



City of Johannesburg

URBAN INVESTMENT PARTNERSHIP CONFERENCE

27-28 August 2015

Agenda

1

Strategic Overview

2

Flagship Programmes

3

Financial Analysis

4

Treasury Management

5

Questions





City of Johannesburg STRATEGIC OVERVIEW

- During this term of office we have outlined the policy that was translated into GDS 2040



Vision

To be “a World Class African City of the Future – a vibrant, equitable African city, strengthened through its diversity; a city that provides real quality of life; a city that provides sustainability for all its citizens; a resilient and adaptive society” (Joburg 2040).

Outcomes

Improved quality of life and development-driven resilience for all.

A sustainable city which protects its resources for future generations and a city that is built to last and offers a healthy, clean and safe environment.

An inclusive, job-intensive, resilient and competitive economy that harnesses the potential of citizens’.

A high-performing metropolitan government that proactively contributes to and builds a sustainable, socially inclusive, locally integrated and globally competitive Gauteng City Region (GCR)’

Decade 1: Priorities

Priority 1: Financial sustainability and resilience

Priority 2: Agriculture and food security

Priority 3: Sustainable Human Settlements

Priorities 4, 8 and 9: Economic Growth – as constituted of:

SMME and entrepreneurial support

Investment attraction, retention and expansion

The green economy

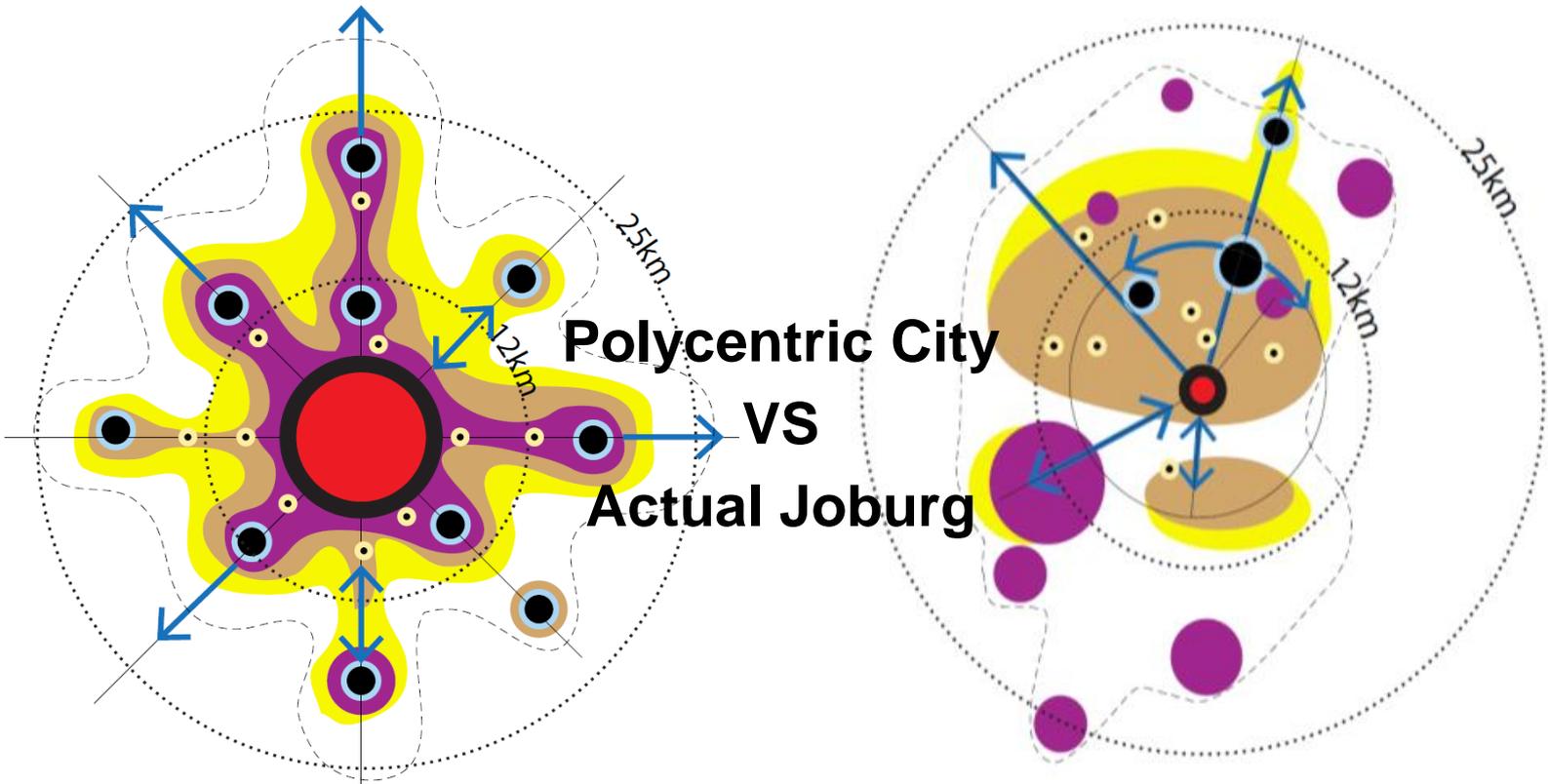
Priority 5: Engaged and active citizenry

Priority 6: Resource sustainability

Priority 7: Smart City

Priority 10: Safer City

A City Region Logic – Polycentric City Form Vs Johannesburg City Form



Johannesburg metropolitan structure is unique and inherited from its complex history. It displays inverted polycentricity, purposefully **designed** with satellites urban areas much larger than the core of the city.

