

**STATE OF THE CITY ADDRESS DELIVERED BY EXECUTIVE
MAYOR, COUNCILLOR MAETU KGAILE, 30th MAY 2018,
KLERKSDORP CITY CHAMBERS.**

Honourable Speaker - Cllr Washington Ntozini;

Chief Whip of Council - Cllr Vusi Chinga;

Chairman of MPAC - Cllr. Jutta Bogatsu

Members of the Mayoral Committee;

Members and Leaders of all Political Parties;

Honourable Councillors;

Municipal Manager - Mr Roger Nkhumise and all Matlosana Municipality employees;

Leaders of Business and Captains of Industry;

Leaders of the Labour Movement

NGOs and Organs of Civil Society;

Members of the Media;

Most Importantly, People of the City on the Move;

Honourable Speaker in the year 2018, please accept my warm greeting to this august house in the centenary year of Mama Nontsikelelo Albertina Sisulu born on 21st October 1918 in Tsomo and world icon Nelson Rolihlahla Mandela born on 18th July 1918 in Qunu.

Honourable Speaker, Honourable Councillors, Employees of Matlosana and guests, It is with a heavy heart that I stand before you to deliver this State of City Address amid another senseless anarchy that befell our townships, where the Tower Mall, shops and tuckshops were looted, destroyed and burnt.

We are very sad to say this amidst that occurrence we witnessed is as a result of growing poverty, unemployment and inequality. We have just learnt this week that AngloGold Ashanti will be shedding over 2000 more jobs, putting more households into the indigent status negatively affecting our services and rates collection ration.

Our ward Councillors must be in the fore front in leading structures like Community Policing Forums, Neighbourhood Watches and other forums within the wards to ensure that protection of communities, public and private properties that provide services are not vandalised and looted thereby exerting more pressures to the same communities. We can take lessons from residents of a section in Khuma Township who stood up against looters as the community could not afford taking a taxi to Stilfontein just to get a pint of milk and a loaf of bread.

As this is the second State of the City Address that we table before you and the people of Matlosana, our work builds on the fundamentals we laid during the 2017/18 financial year.

Honourable Speaker, the Democratic project that South Africa began in earnest 24 years ago, requires that we who serve as elected public officials, constantly remember that we serve at the behest of the people. This lesson of a people-centred consciousness amongst leaders has guided many men and women who served as leaders of the South African people at different points of the struggle for democracy.

I am concerned about the trend of shrinking government income against a fast-growing indigent population. The fact that national fiscus is reducing its financial obligations to municipalities while poverty escalates, is a barrier.

However, South Africa as whole is experiencing tough economic problems which increasingly force us to be dependent on our own financial sources. Also we need to be economical with our own resources.

Municipalities that strive to purposefully and decisively manage their financial resources and sustainability will survive.

The Executive Committee and Top Management are hard at work on addressing the troublesome billing system, non-cash deficit and clean audit. The following focus areas have been identified as well as the remedial and mitigation strategies that were implemented:

Focus Area	Remedial & Mitigation Strategies implemented
Focus area number 1: Billing System	Remedial action: Implementation of an updated financial system that is compatible with mSCOA Engage a system provider with capacity Continuous staff training and development
Focus area number 2: Non-Cash Deficit	Remedial action: Revenue Enhancement and Management Strategies Budget re-orientation Debt Management processes to reduce debt impairment and operating deficit.
Focus area number 3: Clean Audit	Remedial action: Budget planning framework & risk mitigation strategies Address water and electricity losses Exec Mayor & FinCom Weekly meetings Analysis and fire-fighting of Procurement Plans per department

I am pleased to report that the Matlosana Municipal Manager and our CFO started developing and implementing strategies for sustainability management and this practice will soon start bearing fruit for the city.

Although the compilation of this year's budget was difficult and complex, it offers hope for the future. Honourable Speaker, as I present this budget before this house there are 5 points that we must and should assist Matlosana Municipality to attain:

1. Visionary, Responsible and Accountable leadership.
2. Improved Audit Outcomes
3. Improved performance management and compliance
4. Improved public participation and Community Protection
5. Re-organise, Rejuvenate and Repurpose the LED that has not performed optimally to its full potential

We cannot be expected to deliver services adequately when those who can afford to pay are not paying. Ward Councillors and Ward Committees need to be pro-active in ensuring rate and taxpayers in their wards pay for services they are getting from the municipality.

When I outlined the Matlosana-Pele principle I stated that it has two functions; namely:

Its first function is to translate Matlosana Citizens' wishes and ideas into a coherent political programme.

Secondly its function is to make clear what can be expected from the municipality in terms of political positions and policy proposals.

