



CITY OF CAPE TOWN  
ISIXEKO SASEKAPA  
STAD KAAPSTAD

## INVESTING IN THE CITY OF CAPE TOWN

28 August 2015

Making progress possible. **Together.**

# Vision, Delivery & Investment strategies

---

# The Vision

---

The City of Cape Town's aim is to create a more inclusive society by working towards greater economic freedom for all the people of the city. This requires us to increase opportunities by creating an economically enabling environment in which investment can grow and jobs can be created.

Cape Town's planning is built on 5 pillars:



**THE OPPORTUNITY CITY**



**THE SAFE CITY**



**THE CARING CITY**



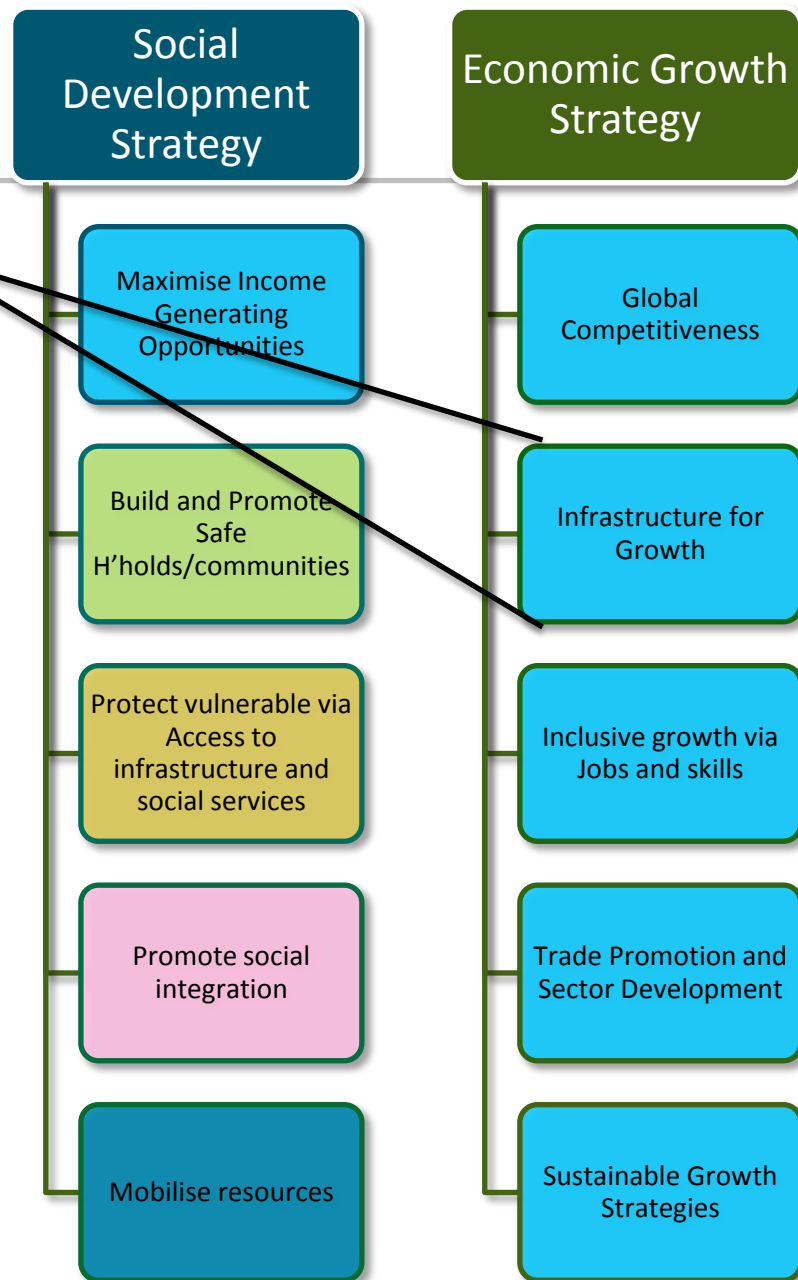
**THE INCLUSIVE CITY**



**THE WELL-RUN CITY**

# Priority Delivery Strategies

	STRATEGY	FOCUS
1	Leveraging City assets	<ul style="list-style-type: none"> <li>Investigate leverage of City's existing and potential strategic assets to encourage economic activity and generate revenue.</li> </ul>
3	Integrated Public transport	<ul style="list-style-type: none"> <li>Implement phase 2 BRT to metro south-east area &amp; N2 express and deliver on vision of "one" public transport network / single ticketing system.</li> </ul>
5	Broadband	<ul style="list-style-type: none"> <li>Partner with WCG to implement fibre-optic communication network (R1.3 billion project; 7-10 years to complete; will provide; initial focus on Khayelitsha, Mitchells Plain, Ndabeni, and the southern suburbs).</li> <li>Enter into agreements with private service providers to make spare data capacity available to disadvantaged areas at a reduced fee</li> </ul>
