



# City of Johannesburg Investor Roadshow 2022

# Agenda

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1

Political Overview

2

Strategic Overview

3

Financial Analysis

4

Treasury Management



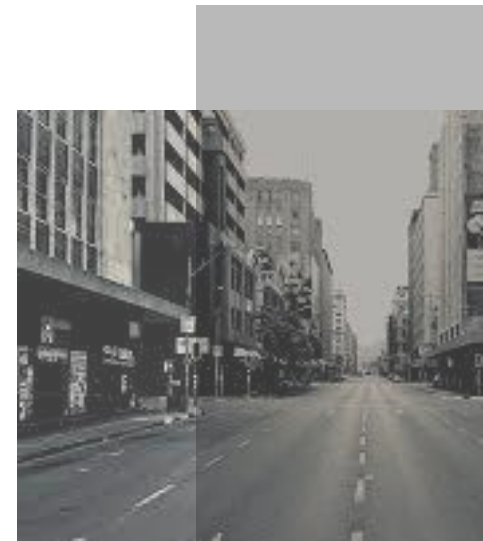


**Political context Presentation to Investors  
by MMC Finance: Cllr Julie Suddaby  
April 2022**

# Political context – Current Council Composition



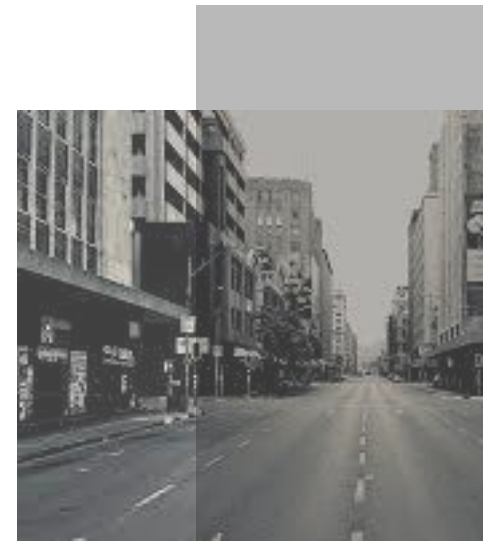
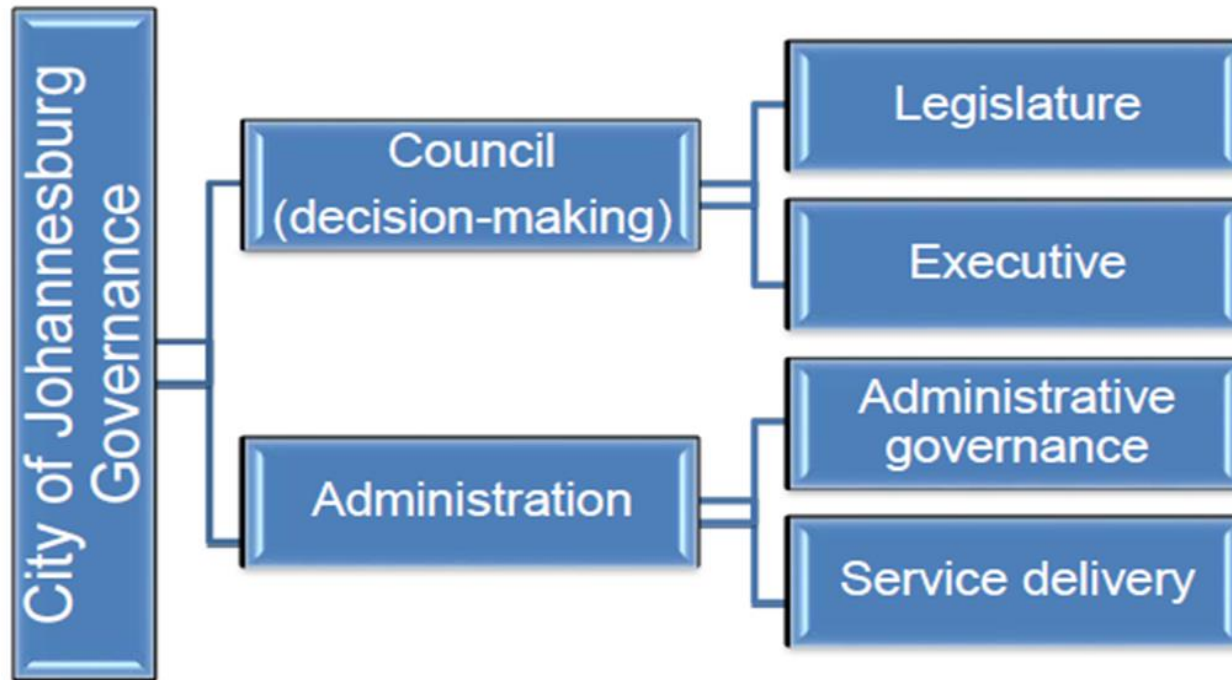
- On the 22<sup>nd</sup> of November 2021, a new mayor was elected after the local government elections.
- A Multi-Party Government (MPG) was formed and it hit the ground running.



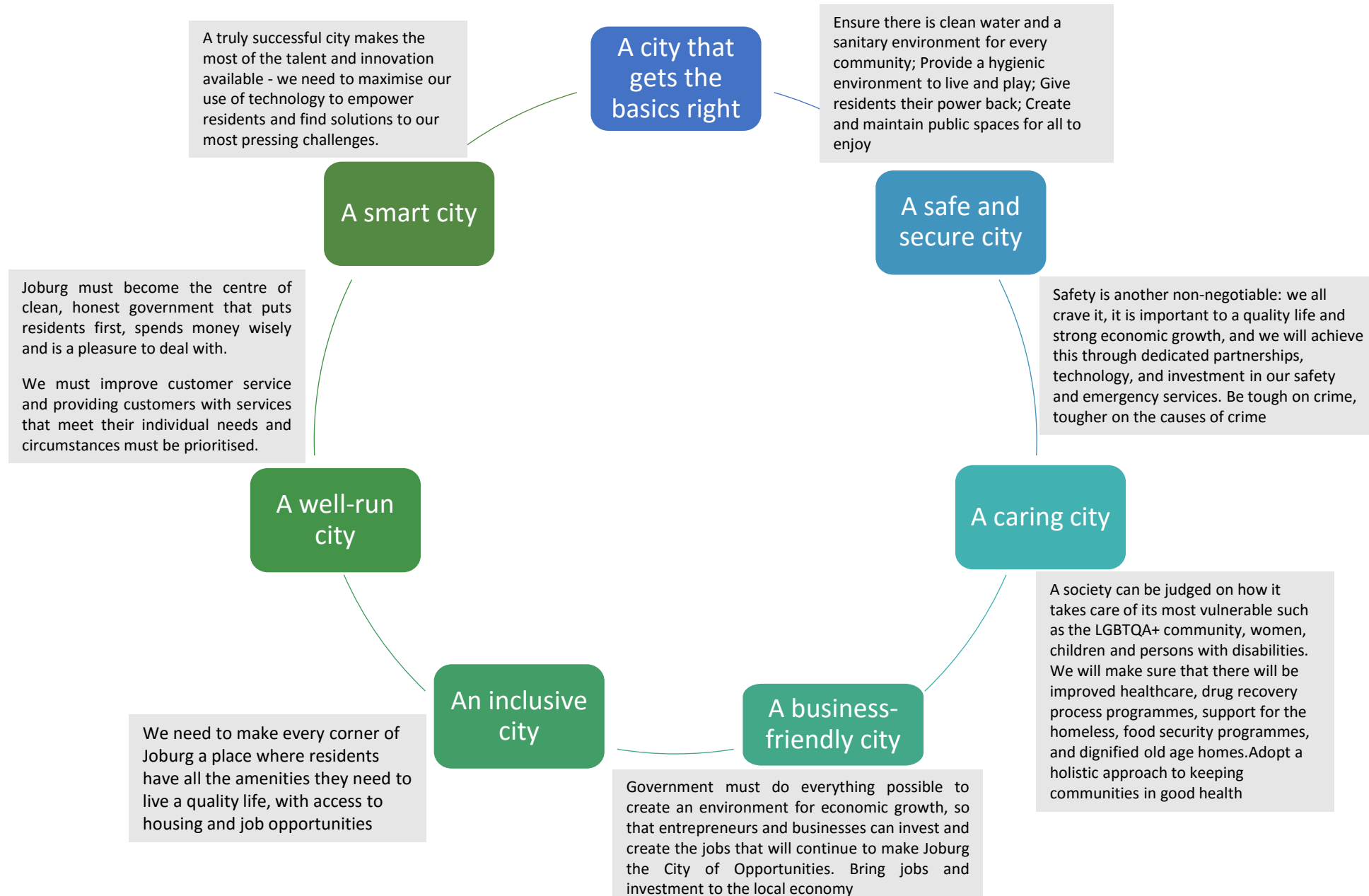
# Political context – Governance Structure