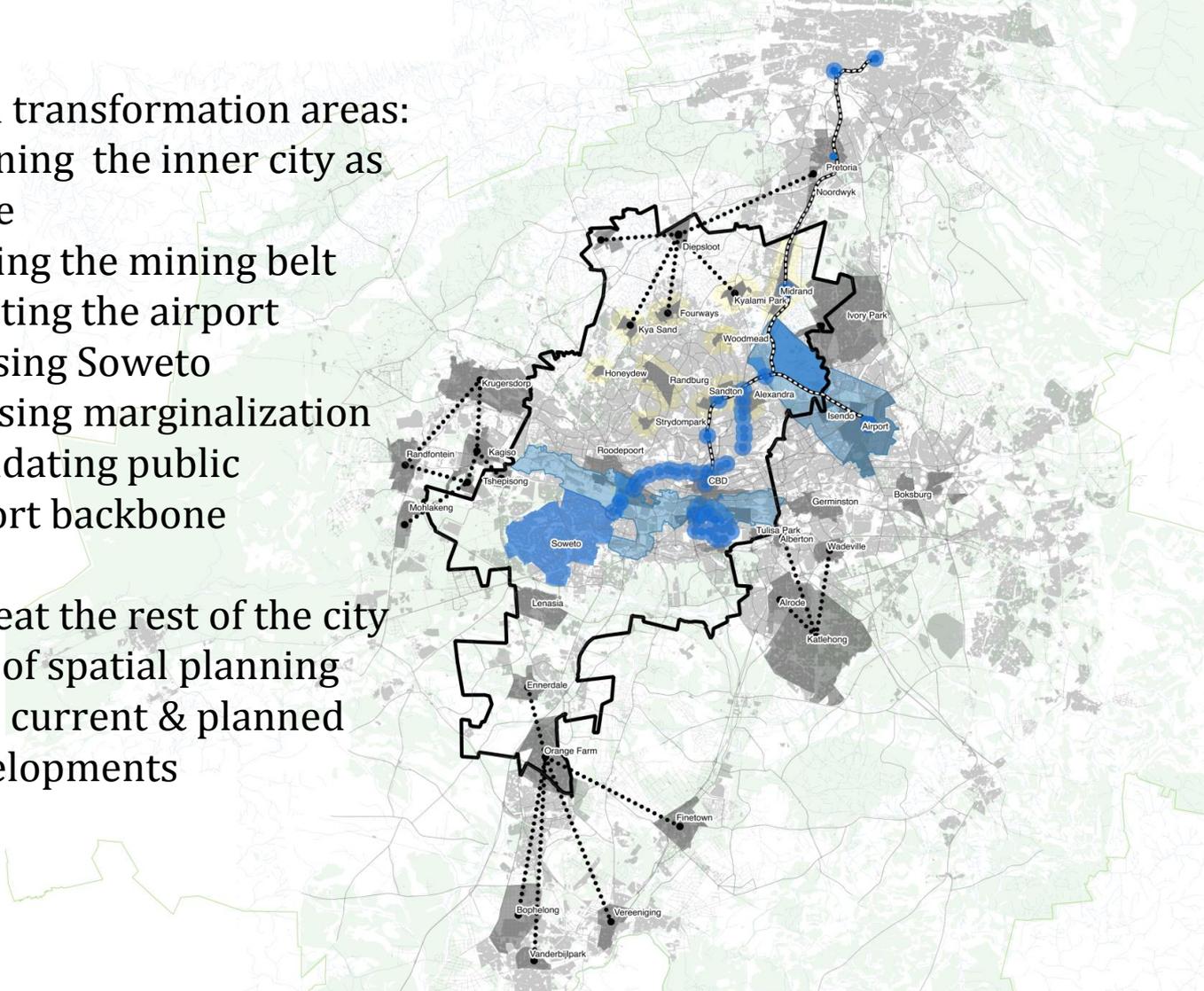


Emerging spatial concepts – key transformative areas

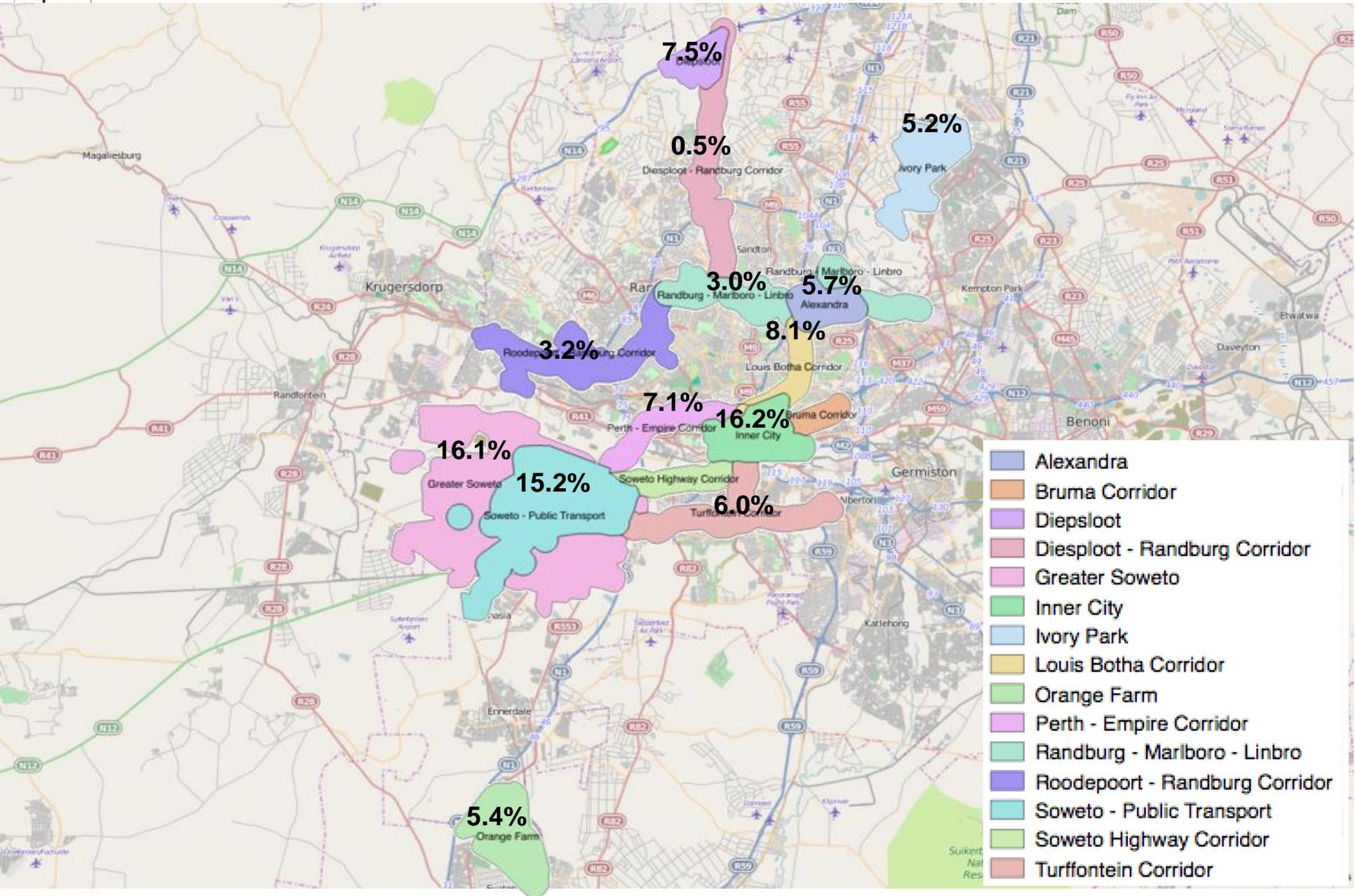
Key spatial transformation areas:

- Positioning the inner city as the core
- Unlocking the mining belt
- Connecting the airport
