
PRESS RELEASE

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(Ref: Mr Brin Brody)

TO: Algoa FM
Daily Dispatch
Grocotts Mail
Herald
The Talk of the Town
Die Burger
Sunday Times

**SUBJECT: CONCERNED CITIZENS OF GRAHAMSTOWN:
DEMAND THAT GRAHAMSTOWN BE PLACED
UNDER ADMINISTRATION AND RECEIVE FUNDING
FROM CENTRAL GOVERNMENT FOR THE
DROUGHT AND FINANCIAL DISTRESS**

BRIEF SUMMARY:

Grahamstown is financially insolvent and is facing a serious financial crisis, which is exacerbated by the drought. Concerned citizens have formed a committee consisting of the Grahamstown Business Forum, and all its members, Grahamstown Residents' Association, and all its members, and Makana Unity League, and all its members to demand that Makana be placed under administration and receives funds from National Government for the drought and the financial crisis.

Full details of the financial position is contained in a letter attached hereto, which was delivered today to the Executor Mayor, Ms Nomhle Gaga, and the Municipal Manager, Mr Playa, and all political parties.

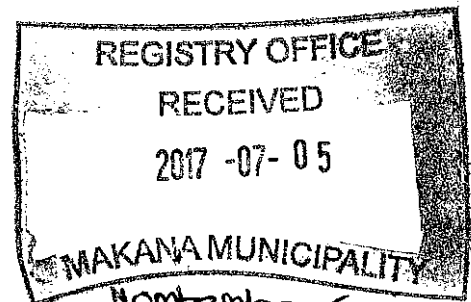


CONCERNED CITIZENS COMMITTEE TO SAVE MAKANA

[Representing **Grahamstown Business Forum**, and all its members,
Grahamstown Residents' Association, and all its members, and
Makana Unity League, and all its members]

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The Executive Mayor
Makana Municipality
High Street
GRAHAMSTOWN



FOR THE PERSONAL ATTENTION OF THE EXECUTIVE MAYOR

EXTREMELY URGENT

5 July 2017

Ref: Ron Weissenberg

Dear Madam

**URGENT REQUEST THAT MAKANA MUNICIPALITY BE PLACED UNDER
ADMINISTRATION IN TERMS OF SECTION 139(5) OF THE CONSTITUTION
AND FUNDING FROM CENTRAL GOVERNMENT FOR DROUGHT RELIEF
AND FINANCIAL RELIEF**

Introduction

1. I am mandated to address this letter on behalf of the Concerned Citizens Committee to save Makana ("the committee") which comprises of the Grahamstown Business Forum, the Grahamstown Residents' Association, the Makana Unity League, and all their respective members.
2. The purpose of this letter is to address serious concerns for the welfare of all Makana residents and stakeholders without fear or favour and without apportioning blame to anyone.
3. It is a matter of record that on the 27th of June 2017 a special Council meeting was called to discuss the dire financial position of Makana Municipality. Apparently your municipality had approached Eskom in an eleventh-hour attempt to delay cutting electricity to Grahamstown and an

agenda was tabled at that meeting setting out the dire financial position of Makana Municipality.

4. Arising out of that report, and your Council meeting, the following is evident:
 - 4.1 The municipality is indebted to creditors in the sum of **R146 184 978.00** as at the end of May 2017;
 - 4.2 The municipality is owed **R366 812 651.00**;
 - 4.3 The Eskom account now stands at **R55 050 503.00**;
 - 4.4 The municipality is unable to service the Eskom debt;
 - 4.5 Inadequate rates collection has resulted in a monthly operating deficit of approximately **R5 000 000.00** per month;
 - 4.6 **80%** of the municipality's income is spent on salaries and on servicing debts;
 - 4.7 Overtime payment amounted to **R5 000 000.00** per annum whilst only **R2.1 million** was budgeted for.

The dire financial position of Makana Municipality

5. It is clear from the report and other reports of your committees that Makana Municipality is not only in serious financial difficulty and is in fact insolvent.
6. You and your municipality have clearly admitted that it is unable to perform its Constitutional obligations due to the crisis in its financial affairs and is clearly in breach to provide services, or meet its financial obligations, as will be more fully set out below.

