

LOCAL AUTHORITY NOTICE

CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY

In terms of Section 84 (1) and (2) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) ("MFMA"), read with Sections 21 and 21A of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) ("the Systems Act") as amended, notice is hereby given that the City of Johannesburg Metropolitan Municipality ("CoJ") intends to establish a municipal entity (a private company) as a Special Purpose Vehicle ("SPV") for the purpose of restructuring CoJ's Debtors' Book

INFORMATION STATEMENT

1. The objective of CoJ with the establishment of the entity is to restructure the Debtors' Book and to facilitate an accelerated debt collection process that will provide CoJ with much needed upfront cash. Given the size of the Debtors' Book, there is a need to establish municipal entity and implement a structure that will assist CoJ in performing its collection functions in accordance with sound business practices.
2. Number of CoJ's staff to be transferred to the Proposed entity:
There will be no CoJ staff members transferred to this entity.
3. Number of CoJ staff who would become redundant with the establishment of the entity:
There will be no redundant staff. The current CoJ employees tasked with debt collection will help external debt collections.
4. Cost to CoJ of retrenchments:
There will be no retrenchments. All the current CoJ debt collecting staff will be needed to assist the external debt collectors.
5. Any assets of CoJ to be transferred to the entity:
A "Dedicated" Debtors Book will be extracted from CoJ total debtors and transferred to the entity. A "Dedicated" Debtors' Book is the portion of the total debtors that is recoverable and is 90-days and older and that has been declared as bad debt.
6. Any assets of CoJ that will become obsolete with the establishment of the entity:
The proposed restructuring of the Debtors' Book through the SPV is a paper transaction, and this means that none of the assets of CoJ will become obsolete.
7. Any debt of CoJ that CoJ will retain despite the establishment of the entity:
The restructuring of the Debtors' Book is a transfer of assets that have already been provided for. Therefore, there will not be any debt regarding the Debtors' Book that will be left with the City. Over and above the Dedicated Debtors Book, other debt will be dealt with in terms of the current CoJ's indigent policy.

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