

## NATIONAL TREASURY

NO. 1098

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 Rand Water to borrow money and issue bank guarantees up to the limits as stipulated below:

| <b>RAND WATER</b>     |   |                                  |
|-----------------------|---|----------------------------------|
| <b>FINANCIAL YEAR</b> | <b>INTEREST-BEARING DEBT<br/>AMOUNT</b> | <b>BANK GUARANTEE<br/>AMOUNT</b> |
| Ending 30 June 2019   | R6 345 million                          | R15 million                      |
| Ending 30 June 2020   | R8 265 million                          | R15 million                      |
| Ending 30 June 2021   | R11 605 million                         | R15 million                      |

The proposed limits on borrowings reflect the maximum balance of interest-bearing debt at any point in time for the relevant period and takes into account Rand Water's existing outstanding interest-bearing debt. This means that for as long as Rand Water has interest-bearing debt on its statement of financial position (or balance sheet), it will need to adhere to the limits above. The proposed authorisation is set to expire on 30 June 2021 and a new authorisation will have to be considered upon expiry, provided Rand Water has borrowings recorded in its statement of financial position.

The bank guarantee amount above reflects the maximum bank guarantee Rand Water may source in favour of Eskom for its Electricity Supply Agreement. Rand Water is required to have a non-cash secured bank guarantee and should at any point in time have liquid investments to the equivalent of R15 million in relation to the financial years highlighted above. The bank guarantee is granted only in favour of Eskom and is limited to Eskom providing electricity to Rand Water's 3 key accounts. These are Zuikerbosch, Zwartkopjes and Palmiet pumping stations. The cumulative amount of the bank guarantee should not in any of the 3 financial years exceed R15 million.

The approval of the authorisation are subject to the following conditions that have to be adhered to by Rand Water:

- A gearing limit of 50% calculated as follows: interest-bearing debt relative to total equity;
- A minimum cash interest cover (CIC) ratio of 3, calculated as follows: cash generated from operations (before changes in working capital) relative to finance costs;
- A minimum debt service cover ratio (DSCR) of 1, calculated as follows: cash generated from operations (before changes in working capital) relative to the sum of finance costs and debt/capital repayments;
- Rand Water submits quarterly progress reports to the Asset and Liability Management division on the Borrowing Programme and Funding Plan, including utilisation of the borrowing limit; and

- Rand 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