

INFORMATION STATEMENT IN TERMS OF THE PROVISIONS OF SECTION 33(1)(a)(i)(aa) OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, ACT 56 OF 2003: THE “N12 ROAD UPGRADE AGREEMENT”

The CITY OF MATLOSANA (hereafter “the CoM”) herewith publishes the following information statement in terms of the provisions of section 33(1)(a)(i)(aa) of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (hereinafter “the MFMA”) pertaining to the “N12 ROAD UPGRADE AGREEMENT” (hereafter “the RUA”):

1. On 12 June 2014, the CoM concluded a written agreement with the South African National Roads Agency SOC Limited (hereafter “SANRAL”), Abacus Asset Management (Pty) Ltd (hereafter “Abacus”) and Isago @ N12 Development (Pty) Ltd (hereafter “Isago”), known as the RUA. A copy of the RUA is annexed hereto as **Annexure “X”**.
2. The RUA will impose financial obligations on the CoM beyond the three years covered in the annual budget of the CoM for 2015/2016 and also in part constitutes a capital project. As such, the CoM is required to follow the statutorily prescribed compliance procedures set out in sections 19 and 33 of the MFMA. The coming into force and effect of all and any of the obligations placed on the CoM in terms of the RUA were made subject to the fulfilment of the suspensive conditions set out in clause 1.2.1.5 of the RUA, which suspensive conditions inter alia require compliance with the applicable statutory precepts set out in sections 19 and 33 of the MFMA.
3. The obligations of the CoM in terms of the RUA are as follows, namely to
 - 3.1 apply for the required authorisations to procure the sanctioning of the widening of the N12 road to a three lane dual carriageway across the two existing water courses and bridges that exist between the western boundary of Klerksdorp, Extension 38 (i.e the western boundary of the

Matlosana Mall, situated on Erf 2315, Klerksdorp, Extension 38 and demarcated by the western access into the Matlosana Mall – the access into the Matlosana Mall nearest to Klerksdorp) and Platan Avenue;

- 3.2 construct the extension of the widened N12 national road to a three lane dual carriage from the western boundary of Klerksdorp, Extension 38 (i.e the western boundary of the Matlosana Mall, situated on Erf 2315, Klerksdorp, Extension 38 and demarcated by the western access into the Matlosana Mall – the access into the Matlosana Mall nearest to Klerksdorp) to Platan Avenue; and
 - 3.3 to accept full responsibility at its costs for the optimal setting, maintenance and effective operation of the traffic signals and street lights on the N12 national road at the three entrances to the Matlosana Mall (referred to as the Western access, Eastern access and partial access in the RUA).
4. The timeframes set for the fulfilment of the above referred to obligations are as follows:
- 4.1 as soon as possible, but before July 2016, the CoM must proceed to apply for the approval of the widening of the N12 national road to a three lane dual carriage way across the two existing water courses and bridges that exist between the western boundary of Klerksdorp, Extension 38 and Platan Avenue;
 - 4.2 within ten years from 12 June 2014, the CoM must widen the N12 national road to a three lane dual carriageway from the western boundary of Klerksdorp, Extension 38 to Platan Avenue, however should Isago proceed with the execution of Phase 3 of the development of the land (i.e land developments on Erf 2181 which exceeds 101 230 m² of GLA) prior to the commencement of the 10 year period, Isago must inform the CoM in writing 18 months prior to it proceeding to do so, in which event the CoM must construct the widening of the road prior to or simultaneously

with the development of the third phase of the development of the land;
and

- 4.3 from the “date of takeover” from SANRAL, as defined in terms of clause 1.6, the CoM will accept responsibility for the optimal setting, maintenance and effective operation of the traffic signals and street lights on the N12 national road at the three entrances to the Matlosana Mall. The Director: Civil Services and Human Settlement of the CoM has not, as of yet, issued a completion certificate in terms of which the CoM takes over the infrastructure comprising of the traffic signals and the streetlights.
5. With regard to the projected financial obligations in terms of the RUA for each financial year covered by the RUA, the following:
 - 5.1 Regarding the costs involved for the above obligations, the following:
 - 5.1.1 the applications for the authorisations as set out in paragraph 4.1 above will be attended to by officials of the CoM and the costs for these applications are therefore foreseen to be negligible;
 - 5.1.2 the costs for the construction of the third lanes of the N12 on both the northern and the southern carriageways for the distance of approximately 833 metres as set out in Annexures “G” and “H” in the SANRAL agreement and the widening of the two low water bridges are at this point in time and with the data currently available, estimated to be as follows:
 - 5.1.3 for the construction of the two dual lanes – R8 500 000 (Eight million and Five Hundred Thousand Rand);
 - 5.1.4 for the widening of the two low water bridges – R4 500 000 (Four million and Five Hundred Thousand Rand);

5.1.5 a total expenditure therefore of approximately R13 000 000, and it is not foreseen that this expense will have a material adverse effect on the municipality's future municipal tariffs and revenue. The said expenditure will be covered without a special increase in any municipal tariffs or rates.