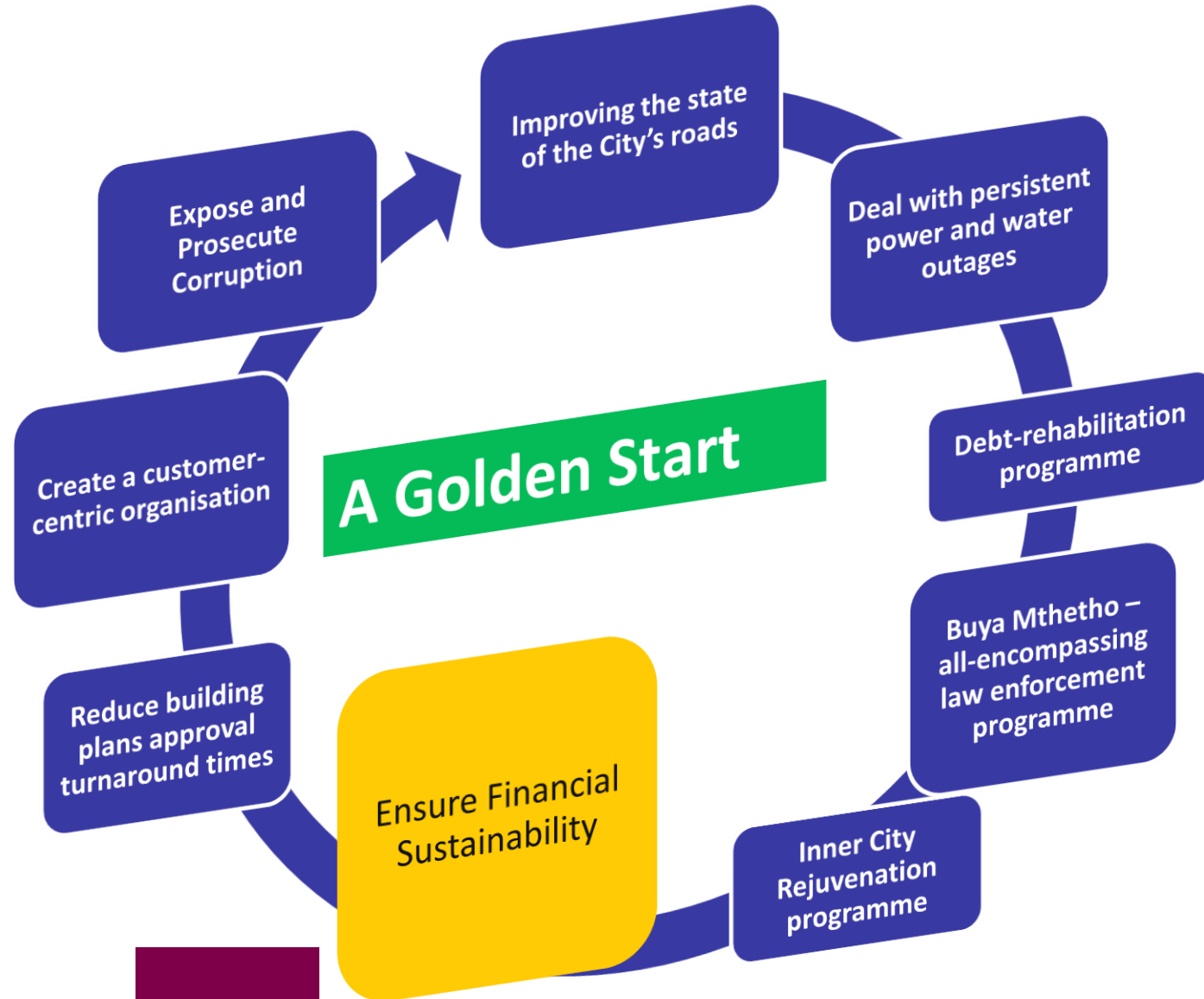
The City's governance structure remains unchanged



# Political context – Seven Municipal Priorities



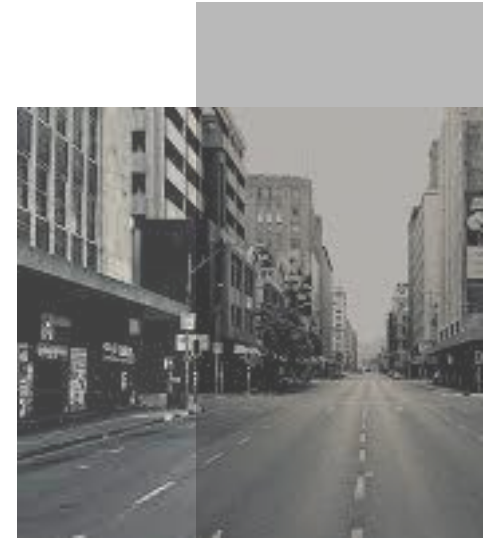
# Political context – Achieving the Priorities - Golden Start



# Political context – The Golden Start



- The Multi-Party Government has passed an adjustment budget.
- The broader financial picture facing local governments across the country is that capital expenditure has largely been funded by cash and grants, with funding from loans reduced.
- There has been a deterioration in revenue collection, resulting in the decrease in our surplus which is required to maintain our financial position. The goal is to invest in the future through a properly funded infrastructure expenditure programme.
- Despite the tough decisions made, we are proud that we have increased spending on programmes designed to benefit the poor, like the completion of clinics, the funding of housing projects, and improved transport projects.





# Political context – The Golden Start continued



Some of the increases to the adjustment budget include:

Adjustment Item	Budget
Rea Vaya BRT-related projects	Additional R53,3 million
Completion of Orlando East to UJ Soweto bus route	R5,7 million increase
Orange Farm public transportation facilities	Total R49 million increase
City Power infrastructure projects	Additional R136,5 million
Bulk water infrastructure projects	R183,3 million increase
JRA infrastructure projects	R296,5 million increase
City Parks & Zoo programmes	Total R2,5 million increase
Clinic completion - Alexandra and Orchards	R37,5 million increase
Key housing projects throughout the City	Additional R93,9 million

*We make no apology for striving to get the basics right – the solid foundation on which we will rebuild our Joburg, the City of Opportunity*



# Political context – our future



## Paradigm shift

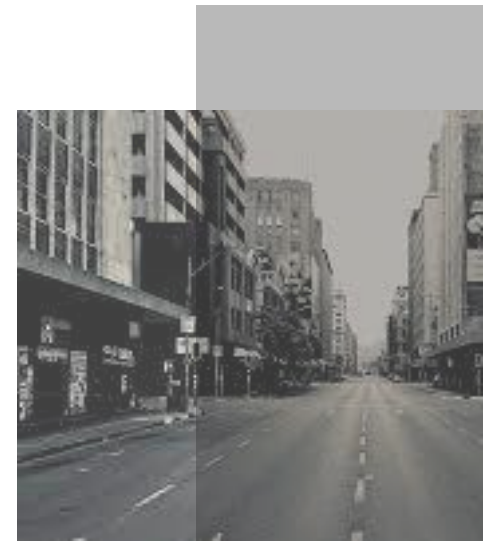
- The MPG emerges at a time when residents are desperate for change.
- Placing attention on priorities is the balancing staff between the social and governance focus' while using a business approach



## The ability to adapt creates sustainable future prospects

- We are moving away from distance-based relationships and embracing our communities as vital partners in our success

*This is the “Golden Start” - efficient and effective service delivery while restoring hope and dignity to the lives of our residents.*





**Strategic Overview Presentation to Investors  
by Acting City Manager: Floyd Brink  
April 2022**



# Johannesburg's Socio-Economic Overview



## DEMOGRAPHICS

MILLION PEOPLE 

2019 = 5.43

2020 = 5.55

2021 = 5.80

Source: IHS Markit



## QUALITY OF LIFE:

QoL Index 


2018 = 6.5%

2021 = 6.2%

Source: GCRO



## HUMAN DEVELOPMENT INDEX

2018 = 0.727 


2019 = 0.746

2020 = 0.756

Source: IHS Markit



## POVERTY RATE

2019 = 48.4% 


2020 = 50.7%

2021 = 50.6%

Source: IHS Markit



## GVA ANNUAL GROWTH

2018 = 1.4% 

2019 = 2.5%

2020 = -5.7%

Source: IHS Markit



## GDP

\*% of SA GDP 

2019 = 15.09%

2020 = 15.30%


2021 = 14.9%

Source: IHS Markit

## UNEMPLOYMENT DESK



## UNEMPLOYMENT RATE

2019 Q3 = 32.4% 

2020 Q4 = 35.1%


2021 Q1 = 40.8%

expanded definition (15-64 years) = 46.7%

Source: QLFS



## GINI COEFFICIENT

2019 = 0.629 

2020 = 0.628

2021 = 0.628

Source: IHS Markit



# Johannesburg's Socio-Economic Overview



Service	% Households Serviced	% Backlog	Backlog No. Household
Housing (Formal dwelling)	80.19%	19.81%	381,481
Water	99.56%	0.44%	8,389
Sanitation	94.06%	5.94%	114,389
Electricity	70.83%	29.17%	561,661
Refuse Removal	85.21%	14.79%	284,712

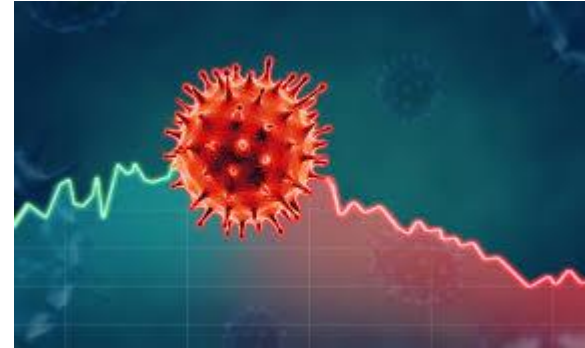
- Provision of basic services to the community of Johannesburg is comparatively high, with most households (both formal and informal) enjoying water supply infrastructure of RDP standard or higher (**99.56%**), access to a functioning basic sanitation facility (94.06%), access to electricity (**92.20% of which 70.83% is access to mains**) and have their refuse removed at least once a week (**85.21%**).



