

Key risk areas impacting on the municipality's overall financial viability/credit rating and the ability to raise additional capital funding for infrastructure projects

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Definition of VIABLE

- **Feasible Meaning:-**
Capable of being done, executed, or affected
- **Practical Meaning:-**
Capable of being done or accomplished with available means

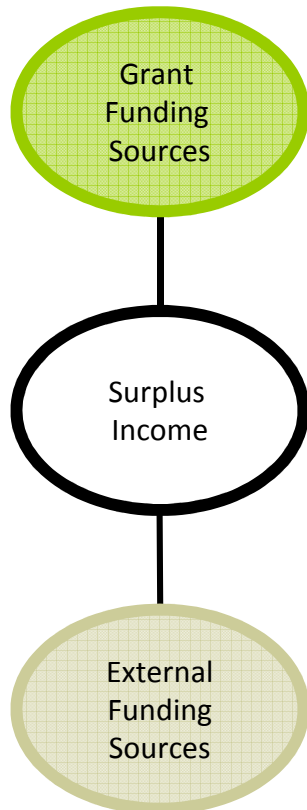
Financial Viability

Municipal Financial Viability is about the ability to generate sufficient income to meet operating expenses, debt commitments and where applicable, to allow growth while maintaining service levels

Core Focus of a Municipality

- Provide municipal services through infrastructure to all of its residents
- Provide infrastructure:
 - Backlogs
 - Growth
 - Rehabilitation
- Maintain current infrastructure
- Manage the finances of the municipality within the regulatory framework provided
- Create a financially sustainable entity whilst rolling out service delivery

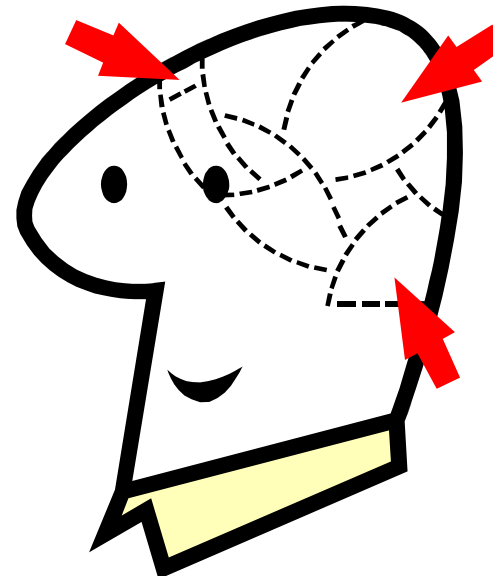
Funding Sources for Capital Infrastructure



- Municipality may have access to only one or all of the funding sources
- Grant funding will be subject to conditions set by the donor be it Government or other
- Surplus income will be subject to the internal management of financial affairs
- External funding (local or international) will be subject to external assessment by the provider of funds
- Gaining access to all three sources can speed up the service delivery process