6	Basic service infrastructure	<ul style="list-style-type: none"> <li>Develop public infrastructure plan to coordinate future infrastructure development with broader long-term socio-economic planning priorities.</li> <li>Develop strategic asset register that informs infrastructure asset management programme (IAMP) and reduces long-term costs.</li> <li>Investigate innovative financing models</li> </ul>



# Current Investment Strategy

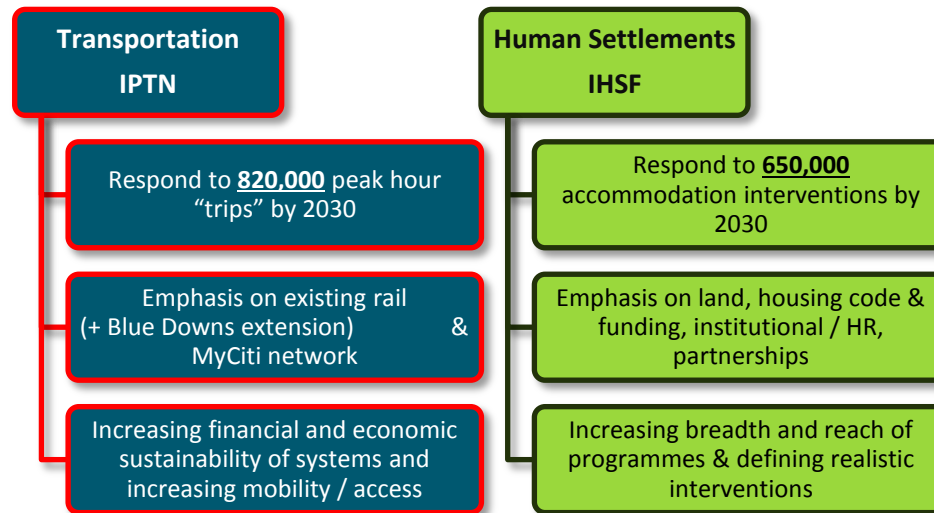
---

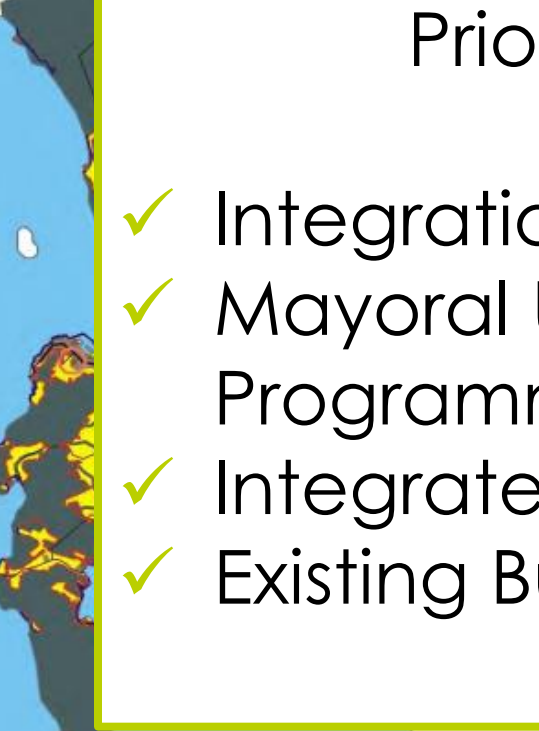
- ✓ **The City's budget supports focus on existing built footprint of the city and laying foundation for promoting private sector investment in priority corridors**
- 1. Infrastructure led growth – maintaining consistent prioritisation of **Public Transport** and **Broadband** Investments
- 2. Basic services – informal settlements & backyarders
- 3. New human settlement programme & land acquisition
- 4. Maintaining balance between growth and **renewal** – addressing infrastructure risks
- 5. Emphasis on sustained **stabilisation**: Increased allocations to Safety & Security
- 6. Investment into systemic enhancements to improve City's ability to spend growing capital budget