# Johannesburg's Socio-Economic Overview



- Like many large cities around the world, Johannesburg struggles with typical developmental challenges:
  - Rapid urbanisation,
  - Climate change,
  - Economic downturn,
  - Urban poverty and insecurity, and
  - Housing and infrastructure shortages.
- Globally, the impact of Covid-19 is more pronounced in cities. Johannesburg is not an exception.
- The Covid-19 pandemic created profound disruptions to our economy and society
- The pandemic has brought to the fore the correlation between health and poverty; and highlighted how public health and the economy are tightly interconnected



# 2021 Response

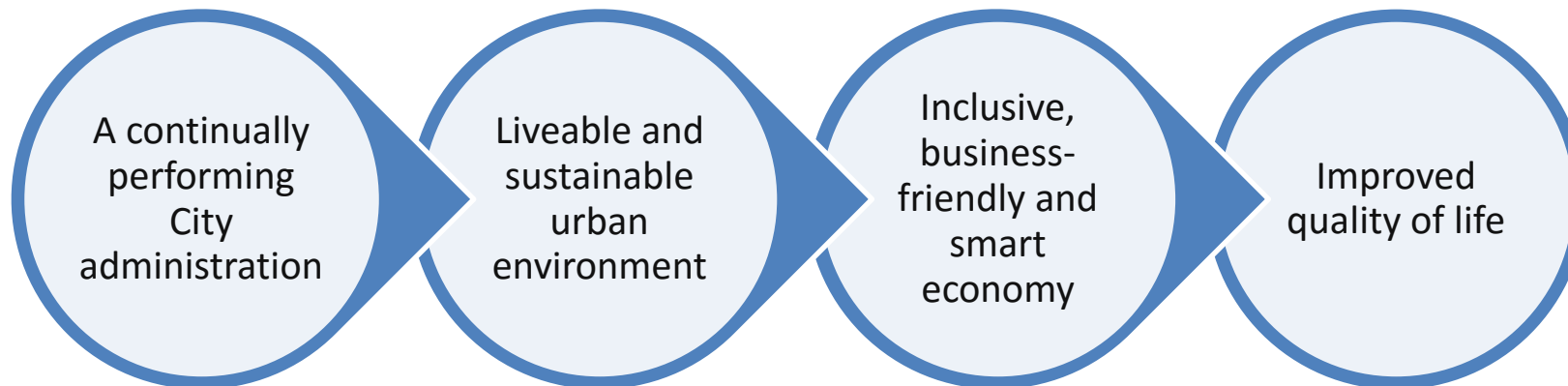


The City's challenges resulted in aligned strategic plans that respond to its visions and outcomes and vision.

The City is fully committed to

- Its long-term plan;
- The City's medium-term Integrated Development Plan (IDP), and;
- Short-term plans that are outlined in the annual Service Delivery and Budget Implementation Plan (SDBIP), the annual business plans of departments and municipal entities.

Our long-term strategy identifies four key outcomes, namely:



# 2021 Response – Sustainable Services continued



## City Power:

- Exceeded public lighting goals by over 80% (1,619 against a goal of 600 public lights installed within budget)
- Exceeded goal for electrification of informal settlements by over 100% (2,467 against a goal of 1225)
- Exceeded the goal for kilometres of electricity cables installed by over 100% ( 95.28 against a goal of 22 )



## Preserving our resources for future generations:

- Tons CO<sub>2</sub> offset in greenhouse gas emissions (25589 tons against the goal of 24205 tons)





# 2021 Response – Sustainable Services continued



## Johannesburg Water

- Improved compliance with Wastewater treatment level of 84.6% (2019/20: 79.9%)
- Replaced 105kms of pipes against the goal of 36km
- Spent 89.9% of capital budget despite numerous lockdowns to contain the spread of the Covid-19 pandemic
- Created 1594 job opportunities through the EPWP programme.



## Addressing short-medium term sustainability objectives:

- Implemented the mobilisation of additional resources with a specific focus on infrastructure investment, basic services, eradication of chemical toilets.
- Non- Revenue Water (NRW), implementation of onsite wastewater treatment technologies, public participation, smart metering, Water Conservation and Water Demand Management (WC/WDM); and effluent re-use.





A total of 3.42km achieved for conversion of open drains to underground storm water channels exceeding the annual goal of 1.5km

## Water Demand

- Water demand levels in the Sandton, Deep South Region and Midrand Region has decreased
- This was attributed to the implementation of water demand management activities which include pressure management, pipe replacement, as well as reservoir restrictions at night.



## Impact of Covid-19

- The long-lasting duration of the Covid-19 pandemic has had negative impacts for Johannesburg Water throughout the year and especially during the occurrence of the second and third wave
- An obligation to provide citizens with a basic human need, water, had to be prioritised.



# 2021 Response – Other Services



## Johannesburg Roads Agency

- A total of 237.64 km roads were resurfaced against the annual goal of 112 km.
- A total of 14.76km of gravel roads were upgraded to surfaced roads against the annual goal of 14km
- 55 090 potholes were repaired, and 105 reinstatements completed.



## Public Safety

- JMPD had an annual goal of 540 By-law enforcement operations. It exceeded the goal by 1035 operations achieving a total of 1575.
- The City's Disaster Management Centre (DMC) responded to 258 fire incidents, 19 flooding incidents and 16 structural collapses.



# 2021 Response – Other Services continued



## Transport Department

- The Rea Vaya project was implemented in phases. Phases 1A and 1B are currently operational, ferrying on average **34 346** passengers per working day.
- The implementation of Phase 1C(a), the third phase of this system is at an advanced stage, taking into account the lessons from the first two phases (1A and 1B).
- Phase 1C(a) stretches between Johannesburg CBD, Alexandra and the Sandton CBD.

Progress is:

- Progress at **Watt Street interchange** including the remaining sections of the road is at 95%.
- Average progress on the thirteen (13) Rea Vaya phase 1C stations is at 90%.
- Phase 1 (parking) and phase 2A (Joint Operations Centre) of the Rea Vaya Selby depot are in place. The phase 2B (workshops) of this Selby depot is at 95% and phase 2C (administration building) at 70%. The anticipated completion of Phase 1C(a) is June 2022.



# 2021 Response – Other Services continued

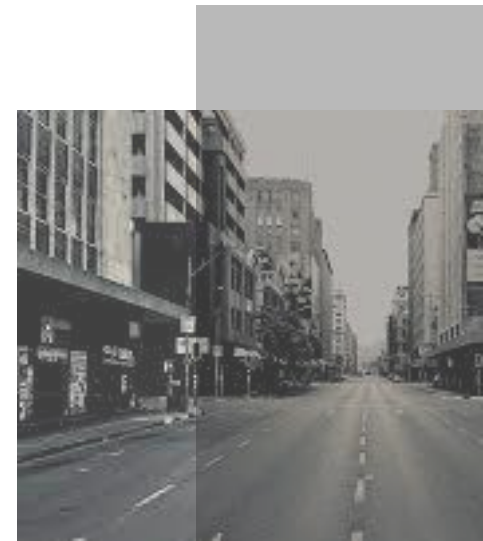


## Joshco and Housing Department

- CoJ, through JOSHCO, implemented the first student accommodation in the City.
- It has a capacity to accommodate 181 beds and can be self-funding, part of bursary arrangements or is through NFSAS.
- The Department further achieved 2593 mixed housing units against the goal of 2400
- The Department spent 111% of the Capex budget during the 2020/21 financial year.



*City of Johannesburg Affordable Housing*



# 2021 Response – Free Basic Services



- During the financial year under review, **137 125** households benefitted from Free Basic Services (FBS) against the annual goal of 100 000.
- Social burial assistance was extended to **192 indigent families** across the city, which saw a rise in applications from all regions in the City.
- Social work services were provided through 31 primary healthcare clinics reaching **5831 beneficiaries** by the end of 2021.



# An Introspection



## 2021 was an unprecedented year in the history of the City:

- The pandemic brought the correlation between issues of health and poverty into focus; it also highlighted how public health and the economy are intertwined.
- Officials were ‘tested’ during this period, and performed extremely well, emphasising agility and resilience.



**The City is committed to achieving the goals we have set.  
We have learned through Covid-19 that it’s “business unusual”**





**Financial Overview Presentation to Investors  
by Group Chief Financial Officer: Manenzhe Manenzhe  
April 2022**





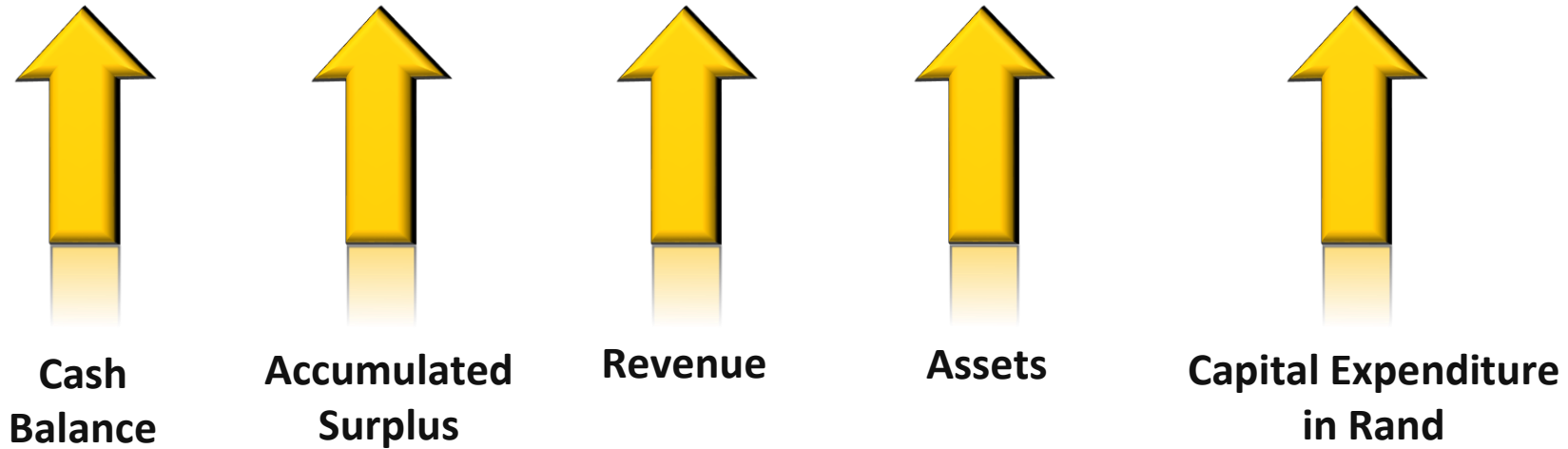


- **The City of Johannesburg achieved the following in 2020/21**

- A very **strong financial position** with a surplus of R3.9 billion, a R0.8 billion increase from R3.1 billion.
- A **positive** cash balance of R6.6 billion from R5.6 billion in 2019/20.
- We spent R6.9 billion (**91%**) of the approved capital budget of R7.6 billion (adjusted).
- We experienced a **progressive increase** in the City's total assets by 5% compared to 3.5%.
- Total revenue **increased by 6%** compared to 4.9%.
- In the year under review, the City achieved a **revenue collection rate of 90.3%** against a target of 88.9%.
- In November 2020, Moody's took rating action on the City of Johannesburg following its downgrade of the Government of South Africa's rating to Ba2 from Ba.1. In July 2021, it further downgraded the City to Ba3/A1.za from Ba2/Aa1.za/ for Long-Term Global Scale Rating and National Scale Rating respectively with a negative outlook.



