

NATIONAL TREASURY

NO. 2129

3 June 2022

**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, ENOCH GODONGWANA, 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 limit and extend bank guarantees as stipulated below:

UMGENI WATER: BORROWING AUTHORISATION AND RELATED LIMIT	
FINANCIAL YEAR	INTEREST-BEARING DEBT/ BORROWINGS AMOUNT
Ending 30 June 2023	R2.017 billion
Ending 30 June 2024	R3.325 billion
Ending 30 June 2025	R4.534 billion

FINANCIAL YEAR	BANK GUARANTEE
Ending 30 June 2023	R7 356 137
Ending 30 June 2024	R7 356 137
Ending 30 June 2025	R7 356 137

The approved borrowing limit reflects the maximum interest-bearing borrowings that Umgeni Water may have at any point, during each respective financial year. This means that Umgeni Water is required to adhere to the above limit, for as long as the entity has interest-bearing debt in its statement of financial position (balance sheet). The authorisation is effective from 1 July 2022 and is expected to expire on **30 June 2025**. A new authorisation will have to be considered upon expiry, provided that Umgeni Water has outstanding interest-bearing borrowings recorded in its financial statements.

The bank guarantee amount reflects the maximum bank guarantee(s) Umgeni Water provide in favour of Eskom in relation to the Electricity Supply Agreement between the two parties. The cumulative amount of the bank guarantee should not in any of the 3 financial years exceed R7 356 137.

The borrowing authorisation and related limit is approved with the following compliance requirements:

1. The outstanding interest-bearing debt must not exceed the authorised borrowing limit for each financial year;
2. A minimum cash interest cover ratio (CICR) of 3 times, calculated as follows; *(cash generated from operations (after changes in working capital) divided by (+) cash finance costs)*;
3. A minimum debt service cover ratio (DSCR) of 1 time, calculated as follows; *(cash generated from operations (after changes in working capital) divided by (+) total debt service costs (debt capital repayments plus gross interest paid))*;
4. A gearing limit of 50% calculated as follows; *(interest-bearing borrowings divided by (+) total equity)*;
5. Umgeni Water must submit a report containing all covenants (incurrence and maintenance covenants) with lenders and noteholders, as well as the compliance to such covenants in relation to all its existing borrowings to the Asset and Liability Management (ALM) division.
6. Umgeni Water must submit quarterly progress reports to the ALM division on the above-mentioned requirements as well as the borrowing programme and funding plan, including the utilisation of the borrowing limit within 30 days after the end of each quarter; and
7. Umgeni Water must submit bi-annual reports to the ALM division on the progress of major capital expenditure projects and the project plans for the upcoming 6 months.

The bank guarantee authorisation has the following compliance requirement:

1. Umgeni Water is required to have a non-cash secured bank guarantee and must always maintain liquid investments or assets equivalent to R7 356 137 in relation to the financial years highlighted above.



ENOCH GODONGWANA
MINISTER OF FINANCE

DATE: 11/05/2022