# Investment Strategy looking forward: Transit Oriented Development

---

1. Progressive investment alignment across government and in space
2. Public Transport & Human Settlement development alignment
3. Integrated Human Settlement re-think
4. A pipeline of Catalytic Investment Opportunities





Legend

- Natural assets
- Growth direction arrows

# Priority

- ✓ Integration
- ✓ Mayoral Urban Programme
- ✓ Integrated
- ✓ Existing Built

## Priority Investment Zones:

- ✓ Integration Zones
- ✓ Mayoral Urban Regeneration Programme Areas
- ✓ Integrated Public Transport Network
- ✓ Existing Built Footprint

- [illegible]

# Mayoral Urban Regeneration Programme Areas

# Investment Priorities

---



CITY OF CAPE TOWN  
ISIXEKO SASEKAPA  
STAD KAAPSTAD



# Priority Investments Underway: Infrastructure: Public Transport



With over 5 years since IRT bus operations were introduced in the City of Cape Town what is it that we need to keep the same, improve on and do fundamentally differently.

Passengers are tired of inferior services and deserve better public transport

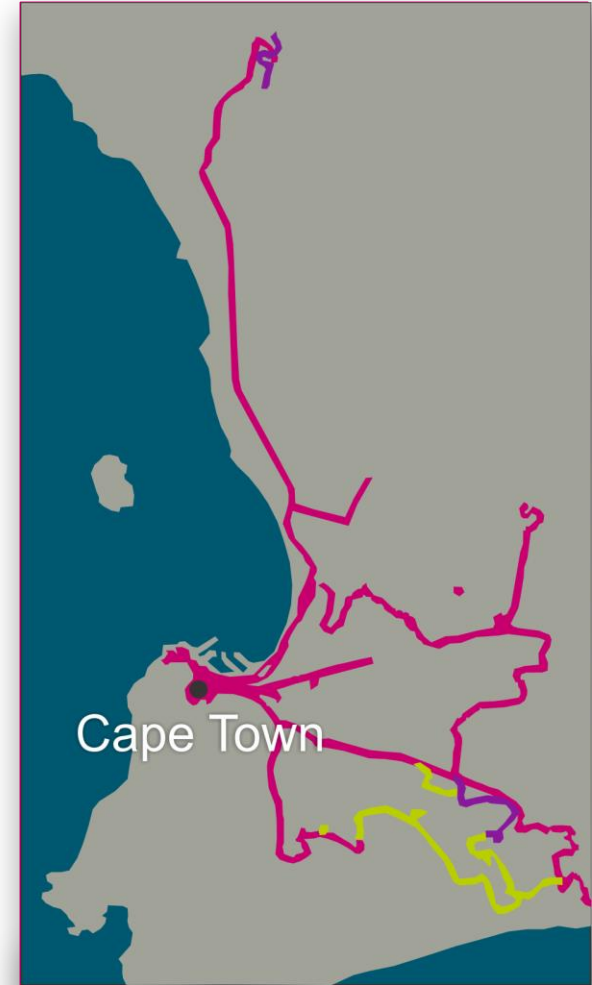
**Our focus in Cape Town is to achieve public transport that is safe, reliable, rapid, comfortable and affordable by using the challenges faced as learning experiences and finding opportunities for improving service delivery**