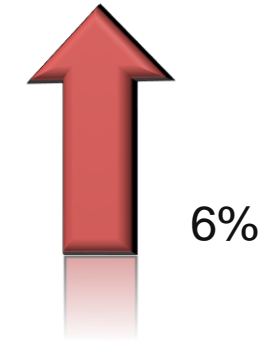
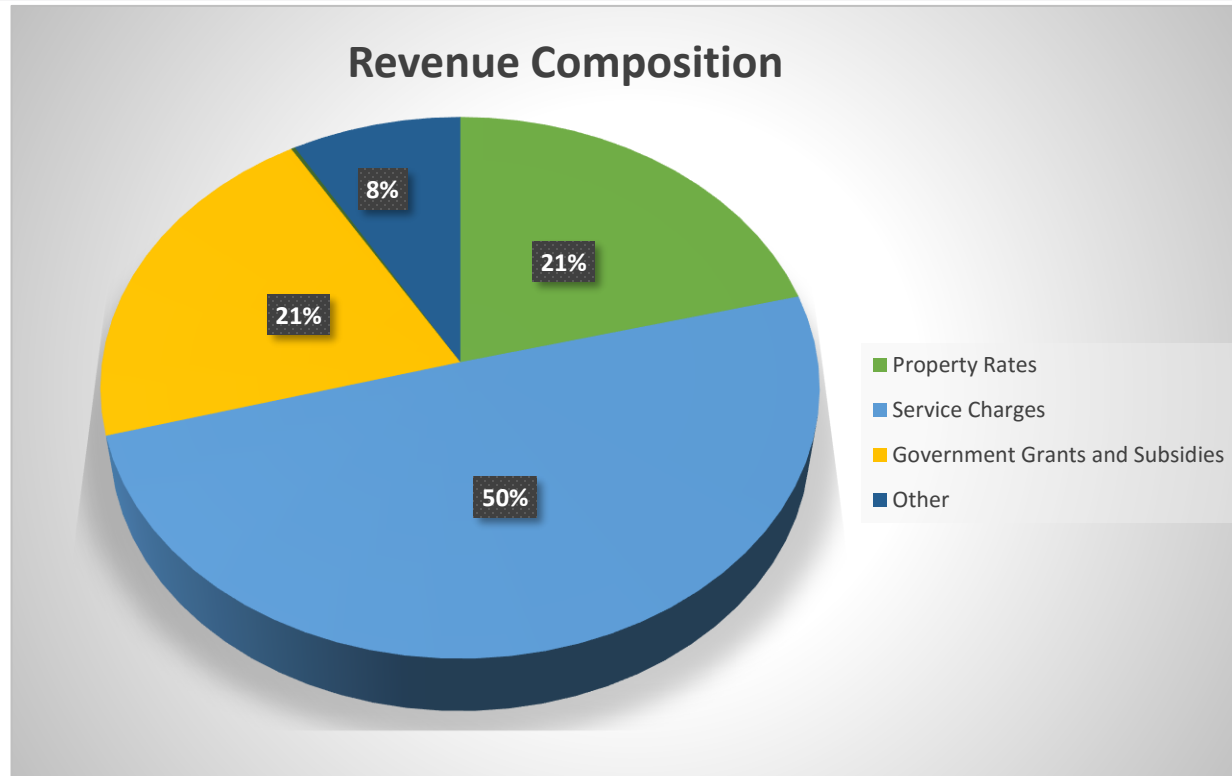
# 2021 Response – Free Basic Services



Revenue	Billion
Cash Balance improved to	R6.6 billion
Accumulate Surplus to	R9,08 billion
Revenue Improved to	R61,43 billion
Assets Increased to	R95 billion
Capital expenditure increased to	R6,9 billion



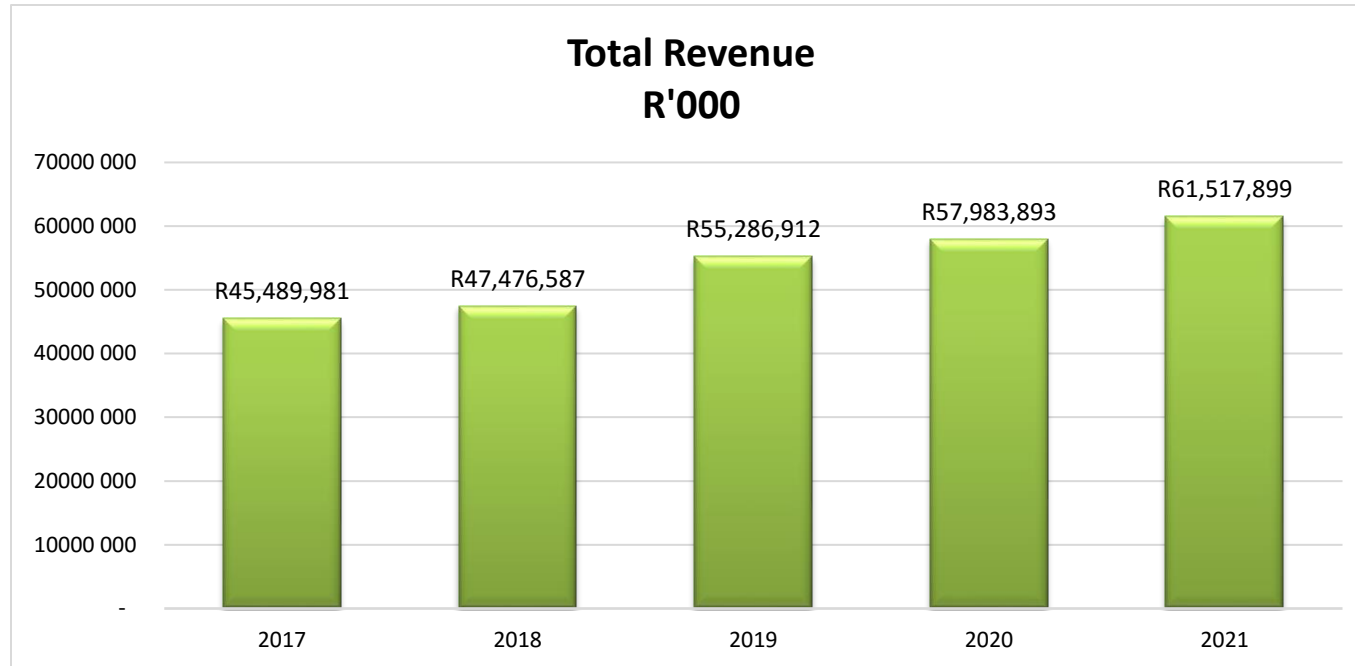
# Revenue Composition



- Revenue composition has shifted slightly when compared to the previous financial year. Service charges and property rates account for 71% of the total revenue generated.
- Government grants for the current year contribute 21% to the total revenue, an increase of 2% from the previous year. The City continues to be more action-based in creating its own funding sources than being majorly reliant on grants for managing opex.



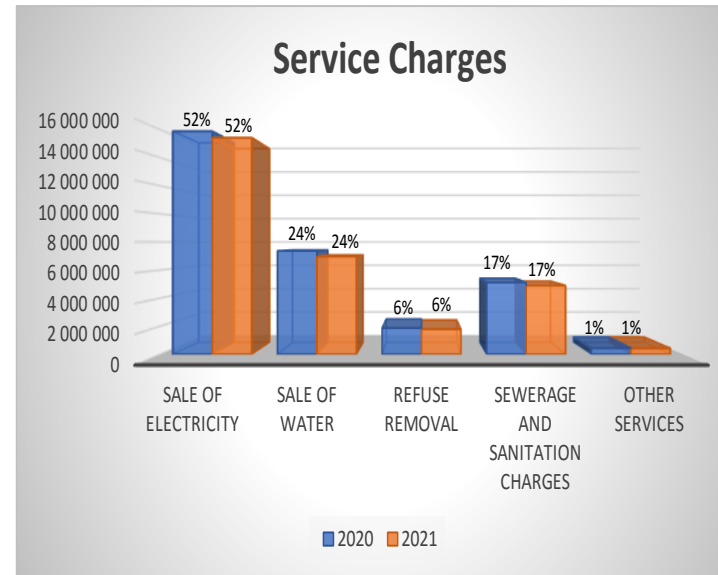
# Revenue Performance – Year on Year



- **City Power and Johannesburg Water have intensified disconnection** of services of non-paying customers.
- **The Attorney Collection Panel continues intensifying collection of debt older than 90 days through legal means.**
- **Regional and Mini Open Days** allows quick resolution of customer queries and collection of outstanding monies.
- **Operation Buya Mthetho is working on a top 100 list of customers with outstanding amounts in all customer categories** for collection before 30 June 2022