External Assessment of Viability

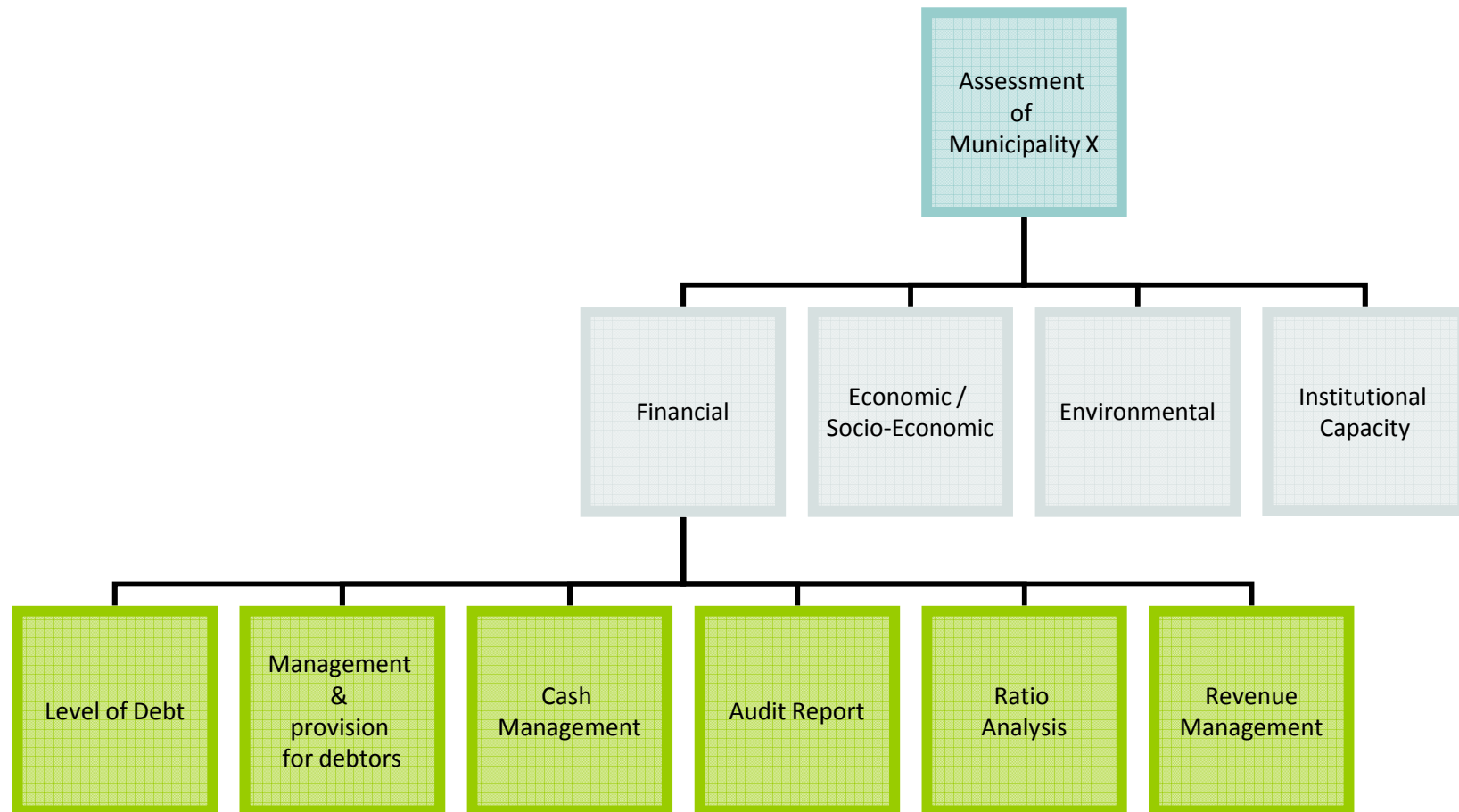
- What influences the thinking of international/local financial institutions?
- What influences the assessments of banks and credit rating agencies?
- What is the history of external funding in SA?
- Lets take you into the mind of an investor/ banker/ rating agency



Sources of Information used in Assessment

- Audited Financial Statements
 - Historical view of the financial affairs
- Audit Report
- Medium Term Expenditure Framework
 - Future view of the financial affairs
- Multi-year Capital Programme
 - Future financial needs
- Integrated Development Plan
- Socio-economic potential of area
- Local/International news reports on the sector
- Reports from market analysts
- Comparison to peers in the market

Factors Influencing Assessment



Results of Assessment

- Classification as investment grade or non-investment grade
- Will highlight risks and concerns
- Will dictate the level of funding, duration and pricing of funding
- Peer comparison
- What can be drawn from this for internal management?

Suggested Internal Measurements

- Set financial benchmarks and measure performance accordingly
- Ask financial institutions to share their internal assessments with your Council
- Consider official rating for international funders
- Be aware of external market influences
- Keep the core of your Municipality sound

Thank you



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