# Priority Investments Underway: Infrastructure: Cape Town's Fibre Optic Broadband Network

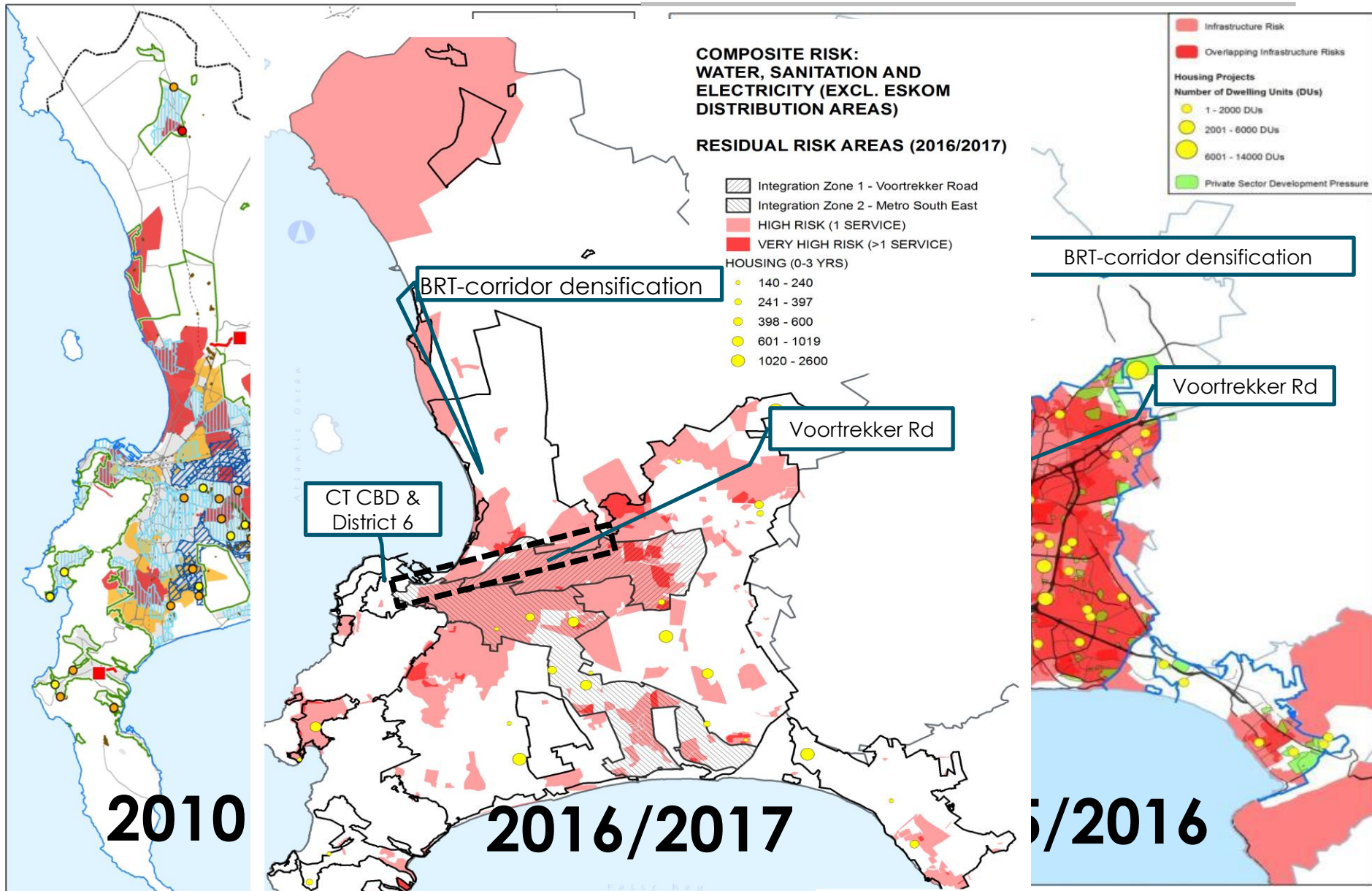
Building the biggest open access fibre optic network in Africa:

- Municipally-owned infrastructure which is scalable to match current and future needs of the city
- The City of Cape Town has constructed and now owns 789 km of optic fibre cable
- Excess capacity is available to 3<sup>rd</sup> party ISPs to bring down the costs of communications
- 8 licensed 3<sup>rd</sup> party service providers already utilising the network
- Plan to connect to West African Cable System