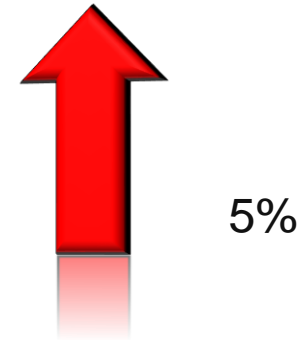
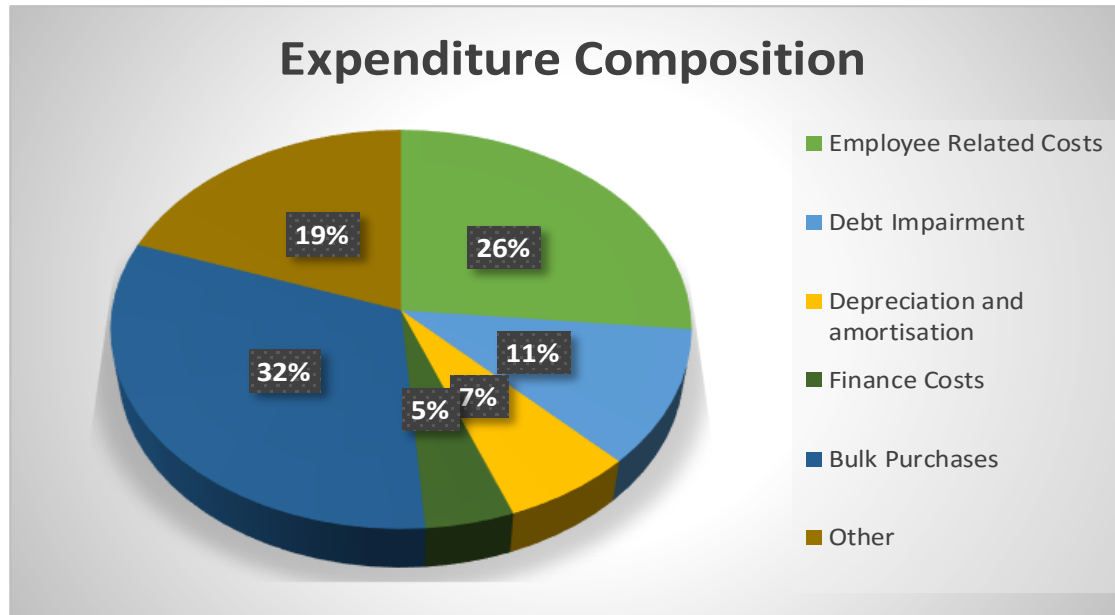
# Analysis of Property Rates and Service Charges



- The composition of property rates revenue has shifted slightly, with Commercial customers being the main contributors at 58% and residential following at 40%.
- The 4% year-on-year increase in total property rates revenue is mainly attributable to changes in property market values as well as the average property rates tariff increase of 4% applicable during the year.
- Revenue for Commercial Service charges is 7% below budget due to the impact of the Covid-19 pandemic on customer consumption patterns, with many customers working from home over the period under review.
- The unpredictable lockdown restrictions resulted in non-essential commercial businesses either scaling down operations or closing, therefore reducing overall consumption of water and electricity. In addition, it can be noted that the composition of service charges has remained constant.



# Expenditure Composition



- Employee-related costs are 6% below budget mostly due to vacancies that have not been filled and less overtime due to employees working from home.
- Remuneration as a % of total expenditure ratio is 26%, which is well within the National Treasury requirements.
- There was a 27% over-expenditure in allowance of impairment of receivable, which was mainly due to customers inability to service debt, leading to reduced payment levels.



# Statement of Financial Position 2020/21

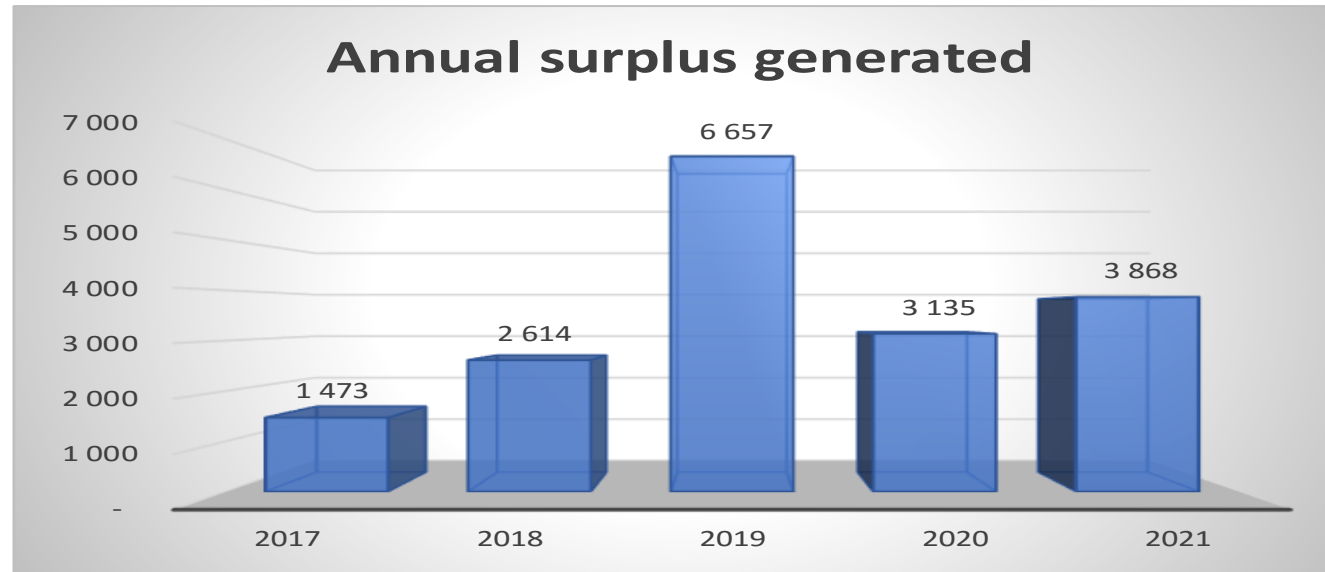


	2021	2020	Growth (2020-2021)	2021 (of total %)	2020 (of total %)
<b>Net Assets &amp; Liabilities</b>	58 764 061	54 896 015	7%	57%	56%
Net Assets	29 104 361	26 740 702	8%	28%	27%
Non-current Liabilities	15 272 497	16 137 218	-6%	15%	17%
Current Liabilities	<b>103 140 919</b>	<b>97 773 935</b>	<b>5%</b>	<b>100%</b>	<b>100%</b>
<b>Assets</b>					
Non-current Assets	85 265 584	82 019 978	4%	83%	84%
Current Assets	17 875 335	15 753 957	12%	17%	16%
	<b>103 140 919</b>	<b>97 773 935</b>	<b>5%</b>	<b>100%</b>	<b>100%</b>

The Statement of Financial Position reflects a solid financial position for the City, with total assets increasing by 5% to R103 billion. This is driven largely by annual capex in excess of R7.1 billion and cash balance of R6.6 billion.



# Annual Surplus Generated

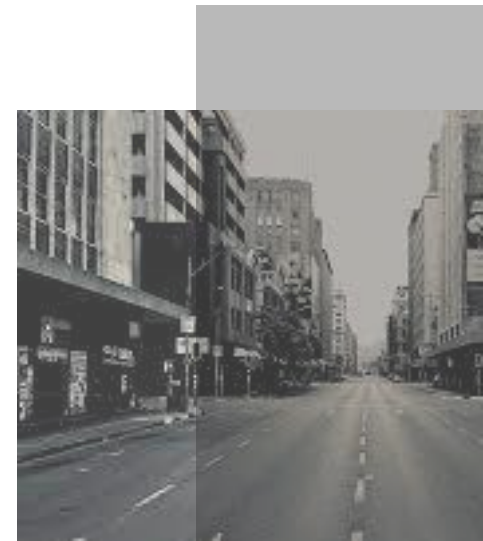
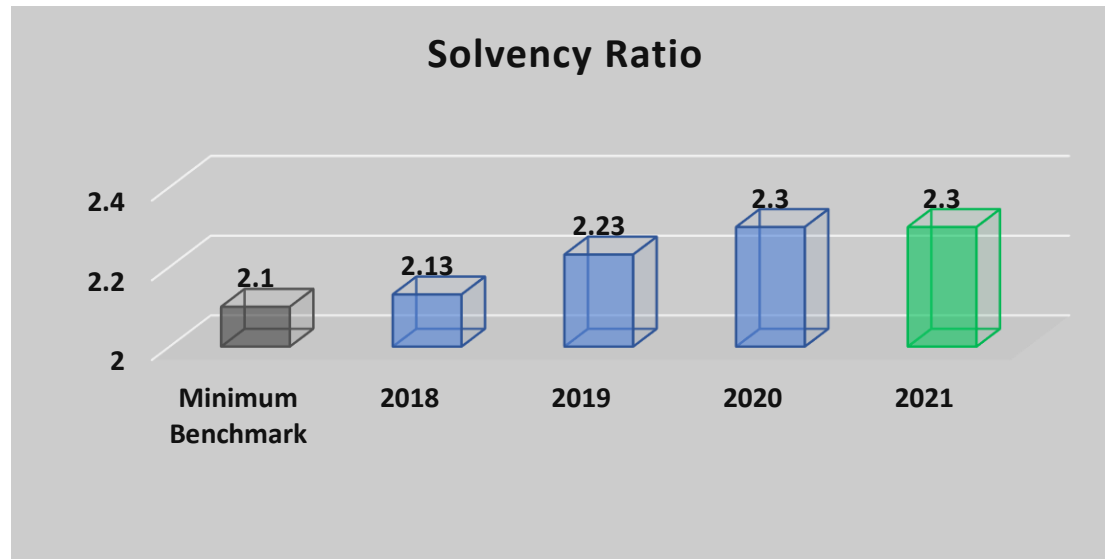
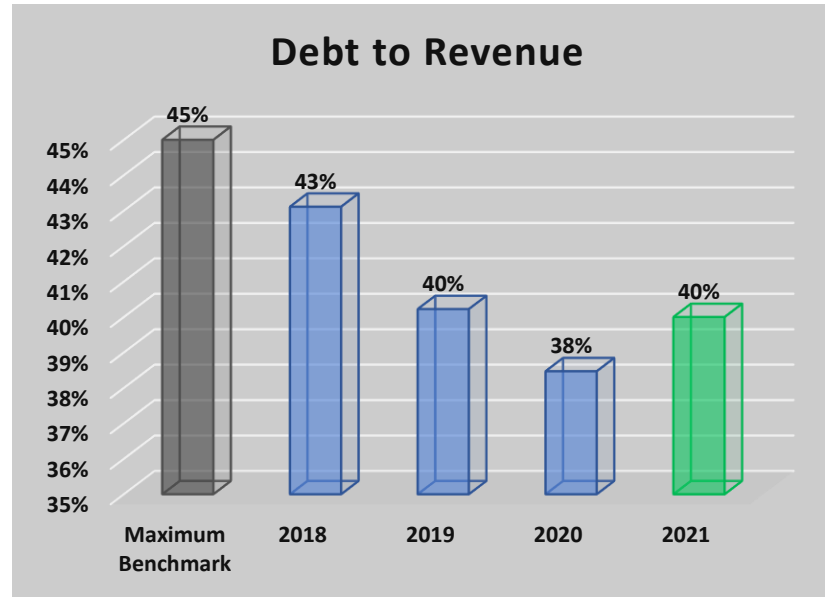
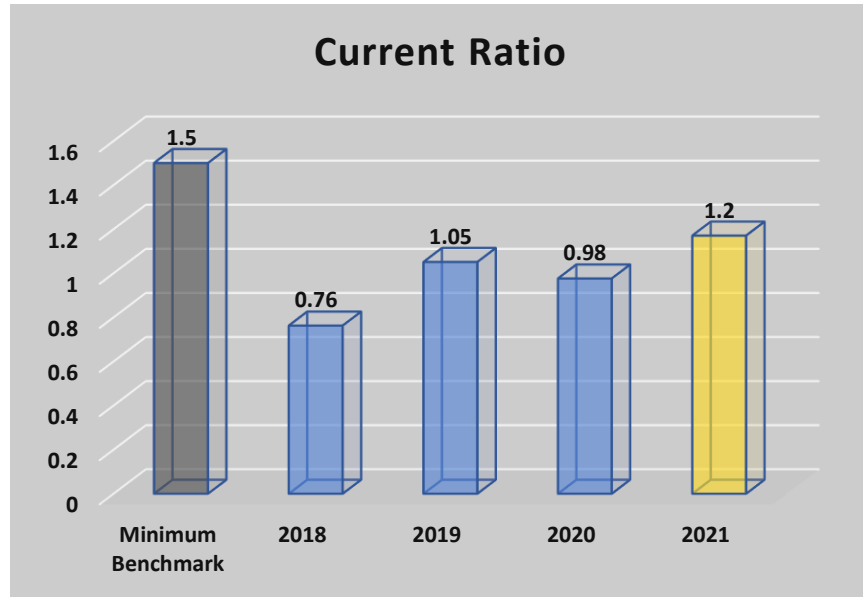