- Urbanising Soweto
- Addressing marginalization
- Consolidating public transport backbone

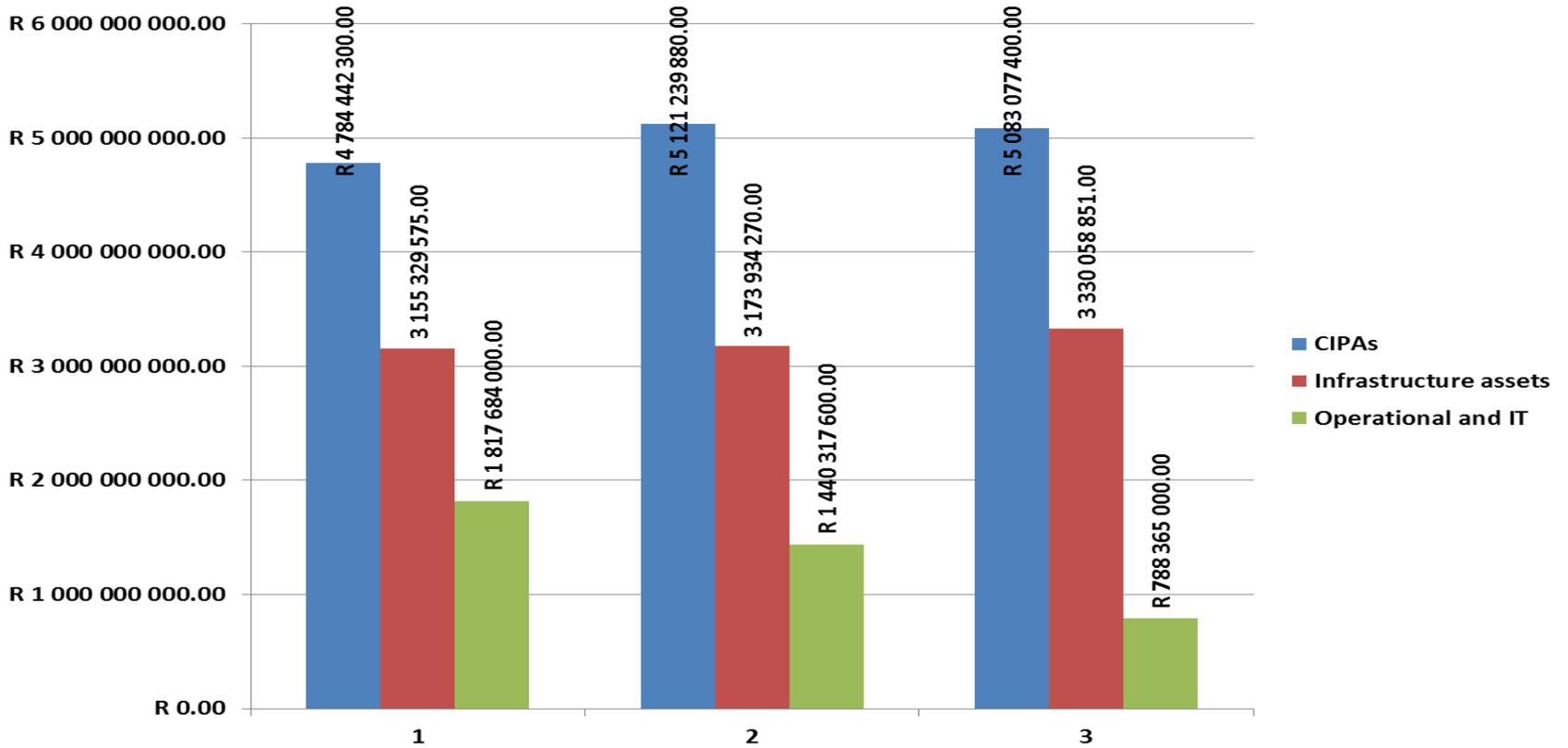
How we treat the rest of the city in support of spatial planning objectives- current & planned major developments