# Priority Investments Underway: Infrastructure:

## Progressive removal of infrastructure risks





# Priority Investment Corridor: Voortrekker Road

## 1. Greatest Accessibility

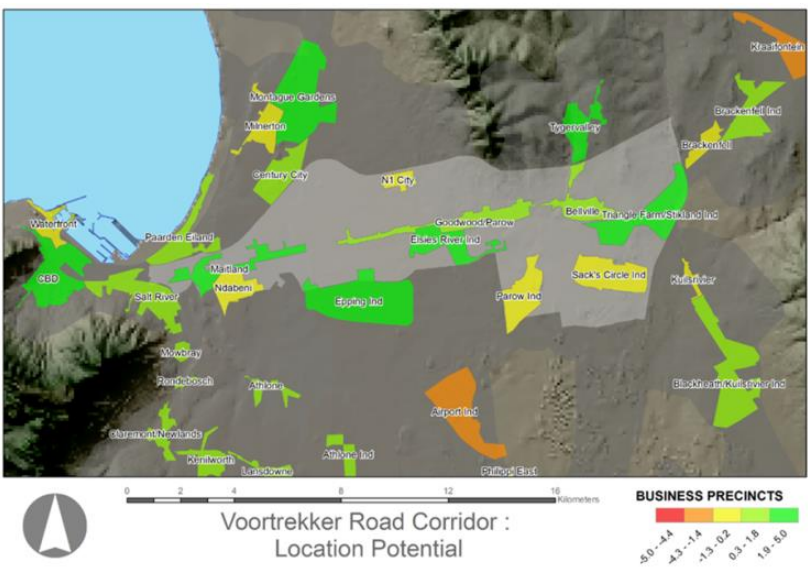
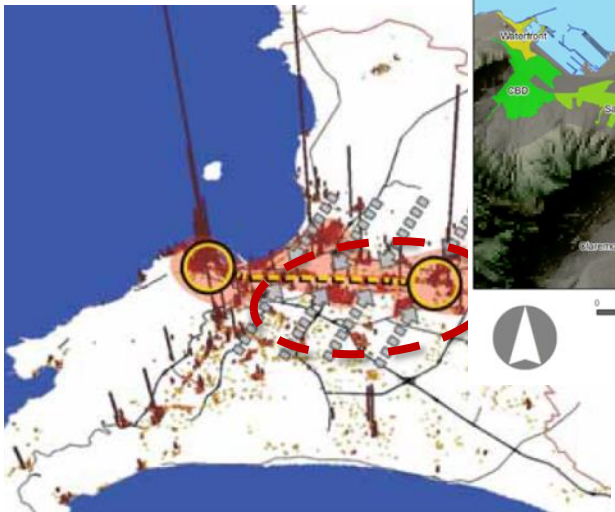
- Central location in metropole
- Public transport access and connectivity

## 2. Greatest Number of Job Opportunities

- ± 183 000 work spaces
- Retention of jobs (blue-collar)
- Some underperforming areas

## 3. Greatest economic opportunities

- Proximity:
  - economic infrastructure
  - regional markets
  - household consumers
  - skills catchments
- Industrial agglomeration



Location Potential of Business Precincts

## 4. Greatest opportunity for residential intensification

- Relatively low densities
- Spare capacity:
  - Infrastructure;
  - Social facilities
  - Unused development rights
  - Undeveloped land (state owned & para-statal)
- Social Housing Restructuring Zone



Access to Road and Rail Infrastructure

# Flagship Investment Opportunities under development: Property

---

**Bulked up,  
mixed use  
transit  
oriented  
development:**

**570 000 m<sup>2</sup>**

**Residential: 20%**

**Public Institution:  
20%**

**Commercial: 35%**

**Retail: 12%**

**Light Industry: 7%**

**ARTS 6%**



# Cape Town's Investment Readiness

---

# Client Satisfaction:

## Dedicated to creating an enabling environment for business

---

Results from Customer Satisfaction Survey 2013/14:

- **88%** of businesses said overall the City's performance was good, very good or excellent
- **91%** of businesses said City service provision was good, very good or excellent
- **87%** of businesses said their trust in the City was fairly strong, very strong or extremely strong
- **83%** of businesses rated Cape Town as "very good" or "excellent" in terms of the city as a business tourist destination. Confirmation of confidence that businesses have in the City as a favourable place to do business.



