

**STELLENBOSCH**

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## **STELLENBOSCH MUNICIPALITY**

***Working for opportunities for all***

EXECUTIVE MAYOR: Adv. Gesie van Deventer

PROPOSING THE ITEM ON TABLING THE TABLED  
(DRAFT) BUDGET – FOR PUBLIC PARTICIPATION



*Speaker;  
Deputy Mayor;  
Chief Whip of the Ruling Party;  
Members of the Mayoral Committee;  
Ordinary members of Council;  
Municipal Manager and senior management;  
Ward Committee Members;  
Members of the public;  
Members of the media present; and  
All protocol observed*

Good afternoon ladies and gentlemen,

## **Introduction**

Madam Speaker, it is with great pleasure that I motivate to and enlighten Council on the proposed draft budget for the 2019/20 period, which must now be circulated to the public for public participation.

This budget is very important as it absolutely focuses on improving the lives of our residents as well as upgrading and addressing the circumstances of especially the disadvantaged areas across the entire Stellenbosch.

Speaker, through skewed budget allocations and unfair spatial development practices in the past, certain areas were not developed properly and was left behind in terms of infrastructure, housing and economic empowerment.

Having dedicated the 2 previous budgets to provide a solid foundation for this focus by upgrading infrastructure like waste water treatment works and securing our water resources, it is now this Council's obligation and privilege to begin to uplift and effect changes and improvements that was neglected in the past.

This budget is aligned to Stellenbosch Municipality's Integrated Development Plan (IDP) with its vision statement, mission statement, corporate values, key performance areas and its key focus areas but also from inputs by all councillors and our communities right through the year.

This budget was drawn up in line with guidelines set by political leadership and reflects our determination to reduce poverty, create jobs, expand our economy and build and maintain our infrastructure and better service delivery. We are indeed delivering to our people and it is our target to spend this year at least 90% of this capital budget in our program for Stellenbosch to become truly, *a place of opportunity for all residents*.

This budget is fairly distributed to ensure a fair cut for all communities. Unfortunately the current economic climate at a national level and the impact of especially load shedding have necessitated us to carefully manage our spending and to determine which projects are urgent and must be prioritised to ensure service delivery and improvement of communities.

The draft budget has been prepared in accordance with National Treasury's circular guidelines and the Municipal Budget and Reporting Regulations, taking cognisance of scarce available resources. Section 152(2) of The Constitution of the Republic of South Africa, 1996 clearly determines that "*a municipality must strive, within its financial and administrative capacity, to achieve the objects of local government.*" And we are doing that.

Speaker, I also present the 2019/20 financial year and the two outer years' budget patterns. Our resources remain limited and it will continuously necessitate us to work smarter and to carefully manage our spending. The pattern for years continue our focus of upliftment and redress.

Speaker, as to revenue of the tabled 2019/2022 forecast it is important to note: Affordable revenue streams through affordable property rates and service charges tariffs formed the basis of the operating budgeted revenue. The capital programme's capital project expenditure was also reduced to affordable own funding and external borrowing levels.

Speaker, the IDP informs the budget and the Service Delivery and Budget Implementation Plan (SDBIP). The SDBIP with performance indicators with smart targets are developed to ensure that progress in achieving the objectives as set out in the IDP are achieved. Room for improvement and inputs are welcome from our councillors and residents.

The next IDP and Budget consultation process with the community will commence 8 April 2019. Soon thereafter, I and my Mayoral Committee will consider all the comments received on the reviewed IDP and Budget from the local community, stakeholders, National and / or Provincial Treasury,

councillors and senior management before I will table the final budget before Council for final approval before 31 May 2019.

Speaker, the Tabled MTREF Budget Report clearly spells out the legislative requirements this budget is governed by. The capital and operating budget was compiled compliant with these legislative requirements, taking also the budget circulars guidelines received National Treasury into consideration.

### **Total Expenditure Budget Overview**

Speaker, our tabled 2019/2020 capital budget expenditure rounded amounts to R 553,5 million, our operating budget expenditure amounts to R1, 80billion. Our total budgeted expenditure therefore amounts to R2, 36 billion compared to our current budget of R2,28 billion. This amount is estimated to decrease to R2.33 billion and increase R2,47 billion, respectively for the two outer years of the MTREF.

### **Capital Budget Expenditure**

The tabled capital budget decreased from R 563 million in 2018/19 to R 553 million in 2019/2020 because of the completion of major projects.

The MTREF proposes capital expenditure of R413 million and R425 million for the two outer financial years. A comprehensive list of all our capital programme needs is attached as Appendix 1, Section N to the Tabled 2019/2022 MTREF Budget Report.

