

*the City's cash coverage ratio is less than a month which is below the recommended National Treasury thresholds of three months.*

### **The cash coverage ratio is one of those matrices earmarked for improvement under the Council approved Financial Sustainability Plan**

*The City's revenue collection seems to be at an acceptable level for the past five, years, with an average collection rate of 94 percent in the 2017/18 financial year, which is above the National Treasury norm of 95 percent.*

### **This is an area which the City pays attention to, the long term objective is to improve the collection levels to beyond the present performance.**

*the total outstanding debtors book as at 30 June 2018 amounted to R11,7 billion of which R9 billion is over 90 days, in this regard, we must caution the City in terms of the impact and extra burden the proposed debt would have on future tariffs.*

### **The City is currently implementing a wholesale implementation of installing prepaid meters in households and business concerns.**

*The past trends indicate challenges on debt recovery as outstanding debtors rose from R6,8 billion in 2014/15 to R7,6 billion in 2015/16 and eventually to R9,4 billion in 2016/17. The City continues to honour the repayment of its existing long-term borrowings with a payment*

*of R596 million for the financial year that ended on 30 June 2018 against the opening balance of loans and bonds that amounted to R10,6 billion as reported in the 2016/17 Annual Financial Statements.*

**The City's consumer debtors' position is being addressed through the shifting of consumers from conventional to prepaid consumption. With regard to the payment of interest and loan redemption, the City ensures that it has sufficient liquidity at all times to meet repayments when they fall due.**

*Provision has been made in the annual budget in the form of a sinking fund aimed at ensuring that the City is able to repay the Capital on maturity.*

**This is part of the City's strategy in managing its finances in the most prudent of ways.**

*The debt ratio for the financial year ending 2017 was 48 percent (50% for 2016) with the municipality being slightly above the recommended ratio of 45 percent is an indication that the City reached the maximum capacity level of borrowings.*

**In agreement with the present situation, however the Financial Sustainability Plan seeks to achieve the following ratios:**

**2017/18 FY: 40,1%**

**2018/19 FY: 38,8%**

**2019/20 FY: 37,7%**

*The total outstanding creditors as at 30 June 2018 amount to R7,1 billion which is within 30 days.*

**In agreement with the comment, the City makes every effort to comply with legislation.**

*The 2016/17 Annual Financial Statements indicate a year-on-year net increase in cash held. The 2018/19 annual budget indicate that cash held will increase by R646 million in 2018/19 R782,5 million in 2019/20 and R754,4 million in 2020/21.*

**This is the City's conservative estimate of cash balances**

*Although the City's current ratios show a positive improvement year on year at 1,16:1 in 2016/17 and 1.03:1 in 2015/16, it is still below the norm of 1.5 – 2:1 as stipulated in Circular 71 of the National Treasury.*

**The projection in terms of the Financial Sustainability Plan is that the current ratio will read 1:1,3 in 2017/18, 1:1,43 in 2018/19 and 1:1,54 in 2019/20**

*The City is hereby reminded to also consider the comments from National Treasury and the public before finalising of this transaction. The Accounting Officer must also consider the requirements of Chapter 15 of the MFMA and the Debt disclosure regulations, when considering and finalising the proposed long-term loan. In this regard, the Accounting Officer should reflect on his fiduciary responsibilities and ensures that:*

- *the information provided to all stakeholders is credible;*
- *loan repayments will be met without defaulting on other creditors payments;*

- *Supply Chain Management process adopted by council are followed; and*
- *the proposed loan is utilised for the intended and in line with the capital budget and related legislative requirements.*

**The City is in agreement and its operations are conducted in full compliance with relevant legislation.**

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**APPLICABLE PRICING SUPPLEMENT**


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**CITY OF TSHWANE METROPOLITAN MUNICIPALITY**

*(a municipality as described in section 2 of the Local Government Municipal Systems Act, 2000, duly established in terms of Notice No. 6766, promulgated in the Provincial Gazette Extraordinary of 1 October 2000 in terms of section 12(1) read with section 14(2) of the Local Government : Municipal Structures Act, 1998, as amended)*