# 2015 Financial Overview

---

- The City has once again achieved an annual result consistent with its long term goals of financial and economic sustainability, and this considering changes in consumer behaviour due to the drive for reduced water and electricity consumption levels
- This is the City's 4<sup>th</sup> completed year of its current 5 year IDP plan in which it has exceeded its projected internal financial performance indicators
- The City has sustained positive liquidity and cash flows, which is indicative of public confidence and consumer resilience, and effective cash flow management
- The City's balance sheet remains strong with evident credibility as reflected in its credit rating and appeal to the investor market
- The City's strategy in containing consumer debt has remained positive



# Financial Highlights at a Glance

(figures in R millions)

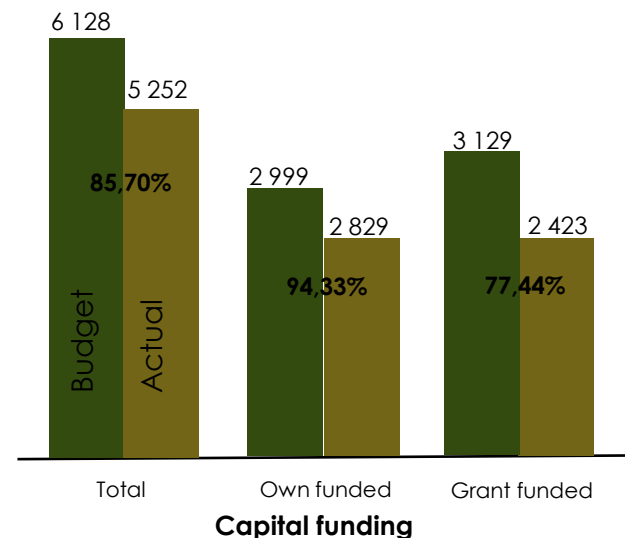
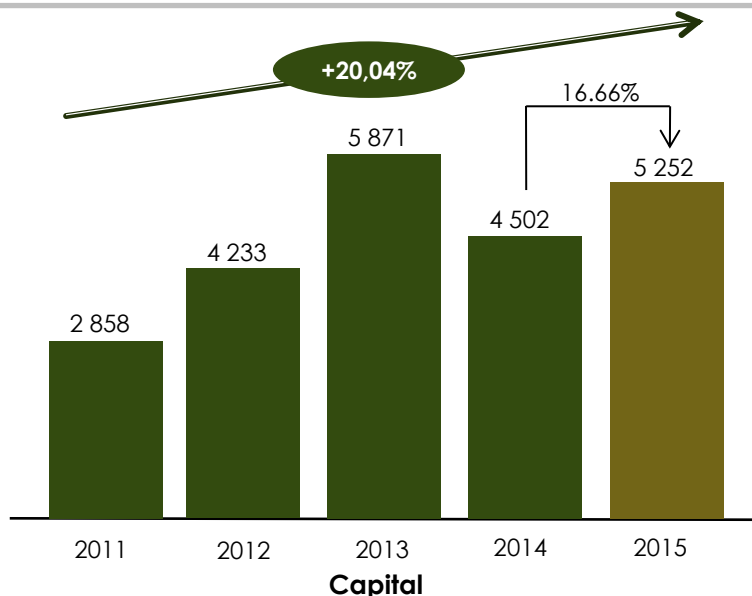
	Financial performance	Actual	Budget	% achieved
Statement of Financial Performance	Operating revenue	29 250	29 026	100.77
	Year on year growth %	12.50	12.91	
	Operating expenditure	27 393	29 281	93.55
	Year on year growth %	7.47	12.74	
	Growth differential	5.19	.14	
Capital	Capital expenditure	5 252	6 128	85.70%
	Financial position	2015	2014	
Statement of Financial Position	Debtors (net)	5 313	4 718	
	Cash and Investments	8 341	7 874	
	Borrowings	6 761	7 034	



