

NATIONAL TREASURY

NO. 1097

23 AUGUST 2019

**PUBLIC FINANCE MANAGEMENT ACT, 1999
(ACT NO 1 OF 1999 AS AMENDED)****BORROWING POWERS OF WATER BOARDS LISTED UNDER SCHEDULE 3 PART B
OF THE ACT**

I, TITO MBOWENI, MINISTER OF FINANCE, acting in terms of Section 66(3)(b) of the Public Finance Management Act, 1999 (Act No 1 of 1999), hereby authorise the accounting authority of Umgeni Water to borrow money up to the limits as stipulated below:

UMGENI WATER	
FINANCIAL YEAR	INTEREST-BEARING DEBT AMOUNT
Ending 30 June 2020	R2.0 billion
Ending 30 June 2021	R1.4 billion
Ending 30 June 2022	R1.4 billion

These amounts reflect the maximum balance of interest-bearing debt the entity may have as at the end of the relevant financial years and takes into account Umgeni Water's existing outstanding interest-bearing debt. This means that for as long as Umgeni Water has interest-bearing debt on its statement of financial position (or balance sheet), it is not allowed to exceed these limits. The authorisation expires on 30 June 2022 and a new authorisation will be considered upon expiry, provided Umgeni Water has borrowings recorded in its statement of financial position.

The borrowing authority is subject to the following conditions that have to be adhered to by Umgeni Water:

- A gearing limit of 50% calculated as follows: interest-bearing debt relative to total equity;
- A minimum cash interest cover (CIC) ratio of three (3) times, calculated as follows: cash generated from operations (before changes in working capital) relative to finance costs;
- A minimum debt service cover ratio (DSCR) of one (1) time, calculated as follows: cash generated from operations (before changes in working capital) relative to the sum of finance costs and debt/capital repayments;
- Umgeni Water submits quarterly progress reports to the Asset and Liability Management division on the Borrowing Programme and Funding Plan, including utilisation of the borrowing authority; and
- Umgeni Water submits bi-annual reports to National Treasury's Asset and Liability Management division on the progress of major capital expenditure projects and project plans for the upcoming 6 months. If there are any delays in the projects, the entity should provide reasons for such delays.



**TT MBOWENI, MP
MINISTER OF FINANCE**

DATE: 27/06/2019