Capital Investment Priority Areas



High Level Capital Expenditure Split



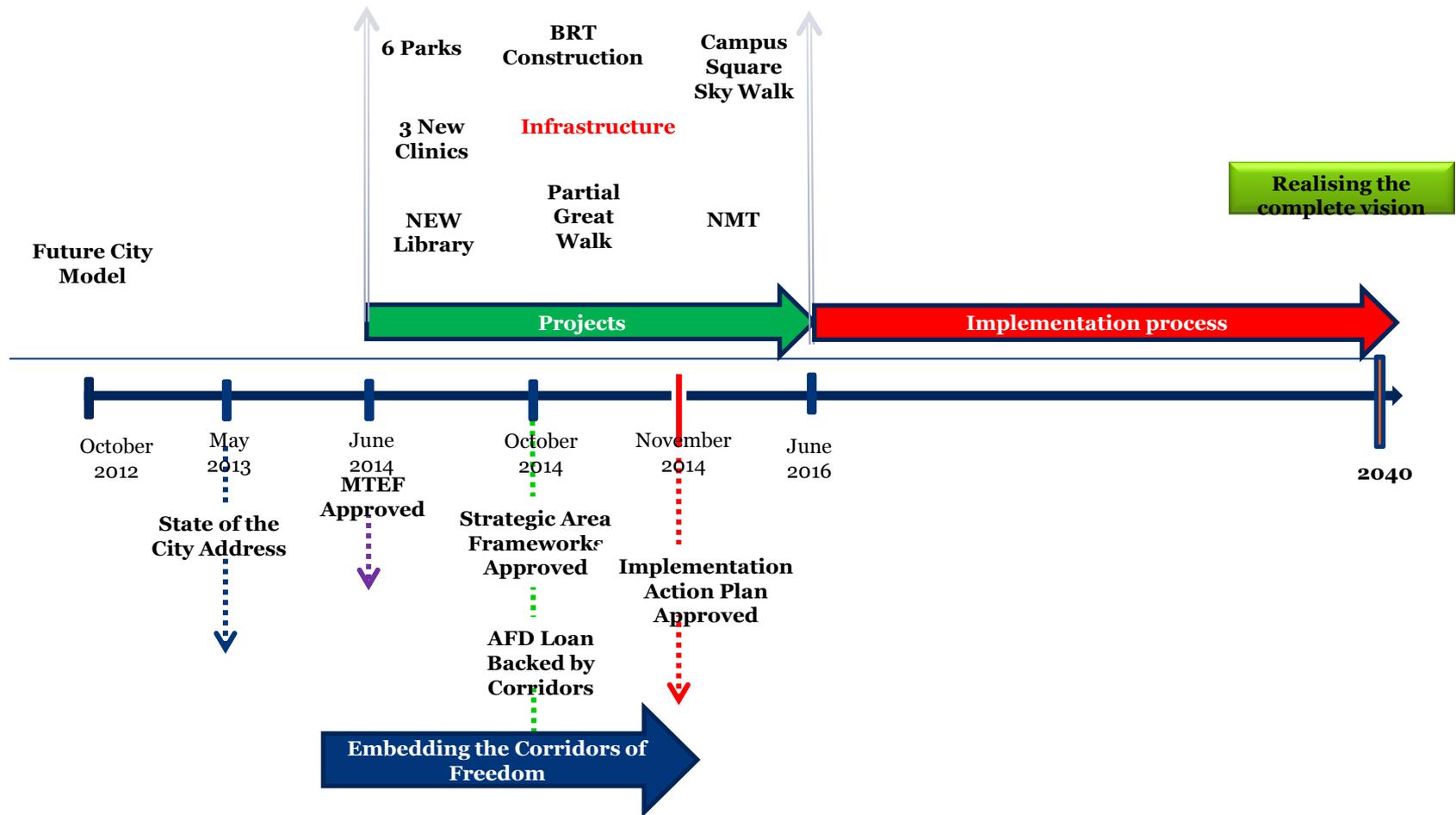


City of Johannesburg FLAGSHIP PROGRAMMES

Corridors of Freedom/Lanseria Node/ Waste to Energy

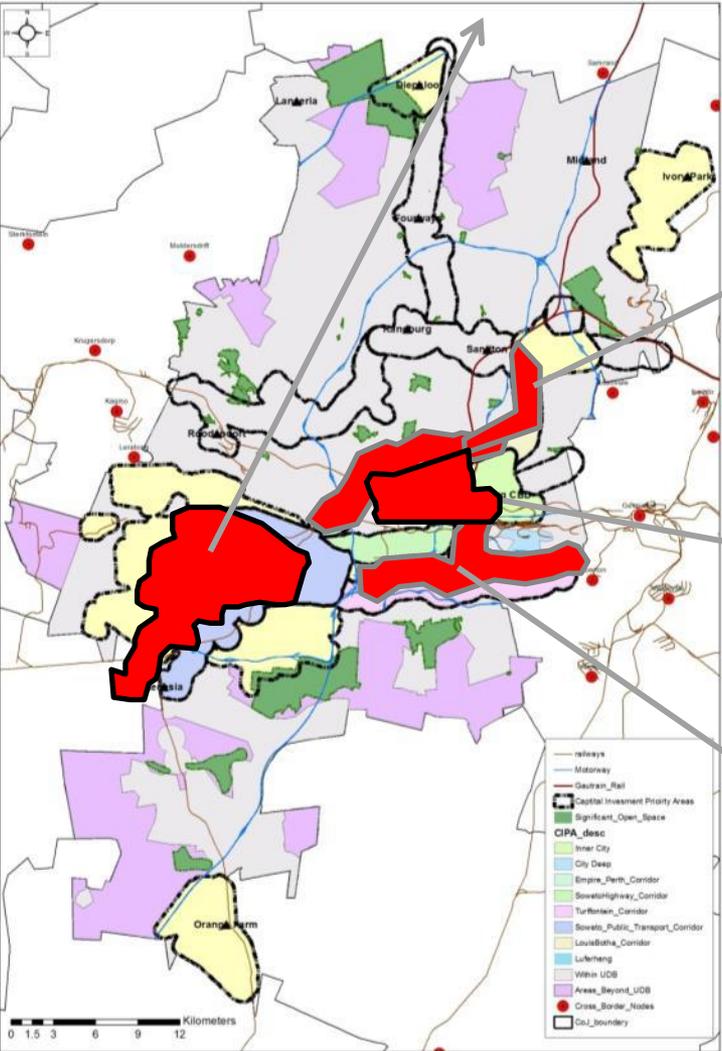
Flagship Programme 1 – Corridors of Freedom (CoF)

The figure below represents the life cycle of the Corridors namely Soweto to CBD along Empire/ Perth, CBD to Alexandra along Louis Botha, Turffontein node, Mining Belt and Soweto and in the longer term Sandton/Randburg to Diepsloot and Alexandra to Ivory Park .

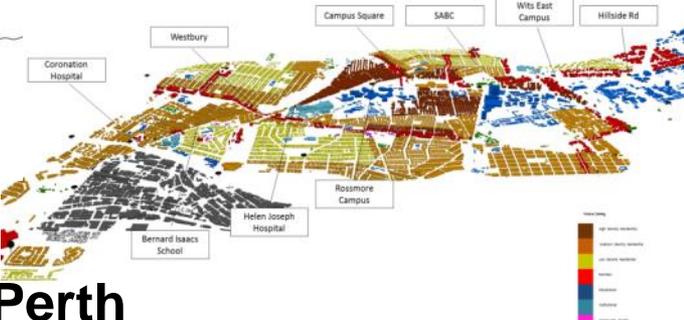
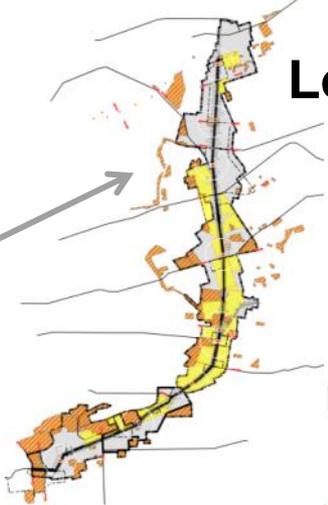


Corridors of Freedom(CoF) – Medium Term City Priorities