CITY OF CAPE TOWN  
ISIXEKO SASEKAPA  
STAD KAAPSTAD

# Financial Highlights at a Glance – Capital expenditure

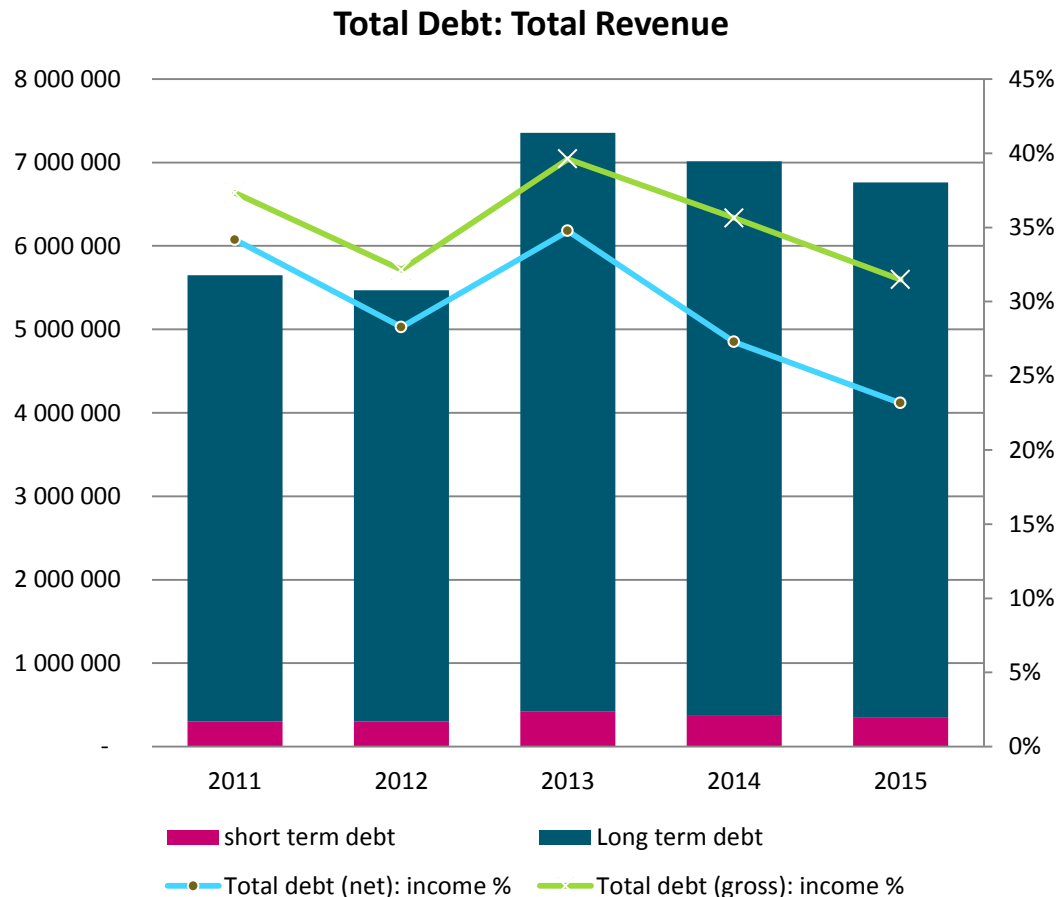
(figures in R millions)



- City's capital spend was 85,70% (2014: 80,23%)
  - The underspend was mainly in the areas of Transport which remains challenging due to an ever changing business environment, and also Human settlements because of community dynamics
  - In excess of R22 billion has been spent over the 5 year period and funded as follows
    - Grant funding R11 261 m
    - Own funding R11 453 m
- External loans of R2.4 billion were taken up over the period

- Over R2.165b (2014: R2.153b) spent on cash generating infrastructure assets
  - Electricity R952m (2014: R1.193b)
  - Water and sanitation R985m (2014: R823m)
  - Waste management R228m (2014: R137m)
- Transport and roads R1.218b (2014: R1.113b) including the rollout of the IRT
- Human settlement R962m (2014: R564m)
- Information systems and technology R301m (2014: R197m)
- Funding for selected underspent projects amounting to R678m has been rolled over. The January 2016 adjustments budget will consider further roll overs to be approved by NT/PT from conditional grants

# Financial Highlights at a Glance – Loan debt



- Total debt: total realistic revenue ratio is 31,48% (2014: 35,54%) and above the internal benchmark of 35%. Should the sinking fund be taken into account the ratio would be 23,16% (2014: 27,27%)
- The repayment of the City's three bonds, amounting to R4.2b, has been guaranteed by once-off monetary deposits, totalling R1.5b
- No loans were taken up during the 14/15 fin year resulting in savings of more than R130m
- Overall debt profile well within lenders' financial covenants

# Financial Highlights at a Glance

Selected key ratios		2015	2014
	Adjusted liquidity ratio (:1)	0.9	0.9
	Cost coverage ratio (:1)	1.89	1.84
	Debt coverage by own revenue(:1)	4.89	4.13
	Cash interest coverage (:1)	7.8	5.6
	Cash generated from operations / revenue	20.76%	17.77%
Credit rating		2015	2014
	Credit rating	A1	Aa3
Debtors payment ratio		2015	2014
	As per AFS	95.64%	96.35%
	As per National Treasury	96.68%	97.22%