The electricity

7. It is clear from the report for the special Council meeting on the 27th of June 2017 that your municipality collected income for electricity of **R9 468 505.00** for the month of May 2017 and from that sum only paid **R750 000.00** to Eskom. This means that in the last month your municipality utilised electricity income for salaries and to service the debt of Makana Municipality which is in violation of the Constitution, the Municipal Finance Management Act, and the common law. At no stage did electricity users consent to electricity income being utilised for anything else other than the Eskom electricity account.
8. This diversion of funds was done by your municipality at a time when the municipality is facing an imminent shutdown of electricity from Eskom and at the eve of the National Arts Festival.

9. The transfer of funds from the electricity account to salaries and other expenses is a misappropriation of funds and which is a very serious matter.
10. I need not emphasise that if Eskom shuts down (or at the very least interrupts) the electricity supply this will have an immediate impact on the water supply for Grahamstown. I will deal more fully with the issue of the water shortage below.
11. I am reliably advised that the DA have campaigned for the purchase of light bulbs for street lamps and this is an indication of the extreme cash flow problems of your municipality.

The dire shortage of water

12. As you know Makana is experiencing a devastating drought which is possibly the worst in the last three decades. It is a matter of record that your municipality has already declared a disaster at the Council meeting on the 4th of May 2017 and every indication is that there are only three months left of water in two of the town dams.
13. Although divers have been brought in by your municipality, and paid for by the province, to investigate the necessity for piping. This is a temporary measure and may only assist the citizens of Makana for a temporary period.
14. The devastating drought is sufficient reason enough for National Government to assist with drought relief and to transfer the necessary funds to Makana for alternative measures of water sourcing.
15. I emphasise that if Eskom shuts down the electricity, or interrupts the electricity, this will have a direct impact on the water supply for Makana.
16. Although your municipality outsourced the issue of water to Amatole Water this incurs a monthly debt of **R2 000 000.00** per month and I am reliably informed that Amatole Water is owed a substantial sum by your municipality. In fact, Amatole Water confirmed at a public meeting on the 12th of June 2017 that it was owed the sum of **R35.8 million** by your municipality.

Air quality in Makana

17. It is further a matter of record that a High Court Order was obtained by the Makana Unity League compelling your municipality to comply with the High Court order, the permit conditions, and the directives of the Department of Environmental Affairs in respect of the dumpsite which burns on a regular basis, and which is not properly controlled.

18. Despite the High Court order your municipality has failed to comply with those conditions and various officials of your municipality are facing contempt of court proceedings, (which has to be heard on the 31st of August 2017).
19. The failure to control access to the landfill site and to have an operating grader at the site resulted in a devastating fire in December 2016 which resulted in the burning down of 26 horse stables and now results in constant noxious fumes blowing across Grahamstown at the risk of ill health to the citizens of Makana.

Makana's Fire Services

20. It is a matter of record that your fire service department has not had any capital budget for equipment for the last four years and that there is a lack of cover for Alicedale town and Riebeeck East town.
21. It is a matter of logic that if Eskom interrupts the electricity, which then has an impact on the water supply for Makana, that this will have a direct impact on your fire department's ability to fight any fire.
22. On the 14th of June 2017 Social Development Portfolio Committee indicated that there was a constant lack of support and resources from your municipality and that this has, and will have, a direct impact on the department's ability to fight fires.

Traffic Department

23. At the Social Development Portfolio meeting on the 14th of June 2017 a report was tabled by the Manager of Traffic and Licensing and which indicates that there is a shortage of vehicles, which hampers law enforcement, the franking machine does not work, and therefore fines cannot be processed, and warrants of arrest cannot be issued.
24. The calibration of speed and law enforcement equipment cannot take place as there is no income for the necessary tests to be undertaken.
25. Traffic vehicles are not roadworthy and pose a risk to Makana Municipal officials and the state of road markings and signs in Makana Municipality are in a shocking state.
26. I am aware that institutions in Grahamstown are required to provide the paint for road markings to be done before they are painted and this is an indication of extreme desperation.
27. Vehicle licensing cannot be attended to optimally as vacant positions have not been filled and printing paper and cartages are not supplied in this department. The manager complained that the office comes to a standstill on a regular basis.