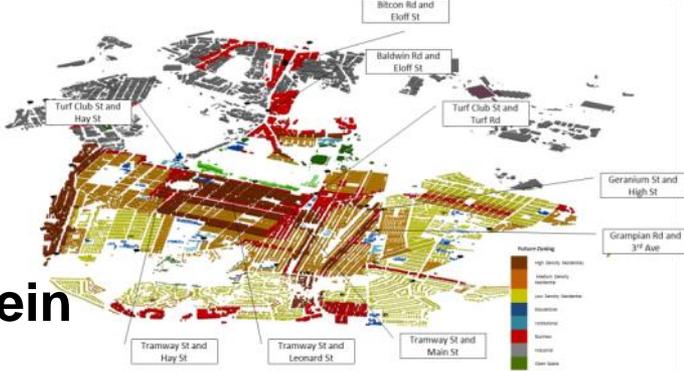
Soweto



Louis Botha



Empire-Perth



Turffontein

The table below shows that the City's capital expenditure on the Corridors of Freedom is expected to be R3.3 billion over the next three years

Corridor	2015/2016 Medium Term Revenue & Expenditure Framework		
	Budget Year 2015/2016	Budget Year 2016/2017	Budget Year 2017/2018
Turffontein	296 496 912	461 250 000	503 050 000
Louis Botha	340 218 983	273 750 000	225 884 000
Perth	259 295 404	646 006 000	342 684 532
TOTAL	896 011 299	1 381 006 000	1 071 618 532

Lanseria Node

Approximately 900Ha located around the Lanseria International Airport within City of Joburg and Mogale City Municipality.