# Funding Strategy: Borrowing

---

- The City prefers balance sheet as opposed to project funding for the following reasons
  - Projects can be prioritised in terms of the City's needs & plans and not ad hoc funding availability
  - Costs can potentially be negotiated in terms of better cost structures
  - Potentially less onerous covenants and other terms and conditions
- Better and more flexible cash flow management
- Internal key indicators are set in place to maintain strong balance sheet position and credit rating
- Annuity as opposed to bullet structured instruments to minimise idle cash in the creation of sinking funds and to ensure a more incremental budgeted tariff growth
- Loan tenors aligned to the useful lives of the assets as far as possible to maximise equitable cost allocation

# Conclusion

---

# Hot off the press

---

On 29 July 2015 the City of Cape Town's Full Council resolved that:

**C 11/07/15**

## **FUNDING TO SUPPORT THE CAPITAL PROGRAMME**

### **RESOLVED that:**

- (a) authority be granted to commence a process, as set out in Section 46 of the Local Government: Municipal Finance Management Act (MFMA), Act 56 of 2003, for taking up external loan funding of up to R2 billion to finance the capital programme:**
  - (i) subject to a competitive process being concluded;**
  - (i) a report be submitted on the preferred bidder for Council approval in terms of Section 46 of the MFMA.**
- (a) authority be granted to commence a process, as set out in Section 45 of the MFMA, to obtain a short-term credit facility of up to R1 billion in the 2015/16 financial year and a report be submitted for Council approval.**

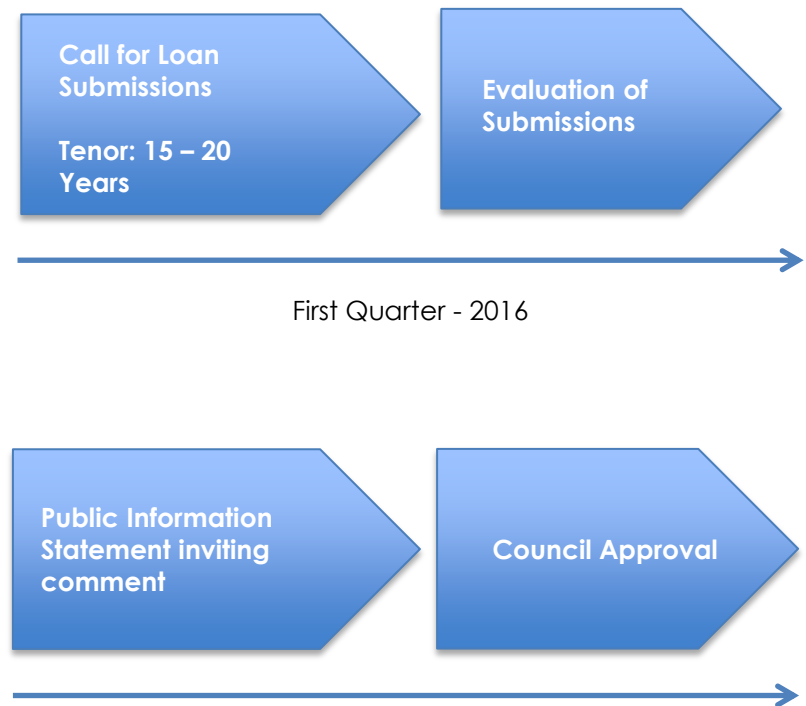
# Procedure and timelines

- Short-term Debt



The short-term debt will be used as bridging finance whilst negotiating the taking up of long-term loans

- Long-term Debt





# In Conclusion

---

## **The opportunity and safe city**

The City continues to secure through careful planning and governance an environment attractive to investors and which provides for the wellbeing and security of its citizens

## **The inclusive and caring city**

The City's social programmes and investments continue to enhance social cohesion and community life

## **The well-run city**

The City has maintained its vested public image of sound financial management and governance



CITY OF CAPE TOWN  
ISIXEKO SASEKAPA  
STAD KAAPSTAD

**Thank You**

Making progress possible. Together.