28. As a final indication that Makana Municipality is completely bankrupt the Traffic Department has a shortage of toilet paper for the ablution blocks and which causes a health risk.

Tourism

29. It is further a matter of record that Makana Tourism have not been paid since December 2016 and the vast majority of current projects have stalled due to no funding being available from your municipality.

Animals wandering the streets

30. Donkeys, cows, and goats wander freely throughout Makana Municipality posing a threat to the health of its citizens and also the road traffic safety.
31. The donkeys tear rubbish bags that are placed in the streets and cause general mayhem. This is a perfect example of how the municipality's by-laws are not being applied by your municipality and to the extreme detriment of businesses, citizens, and tourism.

The Aerodrome

32. Despite the fact that the transformer was stolen from your municipality's electricity workshops for the aerodrome during 2016, this has not been replaced, and this poses a serious risk to aeroplanes and they cannot land at night.
33. Fences have not been maintained around the aerodrome and this poses a further threat in that animals freely walk onto the aerodrome runways without hinder. This is in contravention of the licensing requirements in terms of the Civil Aviation Act and the sustainability of the aerodrome is now in question.

Staff

34. Your municipality had a staff complement of approximately 350 employees a decade ago and now have a staff complement of approximately 800 at a time when it is under extreme financial strain and insolvency. This at a time where the citizenship of Makana have not exceeded a growth rate of more than 1% per annum.
35. Overtime has increased to R5 000 000.00 per annum when a decision had been taken by your municipality to suspend all non-essential overtime in June 2016.
36. This is a clear indication that there is no control over the expenditure of salaries and overtime and a state of maladministration.

37. It is further a matter of record that disciplinary action is not taken against errant staff and that no retrenchments have followed despite the parlous financial position of Makana Municipality.
38. I reserve the right to give further reasons of maladministration, in due course, if required to do so.

Administration in terms of Section 139(5) of the Constitution

39. Your municipality has failed to comply with its requirements in terms of Section 11(2) of the Local Government Municipal Systems Act 2000 and has failed to comply with Section 41 of the Constitution.
40. As your municipality has admitted that it is unable to, and due to a crisis in its financial affairs, to provide services, or meet its financial obligations, a Section 139(5) of the Constitution administration is appropriate.
41. There can be no doubt that your municipality has failed to fulfil its executive obligations and the only appropriate step is now for the urgent appointment of an administrator with suitable experience and qualifications.
42. Unless your Council takes a resolution to submit to administration, by the MEC in terms of Section 139(5) of the Constitution within seven (7) days of receipt of this letter further steps will be taken to place your municipality under administration and which will include *inter alia* the following:
 - 42.1 A demand addressed to the MEC;
 - 42.2 A demand addressed to the Premier;
 - 42.3 A demand addressed to the Minister of Cooperative Government and Traditional Affairs ("COGTA"); and
 - 42.4 A demand to the National Treasury.

Drought and financial assistance from Central Government

43. It is further a matter of record that your municipality has already addressed a letter to COGTA for urgent relief and we request that within seven (7) days of receipt of this letter you furnish us with a copy of your request to COGTA, and any other central Government Minister or Department for urgent drought and financial relief in the sum of at least **R47 000 000.00**.
44. The aforesaid sum is for the following urgent services:
 - 44.1 Eskom R20 000 000.00

44.2. Amatole Water	R10 000 000.00
44.3 Essential supplies for the various departments	R10 000 000.00
44.4 Dumpsite	R 3 000 000.00
44.5 Fire Department	R 4 000 000.00

45. I emphasise that if this funding is given by central Government it cannot be utilised for salaries and the servicing of debt and must be utilised for essential services that are basic rights in terms of our Constitution.

46. I further emphasise that the funding must be made simultaneously with the appointment of an administrator and in terms of Section 139(5) of the Constitution.

Conclusion

47. This letter is addressed in the best interests of the citizens of Makana and should be dealt with as a matter of urgency by your Council, failing which, the necessary action will be taken as indicated above.

48. The financial situation is accelerating and deteriorating at a rapid rate and urgent intervention is required.

Yours faithfully



RON WEISSENBERG
CHAIRMAN OF THE CONCERNED CITIZENS COMMITTEE