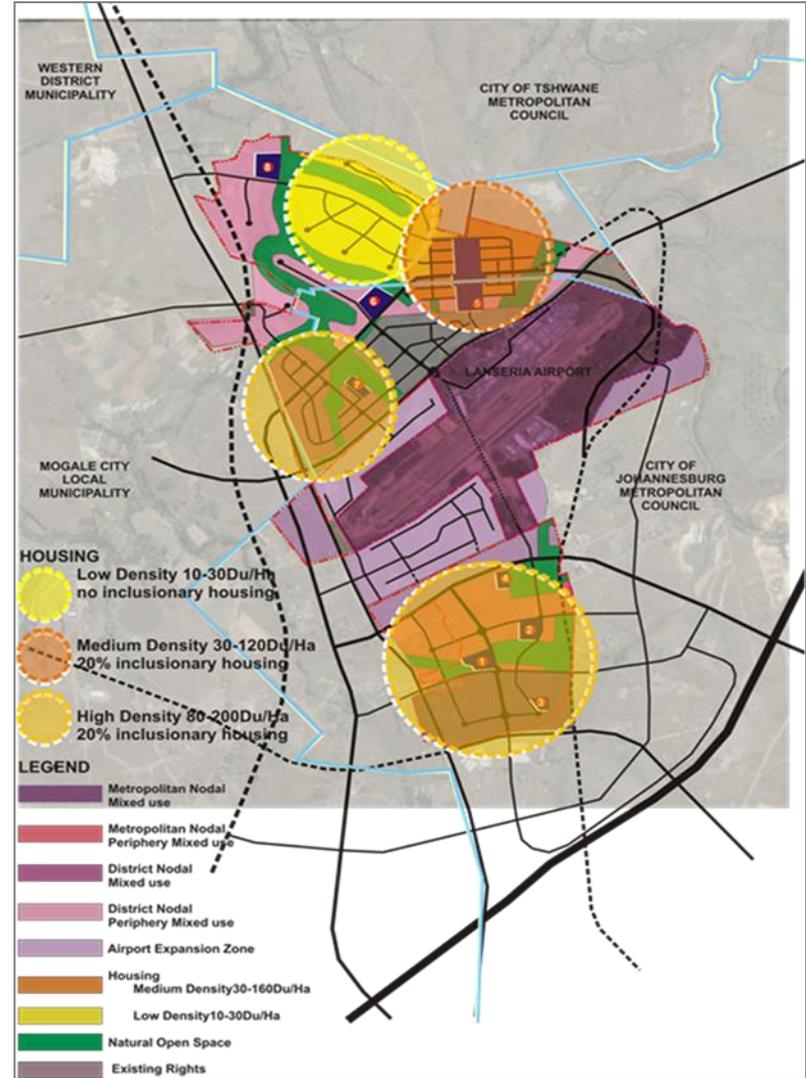
COJ Lanseria UDF 2020

Lanseria Development Framework identifies the Lanseria airport as a **major business and commercial node within the precinct.**

The development framework directs the future development of the area, effectively unlocking the inherent development opportunity, provided that its directives are met and that policy is complied with.

Mogale City SDF

Similarly the Mogale City spatial development framework identifies Lanseria airport as an opportunity, **allowing for mixed use development in the vicinity of the airport.**



Land Use Budget

A preliminary gross Land Use Budget has been established for the plan. This is in accordance with the Lanseria Development Framework 2020 of the City of Johannesburg. It is estimated that the development in total will yield the following:

- 750,000m² of retail
- 2,5 million m² of business / office
- 3,7 million m² of residential
- 1,2 million m² of industrial / commercial
- 200,000 m² of tourism / leisure
- An approximate total of 8,2 million m².

Availability of Engineering Services

Sewer

Master planning for waste water treatment has been executed on behalf of Johannesburg Water. Various pump stations, rising mains, gravity sewers and waste water treatment plants are proposed.

Water

Water master planning has been executed on behalf of Johannesburg Water for the “Lanseria Corridor”. It is envisaged to provide regional water storage reservoirs for the purposes of water reticulation.

Electricity

The Node will be serviced via the existing Lanseria substation

Rail

The proposed node is large enough to warrant rail connection. This could be located within one of the road reserves. The rail could take the form of a Gautrain Spur or an extension of one of the Spoornet lines. Feasibility study to determine alignment is being undertaken.



Project Type	Resource Sustainability
Project Name	Waste to Energy
Purpose and Objective of Project	To implement a further waste minimisation initiatives to address the problem of escalating waste generation and fast diminishing landfill space. A first of its kind project on gasification will be implemented with the added benefit of producing energy and creating jobs by 2040 and also reduce waste to landfill by 80%.
Project Structure	<p>Public Private Partnership (PPP) which will be a vehicle to fund, build, operate and maintain the infrastructure.</p> <p>The project will be ring fenced with gate fees as main source of income. The City will offer a site and guarantee feedstock waste from Material Recovery Facilities. This project is still being investigated at feasibility study level.</p>
Current Status	Detailed technical studies with regards to waste categorisation and alternative technologies are available. Financial modelling has also been undertaken.
Compliance	Environmental compliance and PPP procurement compliance is required
Risks	<p>A project of this nature has not been done in South Africa before.</p> <p>The potential outcome from NERSA, the Minister of Energy, and the impact on the IRP and REIPPP are not predictable at this stage.</p> <p>The TA also notes that there is a reliance on external parties for Project authorisations namely:</p> <ul style="list-style-type: none"> • National and Provincial Treasuries, DCOG, DOE, and DEA for MFMA views and recommendation; • DEA: Site Environmental Impact Assessment and waste storage and treatment; • NERSA and DOE: Electricity generation licence and tariff determination;



