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
Priority 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
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
City of Johannesburg
FLAGSHIP PROGRAMMES
Corridors of Freedom/Lanseria Node/ Waste to Energy
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

[Map showing locations of Soweto, Louis Botha, Empire-Perth, and 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.

<table>
<thead>
<tr>
<th>Corridor</th>
<th>2015/2016 Medium Term Revenue &amp; Expenditure Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget Year 2015/2016</td>
</tr>
<tr>
<td>Turffontein</td>
<td>296 496 912</td>
</tr>
<tr>
<td>Louis Botha</td>
<td>340 218 983</td>
</tr>
<tr>
<td>Perth</td>
<td>259 295 404</td>
</tr>
<tr>
<td>TOTAL</td>
<td>896 011 299</td>
</tr>
</tbody>
</table>
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:

- 750,000 m² 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.
## Flagship Programme 3 – Waste to Energy

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Resource Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Name</td>
<td>Waste to Energy</td>
</tr>
<tr>
<td><strong>Purpose and Objective of Project</strong></td>
<td>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%.</td>
</tr>
<tr>
<td>Project Structure</td>
<td>Public Private Partnership (PPP) which will be a vehicle to fund, build, operate and maintain the infrastructure. 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.</td>
</tr>
<tr>
<td>Current Status</td>
<td>Detailed technical studies with regards to waste categorisation and alternative technologies are available. Financial modelling has also been undertaken.</td>
</tr>
<tr>
<td>Compliance</td>
<td>Environmental compliance and PPP procurement compliance is required</td>
</tr>
</tbody>
</table>
| Risks                | A project of this nature has not been done in South Africa before. The potential outcome from NERSA, the Minister of Energy, and the impact on the IRP and REIPPPP are not predictable at this stage. The TA also notes that there is a reliance on external parties for Project authorisations namely:  
  • 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
This project is intended to:
- 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.
  - 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
Private loan funding to business and households. 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.

### Current Status
Project still at conceptual stage

### Compliance
Project still at conceptual stage

### Risks
Project still at conceptual stage

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**Flagship Programme 3 – Waste to Energy**
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 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 increased from R4.3 billion to R7.3 billion
### Prudential Ratios

#### Current ratio

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Jun-14</td>
<td>1.08</td>
<td>1</td>
</tr>
<tr>
<td>30-Jun-13</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

#### Solvency ratio

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Jun-14</td>
<td>2.13</td>
<td>2</td>
</tr>
<tr>
<td>30-Jun-13</td>
<td>2.02</td>
<td>2</td>
</tr>
</tbody>
</table>

#### Debt: Revenue Ratio

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Jun-14</td>
<td>38.00%</td>
<td>45%</td>
</tr>
<tr>
<td>30-Jun-13</td>
<td>39.00%</td>
<td>45%</td>
</tr>
</tbody>
</table>
The City’s Credit rating has remained stable in the 2013/2014 Financial year.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Rating</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitch</td>
<td>AA-.zaf/F1+.zaf</td>
<td>Stable Outlook</td>
</tr>
<tr>
<td>Moody’s</td>
<td>A2.za/P-1.za</td>
<td>Stable Outlook</td>
</tr>
</tbody>
</table>
City of Johannesburg
TREASURY MANAGEMENT
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 R13,8 billion.

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)
Below is an illustration of the interaction between Budget and FDP. The objective is to make sure that Financial Ratio targets are maintained.

### Capital expenditure

<table>
<thead>
<tr>
<th></th>
<th>Actuals</th>
<th>Adj Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers recognised - capital</td>
<td>34%</td>
<td>25%</td>
</tr>
<tr>
<td>Public contributions &amp; donations*</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Borrowing</td>
<td>43%</td>
<td>30%</td>
</tr>
<tr>
<td>Internally generated funds</td>
<td>20%</td>
<td>42%</td>
</tr>
<tr>
<td><strong>Total capex</strong></td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Diversified Financing Activities

- 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”
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.

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