This is true on what we can deliver with the resources at our disposal against growing expectations. Ward Councillors, Matlosana needs your utmost push to engage and make our communities understand from where the municipality is and our ambitions. The distance between the municipality and communities can only be closed by your goodselves through regular meetings, feedback sessions and creating links with administrators.

For the municipality to entrench the service delivery ethos the task of filling key managerial posts has been discharged and allows me to report that the municipality has appointed the following:

1. Municipal Manager : Mr TSR Nkhumise
2. Chief Financial Officer : Mr MKG Ramorwesi
3. Director- Corporate Services : Ms L Seametso
4. Director-Community Development : Ms MM Molawa
5. Director - Public Safety : Mr LJ Nkhumane
6. Director Technical and Infrastructure : Mr R Madimutsa

The other two vacancies will be filled before the beginning of the new financial year

1. Director: Local Economic Development
2. Director: Planning and Human Settlements

As the Executive Mayor, I have been upfront to say indeed we are facing and experiencing financial problems, which I will outline later on. Without doubt, this will affect on our capability to render services. We are working hard to cut off on luxuries and we are improving our collection rate.

In return, we commit to handle the monies entrusted to us in a proper manner.

We will ensure value for money, transparency and accountability. As much as financial constraints may have effect on our service delivery, we believe lack of or inadequate supervision of the workers on the ground adds to the problem. We are working to improve on that aspect.

For years, CoM's electricity and water consumer subsidised the larger base of taxpayers. Electricity and water have become more costly and the difference between municipal and ESKOM rates has increased. This exposed the Municipality financially.

We will be striving to attain the REDI status from the National Department of Energy in order that we should be able to distribute electricity in all of Matlosana so that with that revenue, we should propel development and infrastructure building that all communities need, but income has to be generated for that accomplishment.

With the increase of service costs, consumers reduced their consumption and therefore our income decreased.

During our last strategic session, a number of priorities were identified for the new council. This budget takes the priorities into account:

- Financial stability.
- Effective management of the migration phenomenon.
- Deteriorating infrastructure.
- Growing public expectations of the municipality.
- Control of troubled communities.

POSITIVES

There are a number of positive aspects from the 2017/18 financial year:

1. Improved audit outcome
2. Received an additional MIG allocation of 41 million
3. Received an additional NDPG grant due to 100% spending

PROBLEMS

The worry remains a thin tariff base and limited funding to address infrastructural needs in the so-called non-grants funded areas.

The national fiscal model remains a basic cause of distress. The majority of municipalities in South Africa are unable to become and remain financially self-sufficient.

Two other problems we are dealing with as Matlosana Municipality is an ageing and dilapidated infrastructure as well as the fast growing population. Matlosana should move with high speed at upgrading and installing infrastructure for the over +/- 500 000 people who utilise our services.

Although we understand that the state of the South African economy is limiting the ability of national government to subsidise and support local government and to meet its obligations towards municipalities, we are still deeply concerned about the inability of national government to address problems impacting on our economic growth.

We have established a base of sustainability in the municipality, but there is a room for innovation, revenue enhancement, service delivery and the upgrade of infrastructure.

The lack of revenue sources is a major obstacle to Matlosana Municipality's growth and development goals. Affordability of the municipal account against the background of a very low per capita income is the main reason why we once again could not implement the proposed fiscal reform during this year, in order to make provision for a cash build-up through recovering depreciation from tariffs.

This is a critical element of our financing model for the infrastructure plan.

Although we developed an mSCOA implementation and risk plan in terms of the mSCOA regulations, not much progress was made to be ready for the migration to mSCOA which became mandatory for all municipalities on 1 July 2017.

The system for application of the mSCOA was not up to standard and created a lot of problems for the rate and taxpayers of the Matlosana Municipality, MMC Farouk Tagaree will be monitoring the system and

ensuring that staff is adequately trained to mitigate the risks as we go forward with implementing mSCOA.

INFLUENCE ON THE BUDGET

The budget is based on a number of council resolutions of which I want to highlight the following:

- The electricity tariff increase is subject to approval by NERSA.
- The poor receive support through Indigent Subsidies which entail free basic services such as 6 kilo litre water, 50 kilowatt electricity as well as free refuse removal and sewerage services.
- Midvaal Water tariffs that also will be having a telling effect on municipal finances
- The first R50 000 on all residential properties are exempt from property rates for persons older than 60 years and earning less than R7 500 per month. The exemption is applicable to all households earning less than R3 380.00 per month.

BUDGET BACKGROUND NOTES

The Mid Term Revenue Expenditure Framework (MTREF) for 2018/19 financial year to 2020/21 financial year were compiled in accordance with the requirements of the relevant legislation.