Project Type	Resource Sustainability
Project Name	Energy and Water Demand Management
Purpose and objective of project	<p>This project is intended to:</p> <ul style="list-style-type: none"> • Provide funding mechanisms for the private sector (households and business) to address energy and water demand measures. Short term funding (payback over 5 years) to be paid back from savings. <ul style="list-style-type: none"> ○ Undertake initiatives that will introduce solar geysers, retrofitting, load management, photovoltaic and electricity storage devices. ○ Introduce water saving devices, rainwater harvesting and re-use of grey water. ○ This option is also available to informal settlements where off-grid solutions are the only means to services such as water, sanitation and energy.
Project Structure	<p>Private loan funding to business and households.</p> <p>The City will promote and endorse the project. The City wants to partner with the objective to apply demand side measures but more importantly to stimulate the local economy with regards to technology development, manufacturing, installation and maintenance services.</p>
Current Status	Project still at conceptual stage
Compliance	Project still at conceptual stage
Risks	Project still at conceptual stage



City of Johannesburg FINANCIAL ANALYSIS

Our key achievements: Governance



- Unqualified audit opinion and 4 MEs with clean audit opinion
- 95% capital expenditure
- Attainment of critical ratios: current ratio, remuneration to expenditure, cash coverage
- 94% revenue collection with respect to billing
- Successful roll out of Community Based Planning in all 7 Regions, projects already in implementation in Region E
- Extensive regional based community engagements as lead by political leadership
- Intelligent Operations Centre (IOC) through automation of processes – already seeing reduction in crime in areas with cameras
- Smart City WiFi hotspots BRT Stations & Selected Stadias

- **The City of Johannesburg has achieved the following in the year 2013/2014:**
 - A strong financial position with a surplus of R4,2 billion
 - Healthy liquidity levels with closing cash balance of R5,3 billion (2013 R5,4 billion) and successful redemption of bonds and other liabilities
 - Raised R1,458 billion in bonds
 - Spent 95% of capital expenditure budget which has increased from R4,5 billion in 2012/2013 to R7,3 billion in 2013/2014
 - A progressive increase in the City's total assets by 5%
 - Increase in total income by 13%
 - Revenue collection rate of 94% was achieved for the year under review
 - Maintained its respectable credit ratings with Fitch and Moody's at AA-zaf (/F1+.ZAF) with a stable outlook and A2.za (P-1.Za) with a stable outlook respectively until year end.
 - An unqualified audit opinion in 2013/2014 and 2012/2013



Revenue



Surplus



Assets

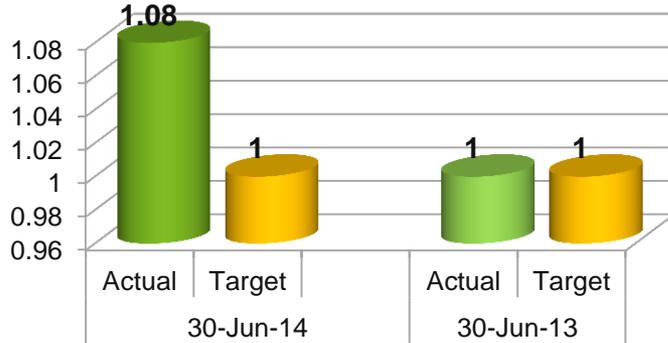


Capital
Expenditure

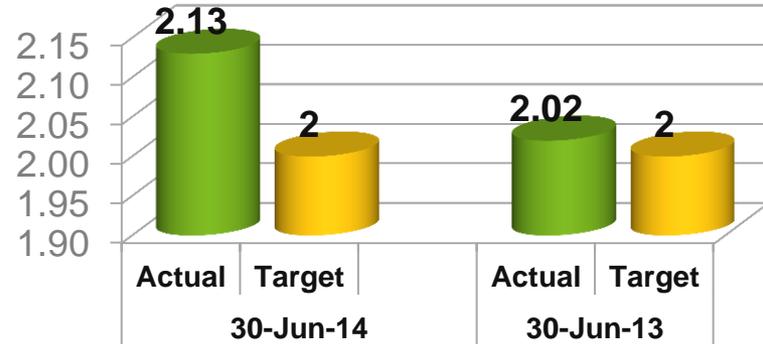
- Revenue has increased from R35 billion to R39 billion
- Surplus has increased from R3,5 billion to R4,2 billion
- Assets have increased from R60 billion to R67 billion
- Capital expenditure has increase from R4,3 billion to R7,3 billion



