

2022/23 Quarter 1  
October 2022

# SFPO NPC Quarterly Report

Welcome to our first quarterly report for Year 5 of the SRA. We issue three quarterly reports and an annual report each year.

## Executive Summary

The SRA (Self Rating Area) was established on 01 July 2018 for the Canals and Village demarcated area. The focus was to restore our beach, resurface our arterial roads, and establish a CCTV camera infrastructure to fight the escalating crime in our area.

We required the majority of the 1,590 property owners in the proposed Canals and Village Areas to vote for the introduction of the SRA levy (ie 50%+1 votes). We received a majority vote:

- 58% of all property owners cast their vote
- 7 out of every 8 votes we received were “Yes” votes
- This was an emphatic endorsement for the acceptance of the SRA levy by the majority of property owners

We are now in our 5<sup>th</sup> year of operation and the positive impact the SRA has had on St Francis Bay is clearly visible.

## Value

We have delivered significant value to all of our members, the property owners and SRA levy payers in the SRA demarcated area:

- The arterial roads we included in our Business Plan have been resurfaced
- The Village entrance is an attractive first impression for anyone entering our town
- We have extensive CCTV camera coverage that has transformed the security of our Village
- We have environmental authorisation to restore our river, spit and beach
- We have, with generous third party funding, upgraded the George Road Car Park and built an attractive pathway linking our Village Centre with the Sea Vista Township

## Kouga Municipality

The Municipality has played its part in accelerating the resurfacing of our arterial roads, building an emergency revetment on the spit to protect the Canals and Canal properties, building a revetment to protect the ablution, car park facilities and adjacent private properties at Main Beach, and providing electrical power to our CCTV infrastructure.

## Property Boom

We have witnessed an unprecedented demand for property in St Francis Bay that has resulted in property values increasing significantly over the past couple of years in the Canals and

Village areas. This recovery of property values, after a decade of property value stagnation, has also benefitted Santareme, St Francis-on-Sea, the Port and Otters Landing properties where demand for property has risen significantly, and values have risen accordingly.

This increase in demand for property has also seen an unprecedented boom in building activity that is providing many jobs and injecting millions into our local economy to the direct benefit of local business. This is the result of establishing St Francis Bay as a premier property investment destination for holiday makers and permanent residents.

We have several retirement home complexes in various stages of approval and development, which will fill the retirement village facility void that forced many residents to relocate when they needed such a facility.

### *Legal Challenge*

We achieved all of this despite the ongoing efforts of the Concerned Residents Association (CRA) to reverse the Kouga Municipality's approval for the SRA and the collection of the SRA levy from the property owners in the Village and Canal areas of St Francis Bay. In April this year the Court ruling on the CRA's court action declared the SRA and levy as unlawful.

The Kouga Local Municipality (the First Respondent) and its legal team believed that there are a number of basic flaws in the ruling and immediately submitted an application for leave to appeal. The appeal application was granted on 26 September 2022, and will be heard in the Supreme Court of Appeal in Bloemfontein once a court date has been scheduled.

The SFPO NPC, as the Third Respondent, was originally advised by our legal advisors that there was no reason to oppose the court motion at the outset, as the primary defence lay with the First Respondent, the Kouga Municipality, and avoid spending our funds on unnecessary legal costs. Instead, we submitted an affidavit in support of the Municipality's defence.

The SFPO NPC Board decided to lodge an application to appeal the court ruling, in addition to that lodged by the Kouga Municipality, after consultation with a number of members and our legal advisor. This application was not granted. However, what is important is that the Kouga Municipality secured the appeal as the First Respondent.

We are, unfortunately, facing further delays due to this court case. We have had to put our accelerated funding proposal on hold until this legal process is concluded. We are, however, continuing to accumulate funds from the levy collected each month as part of the capital accumulation required to restore our river, spit and beach, and continue funding the CCTV cameras infrastructure and monitoring services.