**Issue of [Up to ZAR1,500,000,000] [•] Senior Unsecured Fixed Rate Amortising Notes**

**due [•] September 2028**

**under its ZAR5,500,000,000 Domestic Medium Term Note Programme**

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum, dated 22 June 2018, prepared by City of Tshwane Metropolitan Municipality in connection with the City of Tshwane Metropolitan Municipality ZAR5,500,000,000 Domestic Medium Term Note Programme, as amended and/or supplemented from time to time (the **Programme Memorandum**).

Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the section of the Programme Memorandum headed "*Terms and Conditions of the Notes*".

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. The Notes described herein are issued on and subject to the Terms and Conditions as amended and/or supplemented by the Terms and Conditions contained in this Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

**PARTIES**

- |    |              |   |
|----|--------------|---|
| 1. | Issuer       | City of Tshwane Metropolitan Municipality                                       |
| 2. | Dealer       | ABSA Bank Limited, acting through its Corporate and Investment Banking division |
| 3. | Managers     | N/A   |
| 4. | Debt Sponsor | ABSA Bank Limited, acting through its Corporate and Investment Banking division |



5.	Paying Agent	ABSA Bank Limited, acting through its Corporate and Investment Banking division
	Specified Address	15 Alice Lane Sandton, 2196 South Africa
6.	Calculation Agent	ABSA Bank Limited, acting through its Corporate and Investment Banking division
	Specified Address	15 Alice Lane Sandton, 2196 South Africa
7.	Transfer Agent	ABSA Bank Limited, acting through its Corporate and Investment Banking division
	Specified Address	15 Alice Lane Sandton, 2196 South Africa

#### PROVISIONS RELATING TO THE NOTES

8.	Status of Notes	Senior Unsecured
9.	Series Number	4
10.	Tranche Number	1
11.	Aggregate Nominal Amount:	
	(a) Series	[Up to ZAR1,500,000,000]
	(b) Tranche	[Up to ZAR1,500,000,000]
	The Nominal Amount in respect of the Notes shall be payable in accordance with the Schedule headed " <i>Amortisation Schedule</i> " set out in Annexure A below, with the first Nominal Amount being paid on [•] March 2018	
12.	Interest	Interest-bearing
13.	Interest Payment Basis	Fixed Rate

14.	Automatic/Optional Conversion from one Interest/Redemption/ Payment Basis to another	N/A
15.	Form of Notes	The Notes in this Tranche are listed registered Notes and are issued in uncertificated form and held by the CSD
16.	Issue Date	[●] September 2018
17.	Nominal Amount per Note	ZAR1,000,000
18.	Specified Denomination	ZAR1,000,000
19.	Specified Currency	ZAR
20.	Issue Price	100 per cent
21.	Interest Commencement Date	[●] September 2018
22.	Maturity Date	[●] September 2028; please also see Item 24 " <i>Repayment of Nominal Amount</i> " for details on the repayment of the Nominal Amount
23.	Applicable Business Day Convention	Modified Following Business Day
24.	Repayment of Nominal Amount	The Nominal Amount in respect of the Notes shall be payable in accordance with Annexure A headed " <i>Amortisation Schedule</i> " attached hereto
25.	Final Redemption Amount	100 per cent of Nominal Amount
26.	Last Day to Register	By 17h00 on [●] September and [●] March of each year until the Maturity Date
27.	Books Closed Period(s)	The Register will be closed from [●] September to [●] September and from [●] March to [●] March of each year until the Maturity Date (all dates inclusive)
28.	Default Rate	N/A