The Revenue and Expenditure Projections assumed inflation-linked annual adjustments over the MTREF. The main challenges experienced during the compilation of the 2018/19 MTREF can be summarised as follows:

- Increased costs associated with bulk water and electricity, placing
- Upward pressure on tariff increases to consumers. Continued high tariff increases may soon render municipal services financially unaffordable;
- Reprioritisation of capital projects and operating expenditure within the
- financial affordability limits of the budget, taking the cash position into account;
- Salary increases for municipal staff exceeding consumer inflation, and the requirement to fill unfunded vacant, critical and essential positions in accordance with the Salary and Wage Collective Agreement;
- National and local economic difficulties and a growth rate of 1.5%.

- The fuel price is subject to all the variables including the currency volatility and other risks facing the emerging markets.
- Above-inflation increases in bulk purchase tariffs, such as Midvaal
- Water 9% and ESKOM 6.84%.
- Limited income base and no growth in the revenue base.
- Relief for indigent households.
- Unfunded mandates.

The authority's strategic focus areas, which are reflected in the budget, are financial sustainability, good governance, institutional development, basic service delivery and local economic development and growth.

KEY POINTS OF THE BUDGET

Operating income decreases from R2 955,7 billion in 2017/2018 financial year to

R2 720.6 billion in 2018/2019.

Operating expenses decrease from R3 277 billion in 2017/2018 to R3 119 billion in 2018/2019.

This gives our draft a non-cash deficit of R229 million Rands. The challenge is that we need to put in place plans that will ensure that at most we trade with a surplus and at worst we break even. The administration led by Mr. Nkhumise as Municipal Manager and CFO Mr. Ramorwesi must endeavour that this at the next financial year we report either a surplus or a breakeven status, whilst continuing with our historic mission of providing equitable, affordable and qualitative services to our communities.

The capital budget decreases from R173,7 million in 2017/2018 to R168,6 million in 2018/2019.

There is an increase of R38, 3 million on operating grants.

The 2018/19 capital budget has decreased as compared with the current budget, this is due to the reduction of Neighbourhood Development Partnership Programme (NDPG) which is only allocated R22 million in 2018/19.

The current budget of NDPG is adjusted to R48,5 million by National Treasury.

Tariff increases:

The tariff increases is as follows:

- Electricity Consumption 6.84%
- Electricity Basic 5.3%
- Water Consumption 8.00%
- Water Basic 5.3%
- Refuse 5.3%
- Sewer 5.3%

Due to the lessons learnt in the 2017/18 financial year budget, we are approaching this budget carefully.

The Operational Budget 2018/2019 proposed budget comprises of an operational budget to the tune of close to R3 119, 078, 323.

The Municipality is expecting to generate the following operational revenue:

- Property Rates: R413,6 million
- Sale of Electricity: R804,5 million
- Sale of Water: R591, 8 million
- Sewer: R119 million
- Refuse Removal: R185 million

These are our primary sources of revenue and they are expected to contribute about R2, 114 3 billion to the projected revenue. This represents 74% of the total projected revenue.

Grants and subsidies will contribute R577, 9 million to the operating revenue, which represents 19.38 % of the total projected revenue.

Fines will generate R8, 6 million. About R132, 8 million will be generated from interest on outstanding debtors, R6, 8 million from facilities rentals, mainly municipal flats and houses. R36.6 million will be generated from the sundry revenue of the Municipality.

Drafting this budget was not easy and required exceptional expertise, hard work and dedication. It required open minds and clear thinking.

MMC for Finance and Treasury, Councillor Farouk Tagaree and the CFO Mr. Gabriel Ramorwesi will expand more details on the Financial Analysis of this budget, which will include aspects such as Infrastructure Development; Water & Sanitation; Electrification; Human Settlements; Community Services; Welfare of our communities, Youth Development; Job Creation and Technology.

The Executive Committee will work hard to ensure that we better the lives of our people in whatever way we can, we will be putting extra focus and attention on human settlement and infrastructure.

Our housing backlog is currently at $\pm 56\,000$ as per our Housing Sector plan.

In order to deal with this backlog, we need to establish at least 4 townships every financial year and that will require an estimated budget of about R 12 Million Rands.

However, the municipality is planning to establish at least 2 townships this coming financial year which is Khuma Ext. 12 and Tigane Ext. 7

We will also liase with the Provincial Department of Human Settlements to help with the Establishment of Township in Jouberton.

We have learned a lesson from Alabama Ext. 4 & 5 with the influx of communities from all over Matlosana who invaded Alabama (Skierlik in particular) in search of stands which was a waking call us as the municipality.