5.2 With regards to the above costs, the following remarks must be considered:

5.2.1 the amounts referred to above are estimates as obtained from the directorate of civil engineering of the CoM and must be regarded as such. Actual soil conditions and other factors may have an effect on the estimates during actual construction.

5.2.2 inflation over the period set out in clause 1.2.1 of the SANRAL agreement will also have to be considered. In this regard it must be pointed out that given the current rate of inflation the construction of these third lanes will cost R17 200 000 in 2019 and R21 500 000 in 2024.

5.2.3 it therefore follows that it will be to the benefit of the CoM to attend to the construction of the third lanes and the widening of the bridges as soon as possible and it is therefore not in the best interest of the CoM to in any manner delay the execution of the construction project;

5.2.4 the extent of the construction project is also of such a nature that the execution thereof will not span several budgetary years, but will be commenced and completed in one and at most over two budgetary years;

5.2.5 at this point in time it is not established during which budgetary year the CoM shall proceed to execute the said construction project

but the cost of the project will be duly provided for in the capital budget of the budgetary year in which same is to be executed and the funds budgeted for this project will be committed and retained for the purposes of the execution of this project;

5.2.6 as referred to above the project must be executed as soon as possible and without delay;

5.2.7 the upgrading of the road network is required as a result of the development of Matlosana Mall, being a regional mall constructed in Extension 38, Klerksdorp, which development in turn notably increased the revenue base of the CoM, this revenue is set out below and will fund the road upgrades required with ease.

5.2.8 Regarding the costs referred to in paragraph 4.3 above, the maintenance of the street lighting and traffic signals installed on the N12 opposite Extension 38, Klerksdorp, as set out in paragraph 2.1.3 above will, after the proper handover thereof, be attended to by officials of the council in the normal routine maintenance programme of the council and are therefore foreseen to be almost negligible.

6. The manner in which the CoM can pay for the obligations which are created by the SANRAL agreement:

6.1 The cost of R13 000 000 (Thirteen Million Rand) is a capital expenditure and will have to be included in the capital budget for the budget year during which the project will be executed. This will be done.

6.2 The financial planning parameters of the CoM shall dictate the financial year in which the expenditure will be incurred, but it is envisaged that the CoM must proceed with the inclusion of this project in the capital budget and the subsequent execution of this project as soon as possible.

- 6.3 The widening of the N12 by third lanes as set out in the SANRAL agreement is as a direct consequence of the construction of the Matlosana Mall as referred to above. The revenue generated by the said mall will fund the construction project. The revenue benefit which the CoM is currently enjoying from the Matlosana Mall development per month, is as follows:
- 6.4 Assessment rates – an amount of R1 103 000.00 (One Million and One Hundred and Three Thousand Rand);
- 6.5 Average monthly municipal services account – R2 695 000 (Two Million and Six Hundred and Ninety Five Thousand Rand).
7. In addition to the above the council will shortly present its new “Roads Contributions Policy” and tariff structure. It is important that this policy be implemented as soon as possible due to the fact that developers will be obliged to contribute to this fund before developing. It is foreseen that the largest part of the cost required for the third lanes as set out above will be paid from this fund.
8. Conclusion:
- In conclusion it is therefore confirmed that the City of Matlosana ought to be in a position to pay for the referred to third lanes as required by SANRAL subject to the condition that a proper budgeting process be followed for the relevant financial year in which the funds will be required.
9. One should, when considering the CoM’s obligations in terms of the RUA, also take cognisance of the fact that the other role players (e.g Isago and Abacus) will make substantial contributions to the upgrading of the road infrastructure on the N12 national road to the benefit of the CoM and the community in general. These upgrades to be effected to the N12 national road by all the parties to the RUA will undoubtedly stimulate the commercial and residential developments between Klerksdorp and Stilfontein. This will have a significantly beneficial effect

on both the CoM (increased tax base and enhancement of revenue) and the community in general.

10. The significant investment and financial benefit which the CoM will derive from the RUA is the improvement and extension of the bulk road infrastructure system of the CoM so as to allow for the current and future development of the property between Klerksdorp and Stilfontein which in turn will broaden the tax base and revenue base of the CoM substantially.
11. The community as whole will benefit from the land developments, the improved infrastructure and the broadening of the CoM's tax base. The CoM in turn will be fulfilling its obligations as local government to provide municipal services which benefit the public and stimulate land and economic development.

DATED AT KLERKSDORP ON THIS _____ DAY OF NOVEMBER 2015.

MUNICIPAL MANAGER
CITY OF MATLOSANA