



## Executive Mayor's Budget Speech – 2009

When my predecessor presented the draft budget in March this year, she alluded to the troubles facing our country as a whole and specifically our municipality. Since then we have seen a worsening of the economic situation. Just yesterday it was announced that South Africa is officially in a recession and that the economy shrank by 6,7% in the last quarter. Consumer spending has again dropped and obviously this means that companies are now producing fewer goods. These companies are either retrenching workers or they are opting to work fewer hours.

Just yesterday we saw members of NUMSA protesting outside of the Reserve Bank. They were demanding a drastic decrease in interest rates as they fear further job losses and hardships for workers who stand to lose their homes in the coming months. Fortunately the monetary policy committee responded positively today by decreasing interest rates with 100 basis points but many believe that this is too little too late.

A municipality such as Midvaal is heavily reliant on income generated from the sale of water and electricity to large industries. When such industries consume less then we obviously see a decline in our revenue which in turn forces us to adjust our expenditure. Ordinary residents are also consuming less or, are simply unable to pay their municipal accounts, and this places even more strain on our resources.

Fortunately Midvaal's administrative and political management foresaw this situation way back in January when we were preparing the 2008/2009 revised budget. Our response was to immediately freeze all vacant staff positions that were not required for essential service delivery. We also issued guidelines to all departments on how expenditure patterns would have to change in order to adjust to the declining income. The Municipal Manager, CFO and MMC for Support Services actively manage our day-to-day cash flow and inspect all requisitions thoroughly before they are approved. I too receive almost daily reports on our bank balance, as well as current and future commitments and am often faced with making some very difficult political decisions. Financial, and specifically cash management, in Midvaal is now our daily priority as we cannot allow a situation to unfold where we do not have enough cash in the bank to pay salaries and bulk purchases such as water and electricity.

Mr Speaker, whilst all is not well in our country's economic outlook there is much hope in Midvaal. By accurately predicting this situation some months ago we had the convictions to take tough decisions that would lessen the negative impact. Furthermore, the strict financial discipline and prudence practiced over the past eight years also played a major role in assuring our soft landing in times when many municipalities are crashing.

About two weeks ago the ever present frown on my face suddenly changed to a smile when I realized that Midvaal is busy turning the situation around and that our outlook is indeed a positive one. The payment rate for last month was 109% and our overall payment rate for the year to date is now 92%. This is indeed much higher than the 70's and 80's that we are hearing from our neighbours. Furthermore, our active cash management strategy has ensured that we will not have to employ unnecessary delaying tactics in paying our suppliers and our biggest assets, namely our employees, will not have to worry about whether they will be paid at the end of the month. I came to realize that predictions had come true, namely that those organizations that have the determination and outright guts to take difficult decisions early on in this crisis will also be the first ones to see a recovery.

Mr Speaker, it is with this background that I present the 2009/2010 budget. The operational budget totals just less than R400 million. Income is based on a conservative payment rate of 95% and a very prudent provision of R18 million as income foregone. The salary budget totals R114 million or 32.5% of total expenditure (after accounting adjustments) and this is well within the required norms.

There is no doubt that the proposed expenditure will require us to continue taking difficult decisions and acting conservatively as there may be a need to suspend certain projects that are not focused on visible service delivery. However, Midvaal's residents can rest assured that no service will deteriorate to unacceptable levels in the coming year. Our residents are used to the best in service delivery and we are committed to ensuring that they continue to receive value for money.

Our tariff increases have remained within current inflationary levels and overall increases, excluding water and electricity, are around 9%. However it must be noted that we are subject to the very concerning increases being proposed by Rand Water and Eskom. Water tariffs will increase by 16% and electricity by 31%. It must be noted Mr Speaker that Midvaal will not follow the route taken by many other Council's who increased their electricity tariffs by as much as 50% to raise extra funds for the municipality while trying to blame it on Eskom. We will only increase our tariffs by the percentage that is being proposed by NERSA as we understand that this increase will have a severe impact on our local economy and we will not use the opportunity to place further strain on our ratepayers.

After the Ekurhuleni Metropolitan Municipality acknowledged that it would write off the R36 million owed by Midvaal in terms of the former EGSC's distribution account it was decided that Midvaal was in a position to take up a further loan of R40 million. Subsequently this Council approved the principle of a further loan at its Special Meeting on 7 May 2009. Whilst the public participation process for the loan still needs to be completed, we have proven that Midvaal can comfortably accommodate the repayments by providing for them in the proposed budget.

Considering the 19,2 million unspent funds from our existing loan and the proposed additional R40 million loan I am excited to list numerous much needed capital projects as determined by our IDP. These projects appear in the proposed capital budgets of 2009/2010 as well as the final adjustments budget of 2008/2009:

**Own funds and loans:**

- Meyerton CBD upgrade – R7 850 000
- Riversdal Electrical Substation – R6 100 000
- Three Rivers Electrical Substation (a joint initiative with Emfuleni) – R7 500 000
- Telemetry System to address water losses and sewerage spillages – R3 350 000
- Completion of the Vaal Marina Reservoir – R2 800 000
- Gravel To Tar Programme – R11 100 000
- Tedderfield Water Project – R6 000 000
- Upgrading of Tarred Roads – R12 500 000
- Upgrading of Sewerage Pump Stations – R1 500 000
- Upgrade of Water Network in Daleside Industrial – R2 000 000
- Eisenhower Bridge Upgrade – R1 000 000
- Municipal Infrastructure Grants (MIG) & other government grants:
- Gravel to Tar Programme mainly in Sicelo and Lakeside – R9 900 000
- Sewer Network Extensions – R5 000 000
- Interim Upgrade of the Meyerton Purification Works – R5 200 000
- Upgrade of Bantu Bonke Sewerage Network – R1 400 000
- Installation of Water Meters in Lakeside Ext 1 – R1 400 000
- Construction of the Sicelo Multi Purpose Centre – R1 000 000
- Construction of the Bantu Bonke Multi Purpose Centre – R1 200 000
- Regional Landfill Site Feasibility Study – R1 000 000
- New Landfill Site (Purchase of land) – R2 000 000
- Extension of Meyerton Cemetery – R1 500 000
- Equipment upgrades at Libraries – R1 500 000

Mr Speaker, as the Councillors can see, despite the tough economic times ahead we are proposing a realistic but exciting budget which will address numerous service backlogs. Midvaal has always been at the forefront of economic development and our maintenance and capital plans will ensure that we are prepared to attract our fair share of investment once the economy begins to recover.

Preparing a municipal budget at the best of times is an enormous challenge, but in this tough economic situation this process certainly requires us to think out of the box. I want to thank all the officials and councilors who spent many hours preparing this fine document. I also want to thank our community for their comments and suggestions made during the public participation process. Whilst we cannot address every need overnight, I do believe that this budget will go a long way in improving the lives of our residents and the environment within which our businesses function.

Over the past eight years Midvaal has always set the pace and indeed the example of successful and accountable local government and I am looking forward to the continuation of this during the 2010/2011 financial year.