Some of the achievements of our municipality are as follows, with the assistance from the Provincial Department of Humana Settlements:

- Upgrade of Adamayview Sewer line outfall:
R50 million: Under construction and the completion date is 15 June 2018.
- Upgrade of Schoonspruit sewer line outfall:
R 57 million: Under Construction and the completion date is March 2019.

- Upgrade of New Water Pipeline (N12 west):
R 39 million: under construction and will be completed in March 2019.
- Catalytic Housing Project: phase 1 is nearing completion. That is the Installation of Sewer network and water reticulation for 650 stands. This development is meant for the middle income category of our society which have been neglected for a very long time. R 32 million has been spent on the project so far.

On infrastructure we can report the following progress on projects:

MIG PROJECTS - 2017/18 PROJECT PROGRESS

Infrastructure Aspect	Progress
1. Alabama Bulk Water Supply (Phase 3) - 2ml Pressure Tower	Project progress is at 52%
2. Water Supply from Midvaal End Point to Jouberton and Alabama Phase 1A only	Project progress is at 95%
3. Kanana Paving of Taxi Route and Stormwater Drainage: (Phase 8)	Project progress is at 10%
4. Jouberton Hot Spot areas High Mast Lights (Phase 2)	Project progress is at 30%
5. Tigane Highmast Lights (Phase 4)	Project progress is at 10%
6. Alabama High Mast Lights (Phase 2)	Project progress is at 10%
7. New Sports Complex in Khuma	Project progress is at 10%

MIG PROJECTS: 2018/19 PROJECT IMPLEMENTATION READINESS

Infrastructure Aspect	Progress
1 st infrastructure aspect: Alabama Bulk Water Supply (Phase 3) - Pressure Tower	Progress: Consultant and Contractor appointed Project status - construction (multiyear project)
2 nd infrastructure aspect: Water Supply from Midvaal End Point to Jouberton and Alabama Phase 1B	Progress: Consultant appointed Contractor not yet appointed Tender closed 14 May 2018
3 rd infrastructure aspect: Upgrading	Progress: Consultant and Contractor

Sewer Network - Khuma Proper (North East)	appointed Project status - construction (multiyear project)
4 th infrastructure aspect: Kanana Paving of Taxi Route and Stormwater Drainage: (Phase 8)	Progress: Consultant and Contractor appointed Project status - construction (multiyear project)
6 th infrastructure aspect: Paving of taxi routes Jouberton Phase 8	Progress: Consultant appointed Contractor not yet appointed Evaluation Tender closed - 3 April 2018
7 th infrastructure aspect: Replacement of obsolete high mast lights in Kanana Phase 1	Progress: Electrical Department act as Consultant Contractor not yet appointed Advertised for the appointment of Contractor
8 th infrastructure aspect: Replacement of obsolete high mast lights in Khuma Phase 1	Progress: Electrical Department act as Consultant Contractor not yet appointed Advertised for the appointment of Contractor
9 th infrastructure aspect: New Sports Complex in Khuma	Progress: Consultant and Contractor appointed Project status - construction (multiyear project)

The department of Local Economic Development and Tourism will be receiving special attention this coming financial year and the Municipal Manager and the Director for Corporate Services would be doing a job study of all personnel in this department against the demands of the tasks to be discharged.

Matlosana urgently needs a growth and development strategy that has milestones and smart goals. We need machinery that is capable to exploit business opportunities and attract foreign direct investments into the city.

The same goes for our communications department, which must ensure that our stories, achievements, programmes and projects do not go unnoticed by the community we serve.

Our website which is supposed to be our strongest tool yet we are not fully utilising it as well as our perennial external newsletter called

Dikgang Tsa Matlosana which needs new ideas, packaging and positioning. It must be a two way communication channel between the municipality and community. It needs to move from an ordinary dry report writing to an interactive, engaging and a two-way communication channel. It also needs a clear distribution strategy.

Honourable Speaker; please allow me to thank the Municipal Manager; Mr. Roger Nkhumise, the CFO, Mr Ramorwesi, Directors and Mr Dricus Rossouw and budget personnel for their inputs.

As public representatives, we always put them under tremendous pressure, but as you all know this come with the territory. Please understand that it is nothing personal, and it is all about the struggle to improve the lives of our people.

Another word of appreciation to all Councillors and the members of my Executive Mayoral Committee and Council for their hard work.

We also are grateful for public and organised formations for all sorts of inputs and submission that will positively influence the second draft and the final budget before it's approved by Council.

I also wish to thank Ntate Milton Kgaile and our two young boys for allowing me space and support to discharge responsibilities and duties that come with serving the nation of Matlosana.

I thank you!

Cllr. Maetu Kgaile - Executive Mayor of Matlosana