#### **FIXED RATE NOTES**

29.	(a) Fixed Rate of Interest	[up to 12.90] per cent per annum payable semi-annually in arrears
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(b)	Fixed Interest Payment Date(s)	[●] September and [●] March in each year up to and including the Maturity Date
(c)	Fixed Coupon Amount(s)	N/A
(d)	Initial Broken Amount	N/A
(e)	Final Broken Amount	N/A
(f)	Determination Date(s)	N/A
(g)	Day Count Fraction	Actual/365
(h)	Any other terms relating to the particular method of calculating interest	N/A
<b>FLOATING RATE NOTES</b>		N/A
<b>ZERO COUPON NOTES</b>		N/A
<b>PARTLY PAID NOTES</b>		N/A
<b>INSTALMENT NOTES</b>		N/A
<b>MIXED RATE NOTES</b>		N/A
<b>INDEX-LINKED NOTES</b>		N/A
<b>DUAL CURRENCY NOTES</b>		N/A
<b>EXCHANGEABLE NOTES</b>		N/A
<b>OTHER NOTES</b>		N/A
<b>PROVISIONS REGARDING REDEMPTION/MATURITY</b>		
30.	Redemption at the Option of the Issuer:	No
31.	Redemption at the Option of the Senior Noteholders:	No
32.	Redemption in the event of a failure to maintain JSE Listing and/or Rating at the election of Noteholders pursuant to Condition <b>Error! Reference</b>	Yes

**source not found.** (*Redemption in the event of a failure to maintain JSE Listing and Rating*)

33. Early Redemption Amount(s), if different from that set out in the Condition **Error! Reference source not found.** (*Early Redemption Amount(s)*), payable on redemption for taxation reasons in terms of Condition **Error! Reference source not found.** (*Redemption for Tax Reasons*), at the option of the Noteholders in terms of Condition **Error! Reference source not found.** (*Redemption Pursuant to Stopping of the Transfer of Funds in terms of Sections 38 to 40 of the MFMA*), at the option of the Issuer in terms of Condition **Error! Reference source not found.** (*Redemption at the Option of the Issuer*), at the option of the Noteholders in terms of Condition **Error! Reference source not found.** (*Redemption at the Option of the Senior Noteholders*), in terms of Condition **Error! Reference source not found.** (*Redemption in the event of a failure to maintain JSE Listing and Rating*), in terms of Condition **Error! Reference source not found.** (*Clean-Up Call Option*), or on an Event of Default in terms of Condition **Error! Reference source not found.** (*Events of Default*).

No

#### GENERAL

- |     |                                 |                            |
|-----|---------------------------------|----------------------------|
| 34. | Financial Exchange              | JSE (Interest Rate Market) |
| 35. | Additional selling restrictions | N/A                        |
| 36. | ISIN No.                        | ZAG[•]                     |
| 37. | Stock Code                      | COT04                      |
| 38. | Stabilising manager             | N/A                        |

39.	Provisions relating to stabilisation	N/A
40.	Method of distribution	Dutch Auction
41.	Credit Rating assigned to the Issuer	A1.za (Long Term) Rating as at [29 March 2018]
42.	Applicable Rating Agency	Moody's Investor Services South Africa Proprietary Limited
43.	Governing law (if the laws of South Africa are not applicable)	N/A
44.	Other provisions	N/A

**DISCLOSURE REQUIREMENTS IN TERMS OF PARAGRAPH 3(5) OF THE COMMERCIAL PAPER REGULATIONS IN RELATION TO THIS ISSUE OF NOTES**

45. Paragraph 3(5)(a)

The "*ultimate borrower*" (as defined in the Commercial Paper Regulations) is the Issuer.

46. Paragraph 3(5)(b)

The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the Notes.

47. Paragraph 3(5)(c)

The auditor of the Issuer is the Auditor-General of South Africa.

48. Paragraph 3(5)(d)

As at the date of this issue:

- (i) the Issuer has issued ZAR2,140,000,000 in Commercial Paper prior to this issuance of Notes (as defined in the Commercial Paper Regulations); and
- ii) the Issuer anticipates that it will not issue further Commercial Paper during the current financial year, ending 30 June 2019.