Speaker, as I alluded to earlier, our Capital Budget for 2019/2020 will be spent on focused projects that will provide better service delivery and opportunities to residents across our entire municipality. The focus here is to create opportunities for better living and to create an environment conducive to economic development, especially in disadvantaged areas where addressing inequalities from the past, is especially needed. We as council must eradicate the negative impact of past councils on our community. To demonstrate this focus we are investing in several major projects over the next three years:

Bulk water supply: Klapmuts	30 000 000
New Plankenburg Outfall Sewer	10 000 000
Klamuts Erf 2181 (298 Services Sites)	12 903 056

Bulk Sewer Outfall James Town	66 000 000
Upgrade of WWTW in Pniel and decommissioning Franschoek.	134 684 431

We are also focussing on creating equality, dignity and opportunity for our residents by providing economic opportunities over the next 3 years:

Local Economic Development Hub Jamestown	4,500,000
Establishment of Informal Trading Sites: Klapmuts	3,000,000
Establishment of Informal Trading Sites: Groendal	2,000,000
Establishment of Informal Trading Sites: Kayamandi	4,500,000
Upgrading of the Kayamandi Economic Tourism Corridor	400,000

Creating opportunities for especially the youth through sport is very important. Sport has the ability to unite, uplift and create opportunities in a unique and positive way. Through the course of the next three years we are investing in the upgrading of various sport facilities, equipment as well as maintaining existing facilities.

Upgrade of Sport Facilities	10,000,000
Upgrading of tennis courts in Idas Valley and Cloetesville	550,000
Upgrade of Lanquedoc Sports Grounds	600,000

Creating safer communities is a priority for us. For the following 3 years we are investing in various aspects of safety to create safer communities for all our residents. The better security will help us to create more economic opportunities for our residents. To achieve this we have budgeted for a safer valley through the following:

Replacement of Patrol Vehicles	2,120,000
Installation and Upgrade of CCTV cameras throughout WC 024	4,000,000
Vehicle Fleet for Law Enforcement	5,500,000

The upgrading of the pound	1,000,000
Hydraulic Ladder Fire Truck	12,000,000
Upgrading of Stellenbosch Fire Station	5,000,000
Major Fire Pumper	4,500,000
Specialised Vehicle for Fire and Rescue services	3,000,000
Ad-hoc provision of Street lighting	3,000,000
Lighting on Public Places	3,000,000

We will also invest in infrastructure related projects over the next 3 years that will assist in improving the safety of all residents:

Traffic Calming Projects : Implementation	2,500,000
Traffic Signal Control: Upgrading of Traffic Signals	1,000,000
Accident information System	1,250,000
Khayamandi Pedestrian Crossing (R304, river and Railway line)	2,500,000
Pedestrian Crossing Implementation	1,100,000
Bicycle Lock Up Facilities	200,000
Bus and Taxi Shelters	600,000

We have also budgeted for better living conditions, dignity and addressing inequality over the next 3 years for our residents in informal settlements:

Basic Services Improvements: Langrug	15,300,000
Northern Extension: Phase 2 Sanitation Infrastructure	2,000,000
Kayamandi Bulk Sewer	10,500,000

We continue our efforts in addressing the plight of the disadvantaged through housing opportunities. Housing remains a challenge as resources and allocations from National and Provincial Government remains limited and the

backlog tremendous. However the following has been budgeted for housing projects over the next 3 years to create more housing opportunities:

Kayamandi: Watergang and Zone O	12,650,000
Northern Extension Kayamandi – Feasibility study	7,000,000
298 Serviced sites in Klapmuts ERF 2181	12,903,056
Smartie Town Cloetesville	5,500,000
Idas Valley IRDP/FLISP	13,500,000
Longlands Vlottenburg: Housing internal services	4,000,000
Jamestown Housing	19,080,000
Town Centre Stellenbosch (Social Housing)	3,000,000
Upgrading of Steps/Orleans Lounge	14,500,000
Cloetesville IRDP Planning	7,330,000
Enkanini Subdivision, Consolidation and rezoning	5,000,000

To deliver better services to all residents, as well as to enable more economic development and bulk services in support of new housing opportunities and new developments, we have budgeted as follows for the next 3 years:

Klapmuts Bulk Sewer Upgrade	11,000,000
Bulk Water supply pipe line and pump station: Franschhoek	18,000,000
Sewer Pipe Replacement	10,000,000
Bulk Sewer Outfall Jamestown	66,000,000
Bulk Water Supply Pipe: Idas Valley/Cloetesville	1,000,000
Water Treatment Works: Idas Valley	28,000,000
Water Pipe Replacement	18,000,000

Bulk Water supply pie and reservoir: Kayamandi	22,500,000
Water Treatment Works: Paradyskloof	14,500,000
New Reservoir: Polkadraai	50,000,000

Creating safer road infrastructure is a priority. We therefore continue our focus on ensuring well maintained road surfaces, but also continue to work on the congestion issues that plague our roads, creating potentially hazardous conditions. To address this we have are making the following provisions for the next 3 years:

Reseal Roads Franschhoek CBD	1,000,000
Reseal Roads Onder Papegaaiberg	1,000,000
Resealing WC024	2,000,000
Reseal Roads Cloetesville	4,000,000
Reseal Roads Idasvalley	3,750,000
Reseal Roads Kylmeore	1,000,000
R44 Upgrades	5,000,000
Lanquedoc access road and bridge	2,000,000
Main intersection Improvements: Franschhoek including Groendal and others.	1,700,000
Main Road Intersectional Improvements study: Pniel/Kylemore	400,000
Main Road Intersection Improvements Stellenbosch	12,000,000

A large number of residents rely on public transport. It is also important to reduce congestion on our roads. To work towards better and safer transport opportunities for our people over the next 3 years, we have budgeted for public transport as follows:

Comprehensive Integrated Transport Master Plan	2,500,000
Taxi Rank Klapmuts	4,000,000
Taxi Rank Kayamandi	1,500,000



Jamestown South Transport Network	3,000,000
Non-motorized Transport Implementation	7,000,000

An enormous challenge that has to be addressed is the fact that space at our landfill site is running out. Unfortunately previous councils did not plan for this in advance and when this looming crisis was discovered, we began with the necessary steps to manage and address the challenge. In September 2017, Council launched a section 78 process to explore what the possible solutions for this challenge must be.

Thus, in 2018, it was determined that we must extend the capacity of our landfill site. This is an enormous undertaking which requires the moving of Eskom lines as well as environmental impact studies. Eskom has given permission for the moving of its overhead lines. The next steps is to wait for the completion of the necessary Environmental Impact Assessments and the extension of our waste management licence.

In the meantime, when our site reaches capacity within the next few months, we will have to transport our solid waste to Vissershok. All of this will have a significant impact on our budget and our expenses over the next three years. We are however working to mitigating and managing the situation as much as possible as follows:

Reduction of waste through waste minimisation projects, such as recycling. The bigger the minimisation the lower the cost of transport and that is why we making provisions for the following:

Stellenbosch WC024 Material Recovery Facility	22,000,000
Transfers Station: Stellenbosch	21,000,000
Skips	1,000,000
Upgrade Refuse disposal site – Existing cells rehab	4,500,000

We must investigate methods of converting wet waste into fuel or gas which can be used in vehicles or for generation of electricity as well as exploring methods of using plastics in the manufacturing of sealants for our roads. That is why, over the next three years we will invest in the following:

Waste minimization projects	2,500,000
Expansion of the Landfill Site (new cells)	32,000,000
Waste to Energy Planning	500,000
Waste to Energy Implementation	4,000,000
Landfill Gas to Energy	1,000,000

Speaker, electricity is an absolute necessity for all our residents to live in safety and dignity. Electricity is also critically important for small businesses and the creation of economic opportunity. Despite load shedding and the challenges presented to us by ESKOM we are making the following provisions over the next 3 years we are making provision for:

11 kV Network Cable Replacement	9,000,000
Kwarentyn Sub Cables	5,500,000
Integrated National Electrification Program	12,000,000
Integrated National Electrification Program Enkanini	10,880,000
General System Improvements Stellenbosch	10,000,000
Infrastructure Improvement Franschhoek	5,000,000
General System Improvements: Franschhoek	6,000,000

Speaker, to sum up, it is clear that the greatest part of our capital budget expenditure is geared towards infrastructure. This is done, with the goal of excellent service delivery for all residents in mind and also to create greater equality, economic opportunities and dignified living conditions for our disadvantaged residents.

### **Capital Budget Funding**

Our capital budget is funded from the following funding sources –

- Own reserves (Capital Replacement Reserve)
- External loans to be taken up and
- Government grants.

## **Operating Budget Expenditure**

The proposed operating budget expenditure for 2019/2020 increases to R1,808 billion (5.16%) compared with the 2018/2019 adjustments operating budget expenditure of R1,719 billion.

Our operating expenditure for the 2020/2021 to 2021/2022 outer financial years will increase respectively to R1.925 billion (6.4%) in 2020/2021 and R2,048 billion in 2021/2022.

The main contributors to the operating expenditure of the 2019/2020 financial year are –

- Bulk electricity and water purchases
- Employee related costs;
- Interest on external loans and depreciation costs;
- General expenditure;
- Repair & maintenance costs;
- Conditional grant expenditure; and
- Provision for bad debt, leave and landfill sites rehabilitation; contracted services; collection costs; councillor remuneration; special projects; grants and donations represents the remaining operating expenditure.

The increase in employee related costs are due to the filling of posts on the new organogram and the national negotiated annual increases as determined in the Bargaining Council. As we acquire the new skills, we will become less and less dependent on external consultants, which will see a significant drop in the amounts we spend on consultants.