- Despite the challenging economic environment, the City was able to generate a net surplus of R3.9 billion.
- The achievement of a surplus is in line with the City's Financial Development Plan.
- The City commits its own funds generated through surpluses alongside investor funding and government grants to deliver its infrastructure investment programme.
- The increase in the surplus in the year under review is the result of budget savings realised on some line items.

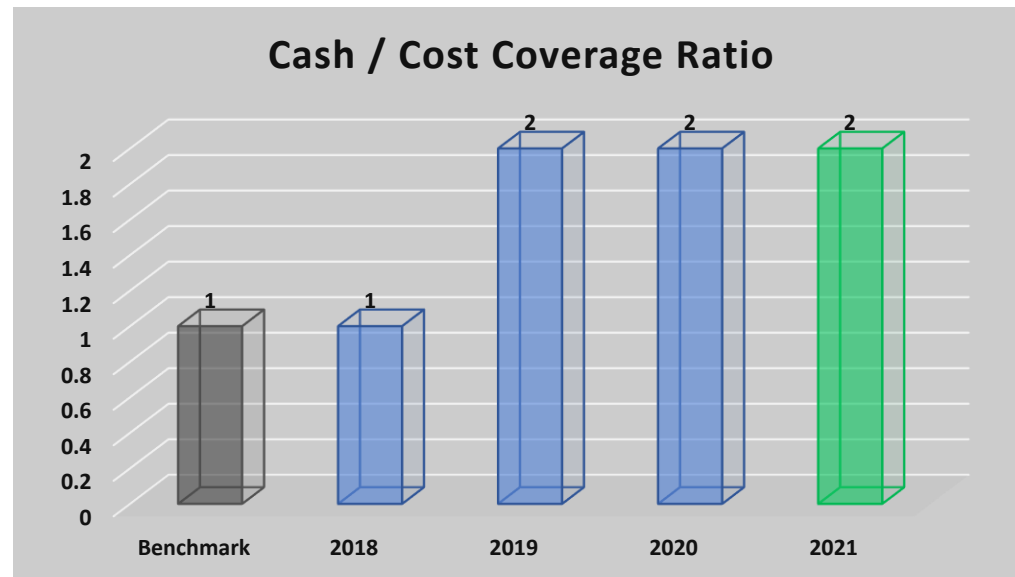
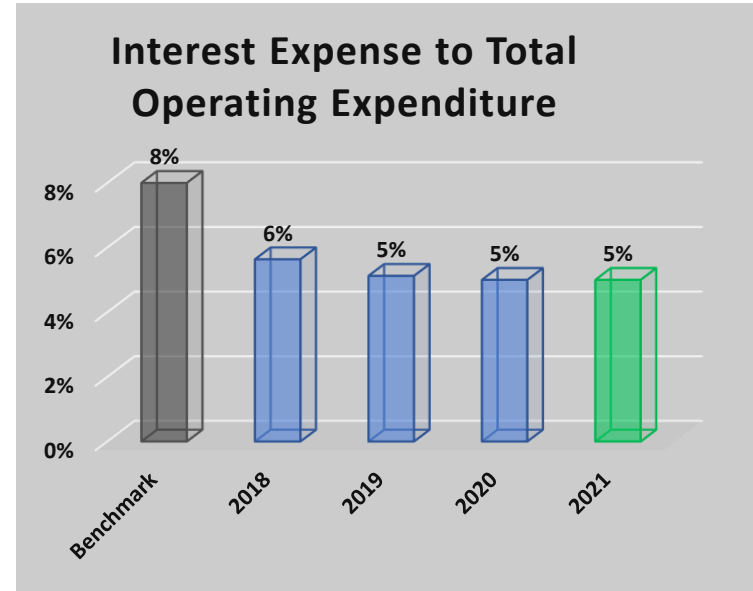
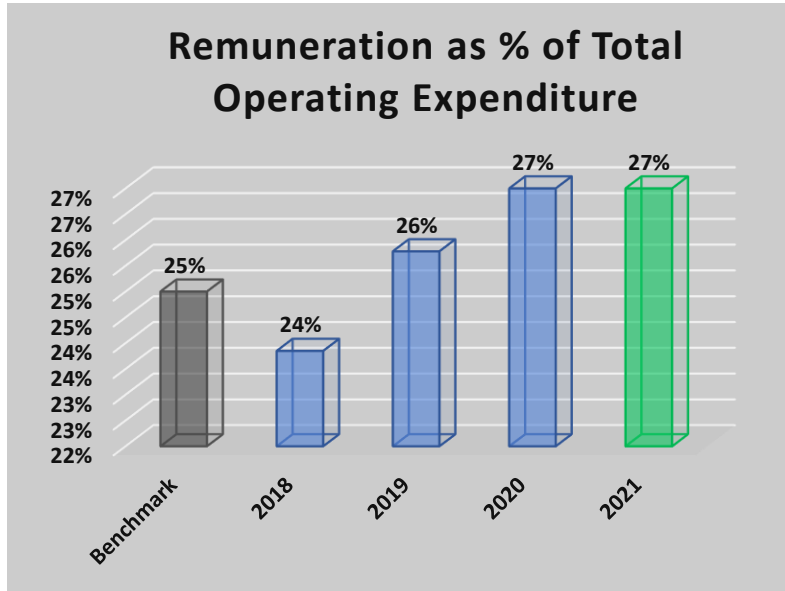