49. Paragraph 3(5)(e)

All information that may reasonably be necessary to enable the investor to ascertain the nature of the financial and commercial risk of its investment in the Notes is contained in the Programme Memorandum and the Applicable Pricing Supplement.

50. Paragraph 3(5)(f)  
There has been no material adverse change in the Issuer's financial position since the date of its last audited financial statements.
51. Paragraph 3(5)(g)  
The Notes issued will be listed.
52. Paragraph 3(5)(h)  
The funds to be raised through the issue of the Notes are to be used by the Issuer for the funding of its capital expenditure.
53. Paragraph 3(5)(i)  
The obligations of the Issuer in respect of the Notes are unsecured.
54. Paragraph 3(5)(j)  
The Auditor-General of South Africa, the statutory auditor of the Issuer, has confirmed that this issue of Notes issued under the Programme will not comply in all respects with the relevant provisions of the Commercial Paper Regulations.

**Responsibility:**

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that the Programme Memorandum contains all information required by law and the Debt Listings Requirements. The Issuer accepts full responsibility for the accuracy of the information contained in the Programme Memorandum and the annual financial statements and the Applicable Pricing Supplement and any amendments or supplements to the aforementioned documents, except as otherwise stated therein.

The JSE takes no responsibility for the contents of the Programme Memorandum, the annual financial statements, annual report and this Applicable Pricing Supplement of the Issuer and any amendments or supplements to the aforementioned documents. The JSE makes no representation as to the accuracy or completeness of the Programme Memorandum and the annual financial statements, the annual report or this Applicable Pricing Supplement of the Issuer and any amendments or supplements to the aforementioned documents and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the aforementioned documents. The JSE's approval of the registration of the Programme Memorandum and listing of the debt securities is not to be taken in any way as an indication of the merits of the Issuer or of the debt securities and, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.

In terms of the JSE Debt Listings Requirements, Noteholders are advised that there was no material change in the issuer's financial or trading position since the end of [30 June 2017].

As at the date of this Applicable Pricing Supplement, the Issuer confirms that the authorised Programme Amount of ZAR5,500,000,000 has not been exceeded.



Application is hereby made to list this issue of Notes on [●] September 2018.

**SIGNED** at Pretoria on this \_\_\_\_\_ day of September 2018

For and on behalf of

**CITY OF TSHWANE METROPOLITAN MUNICIPALITY**

\_\_\_\_\_

Name:

Capacity:

Who warrants his/her authority hereto

\_\_\_\_\_

Name:

Capacity:

Who warrants his/her authority hereto

**national treasury****Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA**

Private Bag x 115, Pretoria, 0001. Tel: 012 315 5850 Fax: 012 315 5230  
Email: [MFMA@treasury.gov.za](mailto:MFMA@treasury.gov.za)

The Acting City Manager  
City of Tshwane Metropolitan Municipality  
PO Box 6338  
**PRETORIA**  
0001

**Attention: Ms. Lorette Tredoux  
Mr Umar Banda**

**Fax: (012) 358 2301  
Email: [UmarB@tshwane.gov.za](mailto:UmarB@tshwane.gov.za)**

Dear Madam

**RE: COMMENTS IN TERMS OF SECTIONS 46(3)(6) AND 19(1)(d) OF THE MFMA-  
INTENTION TO INCUR LONG TERM BORROWING (R1,5 BILLION)**

Reference is made to the letter from the municipality dated 13 July 2018, received on 07 August 2018 requesting comments on the municipality's intention to incur R1.5 billion in long-term borrowing to fund capital expenditure in the 2018/19 MTREF.

We refer to our letter dated 11 December 2017 in response to the request for comments on the municipality's intention to incur R1 billion long term borrowings. It is our understanding that the municipality had not taken up this loan, during the 2017/18 financial year. We have attached a copy of our comments, for ease of reference.