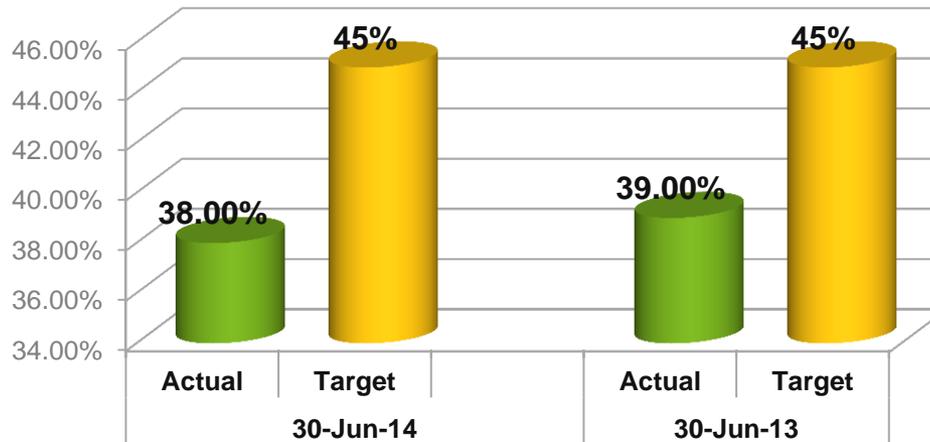
Current ratio



Solvency ratio



Debt: Revenue Ratio



Credit Rating Opinion

The City’s Credit rating has remained stable in the 2013/2014 Financial year.

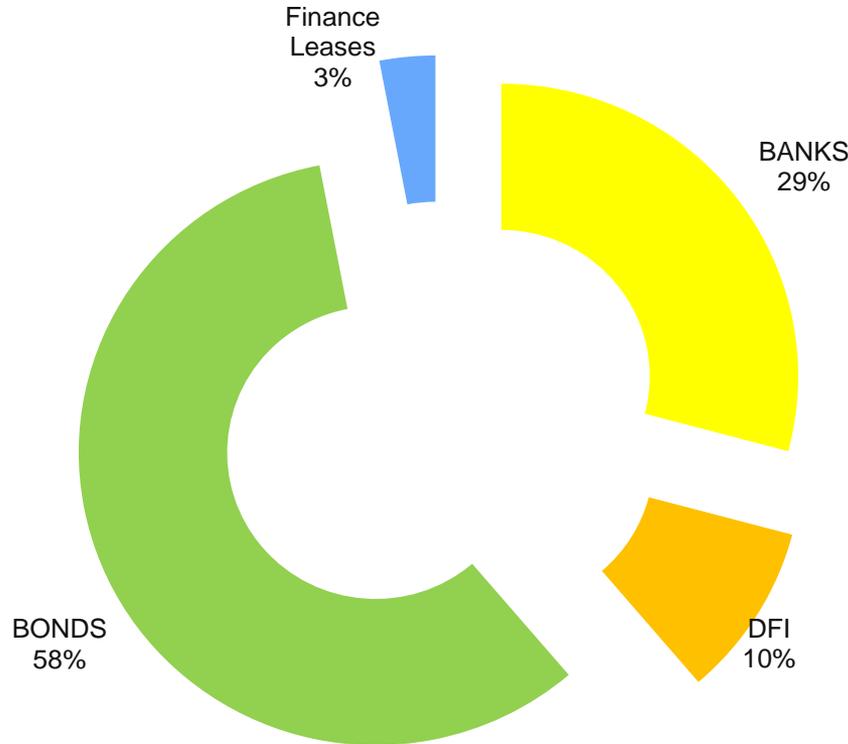
Agency	Rating	Outlook
Fitch	AA-.zaf/F1+.zaf	Stable Outlook
Moody’s	A2.za/P-1.za	Stable Outlook





**City of Johannesburg
TREASURY MANAGEMENT**

Funding Sources



- The City Successfully Raised the first ever R1,458b Green Bond in 2013/2014, which was oversubscribed by 150%
- Total liability book for 2013/14 financial year is R13,8billion
- The City has to date issued a total of about R9.9 billion institutional bonds and R2.2 billion thereof were redeemed successfully, with the outstanding amount being about R7.7 billion

Two strategies are utilized, namely:

- **3 year Budget Plan &**
- **10 year Financial Development Plan**

Budget Plan

- The plan outlines 3 year rolling Medium Term Revenue and Expenditure Framework.
- All Capital Expenditure projects are assumed to be funded within the plan.
- The plan is updated semi-annually

Financial Development Plan(FDP)

- It's a 10 year rolling financing approach plan and acts as an input to the Budget Plan.
- The FDP seeks to proactively monitor the progress on 10 year CAPEX so as to achieve a stable and sustainable finances that are able to withstand internal and external risks or increased delivery pressures.
- The plan is constantly updated with both external and internal inputs which affect capital expenditure(GDP, Revenue Sources, Collection rate, etc)

- Other funding activities the City has explored include: Project Finance (Landfill gas to energy project); Export Credit Agency “ECA” which was used to finance phase 1 A of the Bus Rapid Transit system
- In addition the funding activities previously engaged in, the City is looking into exploring in the near future other innovative funding activities such as:
 - Pooled Financing
 - Project Finance
 - Tax Increment Financing
 - Public Private Partnerships “PPP”

Funding Source	Budget 2013/14 R 000	Budget 2014/15 R 000	Budget 2015/16 R 001	Budget 2016/17 R 002
Loan Funding	1 458 631	3 276 000	3 940 000	2 506 000
CRR & Surplus Cash	3 147 604	4 530 718	2 777 803	4 059 299
Grants and Contributions	3 094 028	3 021 231	3 039 653	3 170 193
Total	7 700 263	10 827 949	9 757 456	9 735 492

- Spending R30,1 billion of the R100 billion capital program over a period of 3 years from 2012/2013 financial Year
- Launched Green bond in the 2013/2014 year in support of Climate Change Initiatives
- The City remains committed to ensuring that most of its Capital expenditure is funded through Internally Generated Funds.



Questions