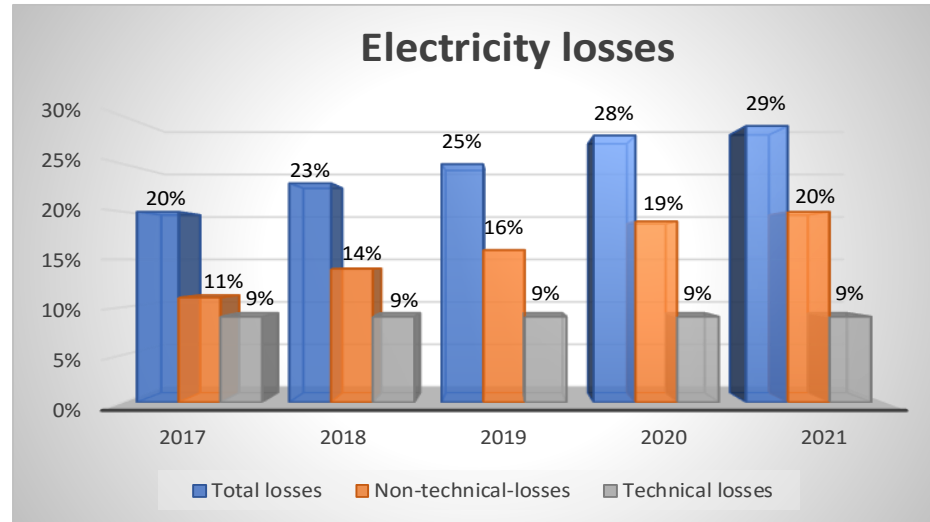
# Prudential Ratios



# Prudential Ratios



# Electricity and Water Losses

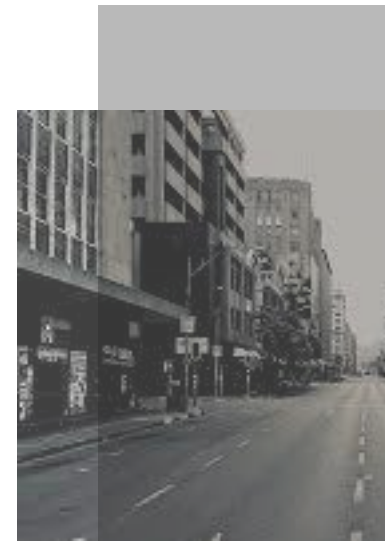
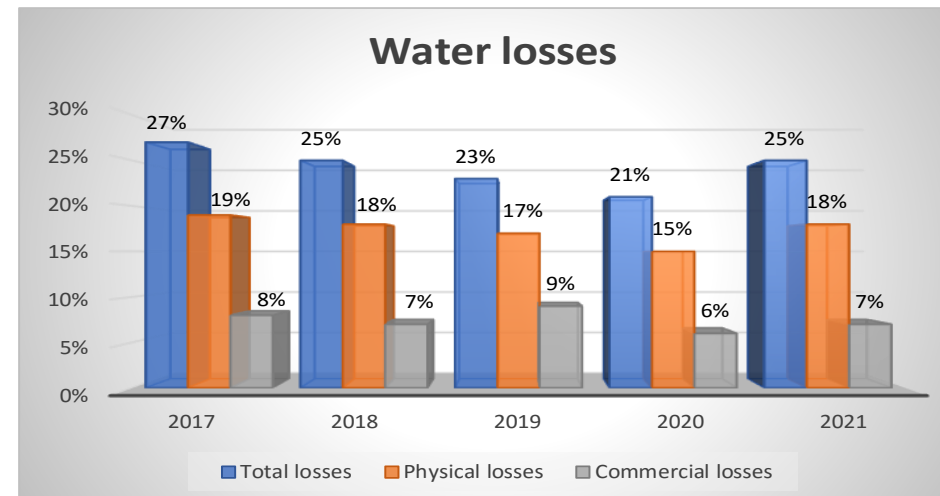


### Actions to reduce electricity losses:

- Implementation of pre-billing and post-billing process to reduce the administration losses
- Normalisation of prepaid meters through the rollout of smart and semi meters
- Large Power Users (LPUs) technical audit to verify the accuracy of the installation and programming of the meter
- Monitoring and investigation of alarms with revenue recovery potential
- Customer education campaigns

### Water Losses:

- Interventions to reduce commercial losses and unbilled water losses have not yielded desired results.
- Industry norm for water losses is 18%. This target has regressed during the current year. It has been exceeded by 7%, which is a 4% increase from the previous year. We are currently replacing old pipes, improving metering and cutting illegal connections.





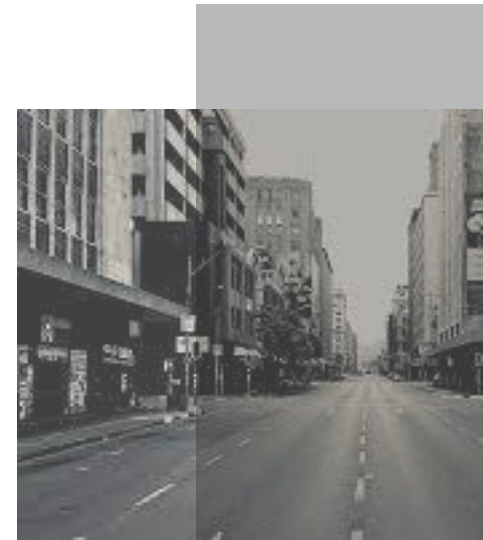
# To Sum-Up



## The City continues to be prudent in managing its finances

- The City is committed to continued principles of prudent financial management and improving its capacity to invest in the development of our City.
- The City's efforts and dedication to achieving a clean administration continues to bear fruit, with the achievement of an Unqualified Audit Opinion once again and improving liquidity.
- Continuous corrective measures and action plans are in place to ensure that matters reported on by the Auditor-General are remedied as quickly as possible

*Our figures show our City is financially stable*



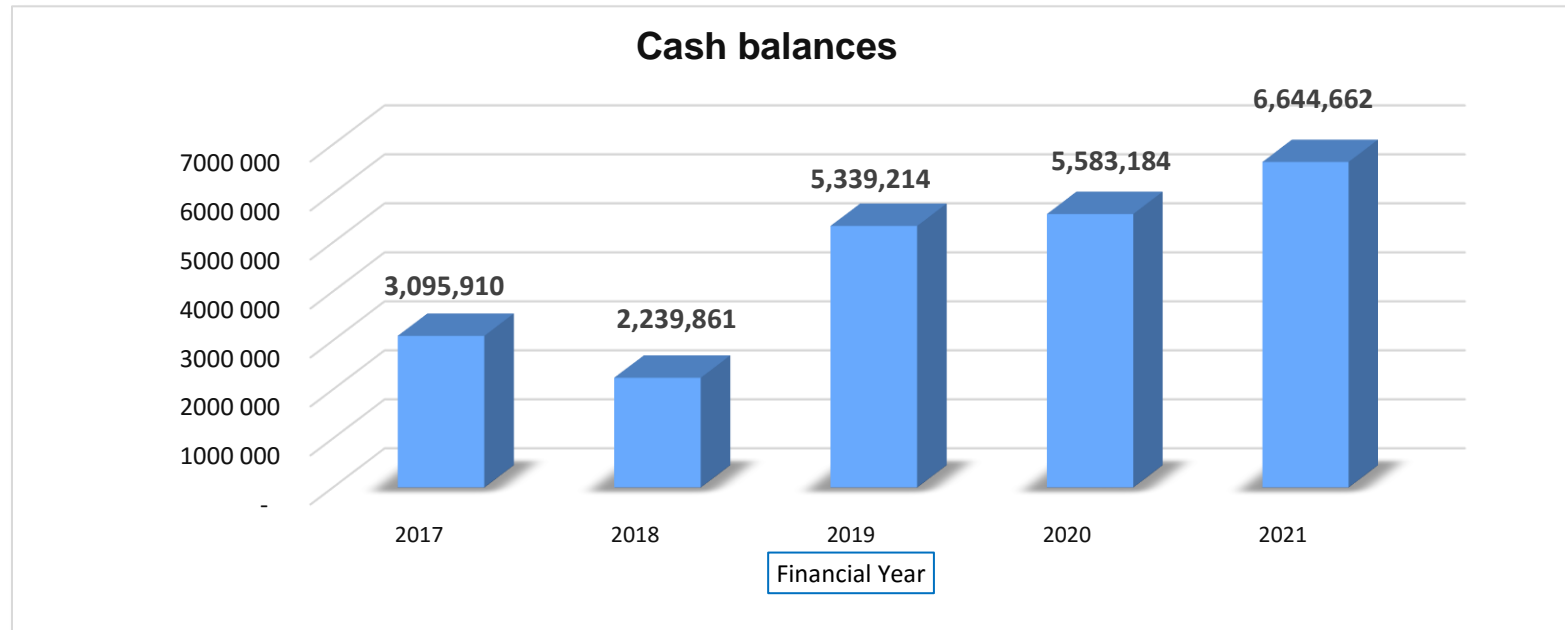


**Treasury Operations Presentation to Investors**  
**by Sinovuyo Mpakama**  
**Group Head: Treasury, Financial Strategy and Planning**  
**April 2022**

# Liquidity Position

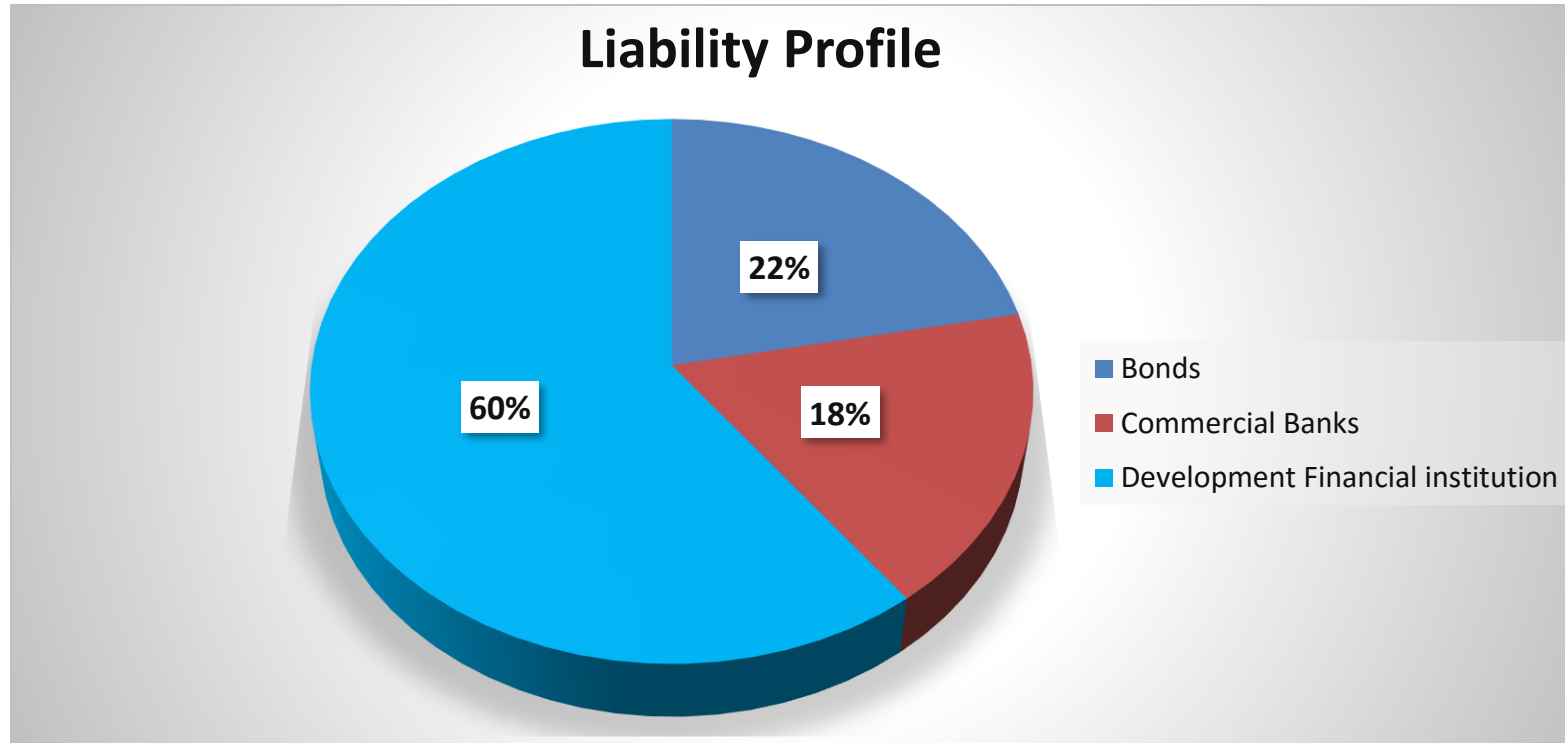


## Cash and cash equivalent



- The City's focus has been on building adequate cash reserves to fund service delivery programmes through a rigorous cash management strategy that enables agility in managing cash flow.
- The City remains committed to prudent financial management. Initiatives put in place in 2019 are yielding great results, with an increase in the City's cash balance over the past three years