## **Operating Budget Revenue**

Our additional revenue will be obtained from interest on selected investments, traffic fine income and various other revenue items.

The proposed operating budget revenue for 2019/2020 increases to R 1.919 billion (9.45%) compared with the 2018/2019 adjustments operating budget revenue of R 1.738 billion. Our operating revenue for the 2019/2020 to 2021/2022 outer financial years will increase to and respectively to R1.973 billion (2.78%) in 2020/2021 and R 2,104 billion (6.67%) in 2021/2022.

The exact percentage increase or decrease of each tariff type is reflected in the Tariff List that will be available for inspection at municipal offices and all libraries during the public participation process.

As set out in the budget assumptions in the 2019/2020 MTREF Budget Report of the reviewed IDP, the 2019/2020 revenue streams increase approximately with the following percentages. Speaker in setting these tariffs we have been very

mindful of the challenging economic conditions in the country as well as and inflation. The following increases are proposed:

- **Property Rates increase with 6,50 %**
- **Electricity Tariffs increase with 13, 80%**  
The current electricity crises has resulted in NERSA approving a 15.63 % increase in electricity prices. This has resulted in the municipality being forced to raise tariffs with 13,8%.
- **Water Tariffs increase with 6,5%**  
Improved rainfall as well as our capital investment in our boreholes and equipment have enabled us to manage the continuing drought. We remain at level 2 restrictions. I want to express my sincere gratitude to our residents for their cooperation and their continued efforts to save water.
- **Sanitation Tariffs increase with 6%**
- **Refuse Removal tariff will increase with 16,5%**  
Speaker, as mentioned earlier, this increase is due to the fact that our landfill site will soon reach capacity and that we are in the process of planning for the future as well as managing the situation to ensure our clean towns.

### ***Financial Support to Indigent Households***

Speaker, Stellenbosch Municipality does provide free basic services to poor households as a means of poverty alleviation. We mainly provide support to households who are unable to pay or struggle to pay for their basic services. This includes households with an income base below a determined threshold (two times the government social grant paid to a pensioner plus 25%), to the unemployed, child-headed households, retired persons and disabled persons. These consumers must apply to be registered as an indigent household on our indigent register in order to obtain this benefit or to qualify for rebates from their municipal basic services or property rates levied.

Indigent households in 2019/2020 will receive:

- 100 units of free electricity per month;
- 6 kilolitres of free water per month,
- free refuse removal services,
- free sanitation services.

This indigent subsidy will be credited to the customer's account during the monthly billing run. The indigent subsidy is funded through our equitable share allocation. It is important to note that it is expected from indigent households

only to pay for electricity consumption above 100 units of electricity per month and only for water consumption above 6 kilolitres of water per month.

For the 2019/2020 financial year the qualifying criteria for indigent status is households (main bread winner/s) earning less than R 6,500 per month as indicated by the Municipality's amended Indigent Policy.

The percentage rebate granted to different monthly household income levels will be determined according to the schedule below. The income bands and rebates for the effective financial period of this Policy are as follows:

Gross Monthly Household Income				% Rebate
Income bands				
Up to			8 000	100%
From	8 001	to	10 000	75%
From	10 001	to	12 000	50%
From	12 001	to	15 000	25%

## Conclusion

Speaker, this budget is a statement from this Council that we should look after all residents. But we must make a concerted effort to eliminate inequality and bring about greater equality to disadvantaged residents and areas in particular.

As the Executive Mayor, it is my strategic vision that we can achieve economic prosperity, dignity and equality, as it is set out in our constitution! It is only then, that all people, all residents in the greater Stellenbosch can live in true equality and freedom.

Nelson Mandela said: **“For to be free is not merely to cast off one’s chains, but to live in a way that respects and enhances the freedom of others.”**

This is our draft budget, for this council's consideration to enhance and promote the freedom and equality for our citizens.

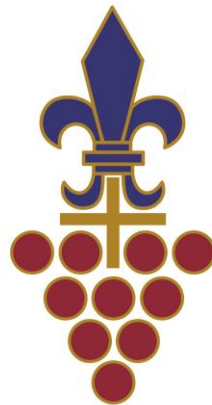
The Municipality's strategic objectives are aligned to the national and the provincial priorities as articulated by the national outcomes and provincial strategic objectives. The budget assumptions are realistically based on available information and the projected cash flow budget is credible and sustainable over the MTREF.

Speaker, with these remarks, I herewith present Stellenbosch's DRAFT **2019/2022** Medium Term Revenue and Expenditure Framework Budget Report

with its recommendations to Council for consideration and approval as it set out in Item 5.2 on page 115 with recommendations a to i.

Thank you,

**Adv. G van Deventer**  
**Executive Mayor of Stellenbosch Municipality**



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