

ITEM NUMBER: C 27/04/16

RECOMMENDATION FROM THE EXECUTIVE MAYOR: 01 MARCH 2016

MC 06/03/16 CREDIT RATING OF THE CITY OF CAPE TOWN

It is **RECOMMENDED** that the report on the outcome of the credit opinion issued by Moody's Investors Services on the City of Cape Town be noted.



REPORT TO THE EXECUTIVE MAYOR

DATE 2016 -03- 01

1. ITEM NUMBER : MC 06/03/16

2. SUBJECT

CREDIT RATING OPINION OF THE CITY OF CAPE TOWN

ONDERWERP

OPINIE OOR KREDIETGRADERING VAN DIE STAD KAAPSTAD

ISIHLOKO

ULUVO OLUNGOKUMISELWA KWINQANABA ELITHILE
NGOKWAMATYALA KWESIXEKO SASEKAPA

LSUG4064

3. STRATEGIC INTENT

- Opportunity City
- Safe City
- Caring City
- Inclusive City
- Well-run City

IDP Programme 5.3 (b): Internal Management Processes Programme.

4. PURPOSE

The purpose of this report is to advise on the outcome of the recent annual credit rating review of the City of Cape Town conducted by Moody's Investors Service.

JPH

5. FOR NOTING BY / FOR DECISION BY

017

- This report is for noting only/information only by:
- The Executive Mayor together with the Mayoral Committee
 - Council
-

6. EXECUTIVE SUMMARY

Moody's completed its annual review of the credit rating of the City of Cape Town. It has reaffirmed the existing long term rating of A1.za as was published by Moody's Investors Service on 12 February 2016. This rating reflects Cape Town's strong budgetary performance and its good liquidity position supported by an overall prudent financial policy and a relatively large and evenly diversified economic base. The outlook of the City of Cape Town was changed from stable to negative on 18 December 2015. This action was prompted by the deterioration of South Africa's credit profile as captured by Moody's outlook change to negative from stable of South Africa's Baa2 government bond rating on 15 December 2015.

7. RECOMMENDATIONS

It is recommended that the report on the outcome of the credit opinion issued by Moody's Investors Service on the City of Cape Town, be noted.

AANBEVELING

Daar word aanbeveel dat daar kennis geneem word van die verslag oor die uitslag van die kredietopinie oor die Stad Kaapstad, uitgereik deur Moody's Investors Service.

ISINDULULO

Kundululwe ukuba makuqwalaselwe ingxelo engesiphumo soluvo lokubekwa kwinqanaba elithile ngokwamatyala kweSixeko saseKapa olukhutshwe ngabakwa-Moody's Investors Service.

8. DISCUSSION/CONTENTS

The latest annual credit rating review of the City has been completed by Moody's Investors Service on 12 February 2016. An unchanged rating has been communicated. The rating has been affirmed on a South African Long-Term National Scale of A1.za with a negative outlook as was published by Moody's Investors Service on 18 December 2015. This rating follows closely after the City having received its 12th consecutive unqualified audit report and its 3rd consecutive audit report with no findings ("clean").

On 18 December 2015, Moody's changed the City's outlook from stable to negative. This action was prompted by the deterioration of South Africa's credit profile as captured by Moody's outlook change to negative from stable of South Africa's Baa2 government bond rating on 15 December 2015.

The deterioration in South Africa's sovereign creditworthiness indicates deterioration in the operating environment for the City, due to the centralised nature of the local public sector in South Africa.

The City's rating reflects the City's strong budgetary performance and its good liquidity position. The City is expected to maintain its relatively strong financial position in the medium term, supported by the prudent financial policies and the relatively large size and diversification of the City's economic base.

The City of Cape Town is rated at the high end of the range of South African municipalities rated by Moody's, whose rating span from A1.za to Baa3.za. Cape Town compares favorably with the other metros in South Africa in terms of budgetary performance and management. Moody's believes that consistent cash flow management and high revenue collection rates in recent years have enabled the City to consolidate its strong fiscal position and further strengthen its already robust liquidity position.

8.1. Constitutional and Policy Implications

None

8.2. Sustainability Implications

Does the activity in this report have any sustainability implications for the City? No Yes

The IMEP (Integrated Metropolitan Environmental Policy), as approved by Council in October 2001, is not applicable to the contents of this report.

8.3. Legal Implications

None

8.4. Staff Implications

Does your report impact on staff resources, budget, grading, remuneration, allowances, designation, job description, location or your organisational structure?

No

Yes

THA

8.5. Risk Implications

Does this report and/or its recommendations expose the City to any risk?

No

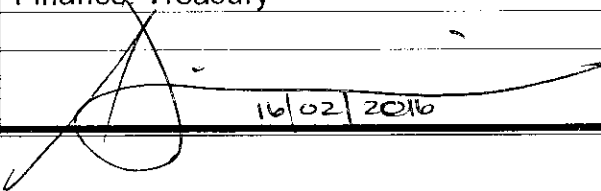
8.6. Other Services Consulted

None

ANNEXURES

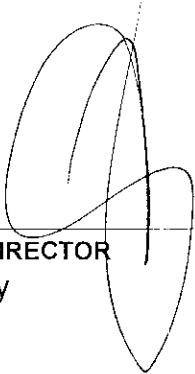
ANNEXURE A: Moody's Credit Rating Opinion Dated 12 February 2016

FOR FURTHER DETAILS CONTACT:

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E-MAIL ADDRESS	Hilton.robbins@capetown.gov.za
DIRECTORATE	Finance: Treasury
FILE REF NO	
SIGNATURE : DIRECTOR	 16/02/2016

Comment:

EXECUTIVE DIRECTOR
Kevin Jacoby



NAME _____

DATE 16.03.2016

JMH

REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION.

NON-COMPLIANT

[Signature]

LEGAL COMPLIANCE

NAME Jean-Mari Holte
TEL 021 406 2753
DATE 16/02/2016

Comment:
For information ^{SMH}

[Signature: N. G. ...]

EXECUTIVE DIRECTOR: COMPLIANCE AND AUXILIARY SERVICES (ED: CAS)

SUPPORTED FOR ONWARD SUBMISSION TO MAYOR / MAYCO / COUNCIL

NOT SUPPORTED

REFERRED BACK

DATE 17/2/16

COMMENT:

COMMENT:

[Signature]

MAYORAL COMMITTEE MEMBER
Ian Neilson

NAME _____

DATE 22/2/2016