Progress in adopting the financial sustainability plan during April 2018 is also acknowledged together with the support rendered by the National Treasury. Moreover, the latest credit rating, dated 29 March 2018, points to a stable outlook. It is important that the municipality continue to prioritise and accelerate the implementation of its financial sustainability plan to ensure financial recovery and sustainable service delivery, going forward.

We have noted the contents of the letter, including the certification of long term borrowing, the information statement, the repayment schedule, newspaper advert inviting comments from the public. We also refer to the 2017/18 draft annual financial statements (AFS) and the projects to be funded from proceeds of the proposed loan. We trust that the municipality will ensure that all comments received during the public participation process are amicably resolved before finalising the transaction.

Although the municipality has provided a list of capital projects, we could not ascertain which projects would be funded from the proposed borrowing through the issuance of a bond. It is important for the municipality to ensure that borrowed funds are utilised to fund revenue-generating projects that enables financial sustainability. The municipality is therefore requested to provide a list of the projects to be specifically funded from this borrowing.

We have analysed the municipality's 2017/18 draft AFS, the 2018/19 MTREF budget and provide the following comments for the municipality's consideration.

Our analysis indicates that during the 2017/18 financial year, the municipality's liquidity position was at 1.05, which is below the norm of 1.5 to 2:1. This however indicated a slight improvement when compared to the actual liquidity position of 0.84 in the 2016/17 financial year. The cash coverage ratio for the 2017/18 financial year was 1 month and is consistent with the 2016/17 financial year ratio, against a norm which ranges between 1 to 3 months. These trends indicate that the municipality may not have enough cash reserves to cover fixed monthly costs, in the event of lower actual collection rates from services rendered.

In terms of the working capital management, the analysis shows that the municipality takes 99 days to receive cash from consumers. The net debtor's days increased from 77 days in the 2016/17 financial year. The reason for the increase may be as a result of the significant increase in the gross debtor's amounts for "other fees and levies" and "interest". It must be noted that the municipality did not differentiate between exchange and non-exchange debtors for "other fees and levies", hence the total amount was included in the calculation of this ratio. Furthermore, there was also a substantial increase in the provision for impairment/write-off for debtors relating to "Water" and "General Other", which should be explained by the municipal officials. Furthermore, there was a significant write-off of the Sandspruit Works Association debtor. The latter also contributed to the increase in net debtor's days.

With regards to the creditor's payment period, our analysis shows that it takes the municipality 84 days to pay its creditors, an increase from 74 days in the 2016/17 financial year. The municipality's collection rate decreased by 1% to 90%, which is below the 95% norm. Although the collection rate is in the 90% range, the current declining collection rate coupled with the increase in net debtor's days and creditor's payment days could result in the municipality experiencing further cash flow problems in future.

There is a declining trend in the ratio for repairs and maintenance over the past 7 years. This will have a negative impact on service delivery.

The analysis of the debt service profile of the municipality indicates that a longer-term loan will have the least impact on the municipality's liquidity position. When the proposed borrowing of R1.5 billion is taken into account, the debt to revenue ratio is likely to increase by 1% from 41% in the 2016/17 financial year to 42% in the 2018/19 financial year. The capital cost of 7% is within the norm of between 6% and 8%.

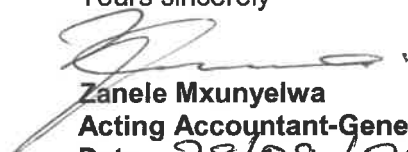
The National Treasury strongly supports responsible borrowing by creditworthy municipalities to invest in growth-supporting and revenue-generating infrastructure, including investments to renew and refurbish existing assets. In order to ensure that the municipality sustains its borrowing programme, in line with the financial sustainability plan into the future. It is recommended that closer oversight be exercised over the selection of appropriate projects over the medium term.