# Long-Term Funding



## External borrowing

- Balance of the loan book for 2020/21 financial year amounts to R23.5 billion
- The City raised R1.5 billion from DBSA
- R1.9 billion was redeemed in 2020/21, of which R850 million came from the sinking fund





# Redemption Management



## Municipal bonds and loans against sinking fund

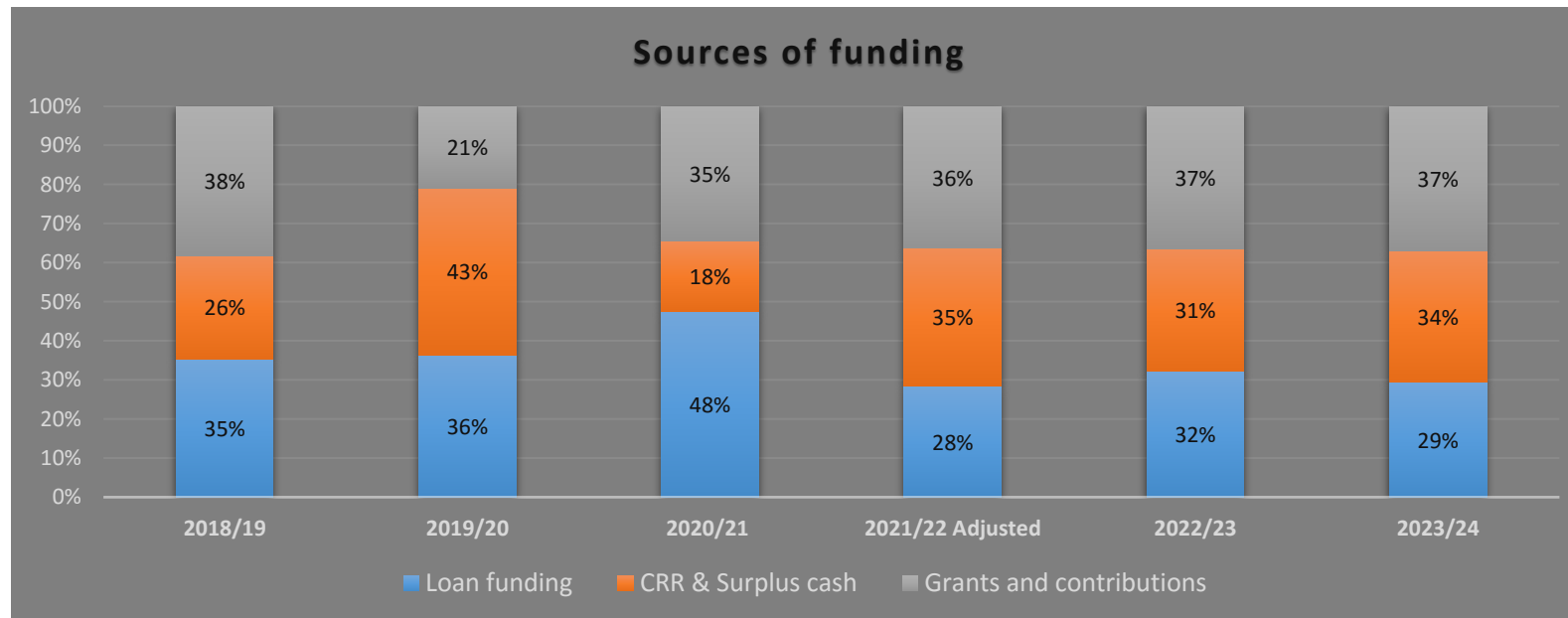
- The City's sinking fund remains in place to assist with the redemption of the City's bonds when they become due
- Contributions to the sinking funds are revised annually to ensure the City is sufficiently contributing to cover all the bullet loans
- As at 30 June 2021, the fund was valued at R2.7 billion, following the successful redemption of R850 million

Loan description	Issue date	Maturity date	Nominal
COJ05	05-Jun-08	05-Jun-23	2 268 000
COJG01	09-Jun-14	09-Jun-24	1 458 000
COJ08	22-Jun-16	22-Jun-26	1 440 000
DBSA 103968-1	31-Mar-11	30-Jun-26	250 000
DBSA 12007973-1	19-Feb-16	30-Apr-36	1 500 000
DBSA 12007973-2	26-Feb-16	30-Apr-36	1 000 000
<b>Total</b>			<b>7 916 000</b>

# Medium Term Budget



Funding Source	2018/19	2019/20	2020/21	2021/22 Adjusted	2022/23	2023/24
Loan funding	2 849 726	2 265 939	3 025 000	2 101 890	2 751 000	2 594 000
CRR & Surplus cash	2 136 422	2 658 532	1 137 000	2 600 965	2 672 000	2 949 000
Grants and contributions	3 078 749	1 295 422	2 194 000	2 682 826	3 121 165	3 259 148
<b>Total</b>	<b>8 064 897</b>	<b>6 219 893</b>	<b>6 356 000</b>	<b>7 385 681</b>	<b>8 544 165</b>	<b>8 802 148</b>



# 2021 Adjustment Budget



- Council has approved the Adjustment Budget
- The adjustment reflects a decrease of R771.8 million in the current financial year.

<b>Capital Budget</b>	<b>2021/22</b>
Approved	8 157 478
Adjustments	(771 797)
Adjustment Budget	7 385 681
Adjustment to Loans and Cash	(929 145)
Adjustment to Grant Funding	157 346
Adjustments	(771 797)

The resultant decrease of R929.2 million (loans and cash surplus) in 2021/22 was in the main due to the mid-year performance assessment.



# Credit Rating



## City of Johannesburg's Rating by Moody's Investors Services (December 2021)

### Global Scale:

Long-term issuer and debt ratings  
(Ba3 negative )

#### Credit Strengths

- Robust operating performance; though likely to be constrained by rising consumer debtors and macroeconomic challenges.
- Large and diversified economic base
- Relatively good governance and budget planning
- Robust but moderate liquidity

#### Credit Challenges

- Growing capital spending pressure
- Rising debt level; but expected to remain moderate over the medium term

### National Scale:

*Long- term A1 (Negative outlook)*

*Short-term P-1.za*

#### Influences that could change the rating downward

- A further downgrade will be considered if the City experiences deterioration in operating performance, in that its credit profile is no longer in line with current credit levels.

#### Influences that could change the rating upward

- Due to the negative outlook, an upgrade is unlikely at this time. The rating could be stabilised if the City displays robust operating performance and liquidity resilience to the expected macro-economic pressure. In particular, liquidity could be improved by improving debtor collections.

# Credit Rating



## City of Johannesburg's Rating by Global Credit Rating Co (August 2021)

### National Scale Rating:

**Long-term AA-(ZA); Short-term A1+(ZA)**

### Credit Strengths

- Regarded as the economic hub of South Africa, Johannesburg is one of the most important metropolitan and commercial areas in the country, with diverse economic activities
- It boasts a good track record of strong operating performance with rising income levels
- Maintained a strong liquidity profile through the Covid-19 pandemic

### Credit Challenges

- High levels of gearing with moderately weak credit protection metrics
- Debtor collection and consequently cash flows, negatively impacted by the Covid-19 pandemic
- Lower rate of capex implementation, repairs and maintenance

### Influences that could change the rating downward

- Negative rating action could arise should an improvement in collection rates not be evidenced, or if Covid-19 disruptions continue to increase the costs of service delivery without compensation. This would likely lead to an increase in debt funding and weaker credit protection metrics as a result of deteriorating cash flows.

### Influences that could change the rating upward

- Positive rating action could be derived from improved revenue collection that strengthens the liquidity assessment and enables the metro to further reduce gearing levels

# Credit Rating – Dominant Drivers

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- **Covid-19 pandemic coupled with escalating utility costs**
  - The string of downgrades by Moody's were influenced by the deterioration in the economic environment exacerbated by the Covid-19 pandemic.
  - The Covid-19 pandemic has, in Moody's view, reduced the financial ability of customers to service their debt, which will create a liquidity problem for the municipality.
- **Securing adequate Funding**
  - The July 2021 downgrade was primarily driven by the uncertainty in the municipality's ability to secure funding for the Capital Budget in the short to medium term.
  - The City failed to secure 100% funding from the market for capital projects over the past two (2) years as a result of National, and perhaps loss of Global appetite resulting from Covid-19. This has negatively impacted the City's budget and the funding shortfall will have long-lasting ramifications on the City's ability to roll-out capital infrastructure.



# In Conclusion

As a financially healthy City, we are looking for future-focused and confident investors who are interested in stability and achieving goals.

If that is your organisational profile, please contact Denga Matambo at our Treasury Department [dengam@joburg.org.za](mailto:dengam@joburg.org.za)



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