Further to the above, the municipality should also consider longer term periods and repayment cycles as it will assist debt service profiles in the coming years. This will also allow space for such projects to generate revenue and support improvements to the municipality's liquidity position. Therefore, the municipality should consider possible grace periods for repayment to match revenues and expenditure as required in its cash flow projections. We support the proposal that the municipality consider a longer tenor debt horizon (i.e. a minimum of 15 to 20 years), possibly structured as a amortizing/annuity long term debt.

Kindly ensure that sufficient appropriation and provision is made to ensure cash reserves are available to redeem existing and further obligations.

We trust you will be guided by the above.

Yours sincerely



**Zanele Mxunyelwa**  
**Acting Accountant-General**  
Date: 28/08/2018

Cc: MFMA Coordinator: Gauteng Provincial Treasury



## Group Financial Services Department

Tshwane House | 320 Madiba Street | Pretoria | 0001  
 PO Box 440 | Pretoria | 0002  
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The Acting Accountant General  
 National Treasury  
 Private Bag X 115  
 Pretoria  
 0001

Attention: Ms. Zanele Mxunyelwa  
 Mr. TV Pillay

Dear Madam

### **RE: COMMENTS IN TERMS OF SECTIONS 46(3)(6) AND 19(1)D OF THE MFMA: INTENTION TO INCUR LONG TERM BORROWING OF R1,5 BILLION**

Reference is made to the letter received from National Treasury (NT) dated 28 August 2018, received on the 28<sup>th</sup> of August 2018 in response to the City of Tshwane Metropolitan Municipality's (CTMM) request for comments on its intention to incur R1, 5 billion in long term borrowing to fund capital expenditure in the 2018/19 Medium Term Revenue and Expenditure Framework (MTREF)..

CTMM acknowledges all comments made in the letter and provides specific responses to some of these comments:

#### **1. Comments received from the public**

Following the publication of the Information Statement in terms of S46 of Local Government: Municipal Finance Management Act, there were no responses received from members of the public.

#### **2. List of projects to be specifically funded from the borrowing**

The list of projects comprising 98 projects approved for capital investment for the MTREF, is attached for your reference.

#### **3. Creditors payment period**

During the 2017/18 financial year the average payment periods were as follows:

86% of creditors were paid within 30 days

4% of creditors were paid after 61 days due to vendors having been blocked for payment and some not complying with the National Treasury Customer Supplier database rules.

10% of creditors were paid after 31 but before 60 days due to suppliers having changed their banking details without notifying the City on time and in some cases, being non-



compliant with the National Treasury Customer Supplier database rules. These and other issues are continuously being addressed with the City's suppliers in order to achieve maximum compliance. 49

**4. Increase in the provision for impairment/write-off for debtors relating to Water and General Other**

The City has introduced an impairment model that complies with GRAP 104 for implementation from the 2017/18 financial year.

**5. Write off of the Sandspruit Works Association Debtor**

The City has over 70 000 indigent customers and, during the month of January 2018, Council approved an indigent debt write-off amounting to R320 million. The bulk of the debt was in relation to water, since electricity is on prepaid for most indigent customers.

When the City took over SWA in July 2017, it also inherited a debt amounting to R850 million in relation to water owed by the customers from SWA's Mabopane, Winterveldt, and Garankuwa (MAWIGA), which excluded the R600 million which SWA owed CTMM. Upon the take-over of SWA, CTMM wrote-off the R600 million owed by SWA and impaired the R850 million debt inherited from SWA's customers, since most of the debt was above 120 days in arrears.

Council has also approved a rebate whereby MAWIGA customers are encouraged to pay their current account in full, every month, for the first six months in succession, and have 50% of their SWA water debt to be written off. They then continue to pay their current debt in full for another six months, in order to be eligible for the remaining 50% of their debt to be written off.

**6. Declining trend in the ratio for repairs and maintenance**

In terms of the Council approved Financial Sustainability Plan, the prescribed maintenance spend ratio of 8% of assets value, is now being implemented in the 2018/19 MTERF.

Regards

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Umar Banda CA (SA)  
GROUP CHIEF FINANCIAL OFFICER