### **Projects**

The SFPO NPC has three projects funded by the SRA levy:

- River, Spit and Beach
- Roads
- CCTV Cameras

The SFPO NPC also actively engages in obtaining additional external funding to uplift and improve the infrastructure serving the Sea Vista residents. We have completed one project, funded by the Kouga Wind Farm Community Trust:

- The Pathway linking the Village CBD to Sea Vista

### **River, Spit and Beach**

#### **Long Term Coastal Protection Solution**

The Preliminary Design of the Long Term Coastal Protection Solution (Beach Project) was completed by Advisian in 2018, prior to the submission of our application for the SRA. The

EIA application for this long term coastal protection solution was approved by DEDEAT in April 2022, after a 4 year process.

All work on the Beach Project and the fundraising to accelerate this project continues to be on hold until the Appeal against the court ruling in favour of the CRA is completed.

Should the appeal be successful, then we can once again focus on raising the necessary additional funding required to accelerate the beach project. We will then commission Advisian to undertake the detailed design of the groyne field and sand nourishment, and prepare, issue and award the tender(s) to complete the Beach Project.

#### **Next Steps:**

- **Appeal against the CRA's Court Ruling**  
We await the date of the Appeal hearing at the Supreme Court of Appeal in Bloemfontein, and then the outcome of the Appeal.
- **Fund Raising to Accelerate Construction**  
We have been asked by a number of property owners how we can accelerate the construction and completion of the long term coastal protection solution, suggesting raising money through donations and loans from existing property owners, and institutions. We completed the first round of fund raising with a 12J investment offer on 30 June 2021, and raised R11.9m. We were about to embark on our second round of fund raising focusing on donations and soft loans (interest free), but have had to delay this due to the court ruling and the uncertainty of a future levy stream to repay loans. If KLM successfully appeals the court ruling then we will press ahead with this fund raising. The Funding Proposal is included at the end of this report.
- **Detailed Design**  
The results of the fund raising process will determine the scope of the first phase of construction i.e. how many groynes and sections of the beach we can include in this first phase of construction. We will then commission Advisian to complete the detailed design of the groynes and sand nourishment for the scope of construction determined by the availability of funds.
- **Tender Process**  
Once Advisian have completed the Detailed Design, a tender process will be followed to select the contractor(s) to undertake this construction.

We expect to complete these steps by mid-2023, and start construction immediately thereafter. However, we reiterate, all of this can only take place in the event of a favourable outcome of the Appeal against the CRA's Court Ruling.

## **Emergency Plan for the Spit**

The Municipality constructed an emergency revetment along the Spit, following the multiple breaches of the Spit.

## **Roads**

### **Arterial Roads**

We completed the Village Entrance project 3 years ago, which provides an attractive first impression of our Village.

The Municipality, as part of their contribution to the restoration of the roads infrastructure in the SRA demarcated area, have re-surfaced all of the arterial roads included in the SRA Business Plan, i.e. St Francis Drive from Lyme Road North to Assissi Drive, Lyme Road South and Lyme Road North. In addition to this the Municipality resurfaced St Francis Drive from Lyme Road North to Sea Glades, and St Francis Drive from Assissi to a point 0,5km past

Harbour Road (towards the Port). They have also resurfaced the full length of Tarragona, and two streets in Sea Vista. They also repaired the dip in the road between Lyme Road North and the Fire Station. The SFPO upgraded the storm water pipe in the dip near the United Church, and the dip itself was levelled. The Roads project in the SRA business plan is now complete with the exception of some road furniture (i.e. pedestrian paths and pedestrian shelters) which will be completed after the beach has been restored.

### Car Parks

The George Road Car Park was paved with the assistance of donations from two property owners some time ago. A road was demarcated for access to the beach for repairing revetments. It is on the southern side of the car park. Bollards were installed.

Anne Avenue Car Park was renovated some time ago.

### CCTV Cameras

The CCTV cameras contractor continues to meet their performance targets. The cameras have been very effective in fighting crime in St Francis Bay. Several streets have purchased additional cameras. We have 9 streets/areas also wanting to install more cameras, but we have no choice but to delay these requests until we are certain of the future collection of the SRA levy to continue funding the CCTV infrastructure and monitoring service.

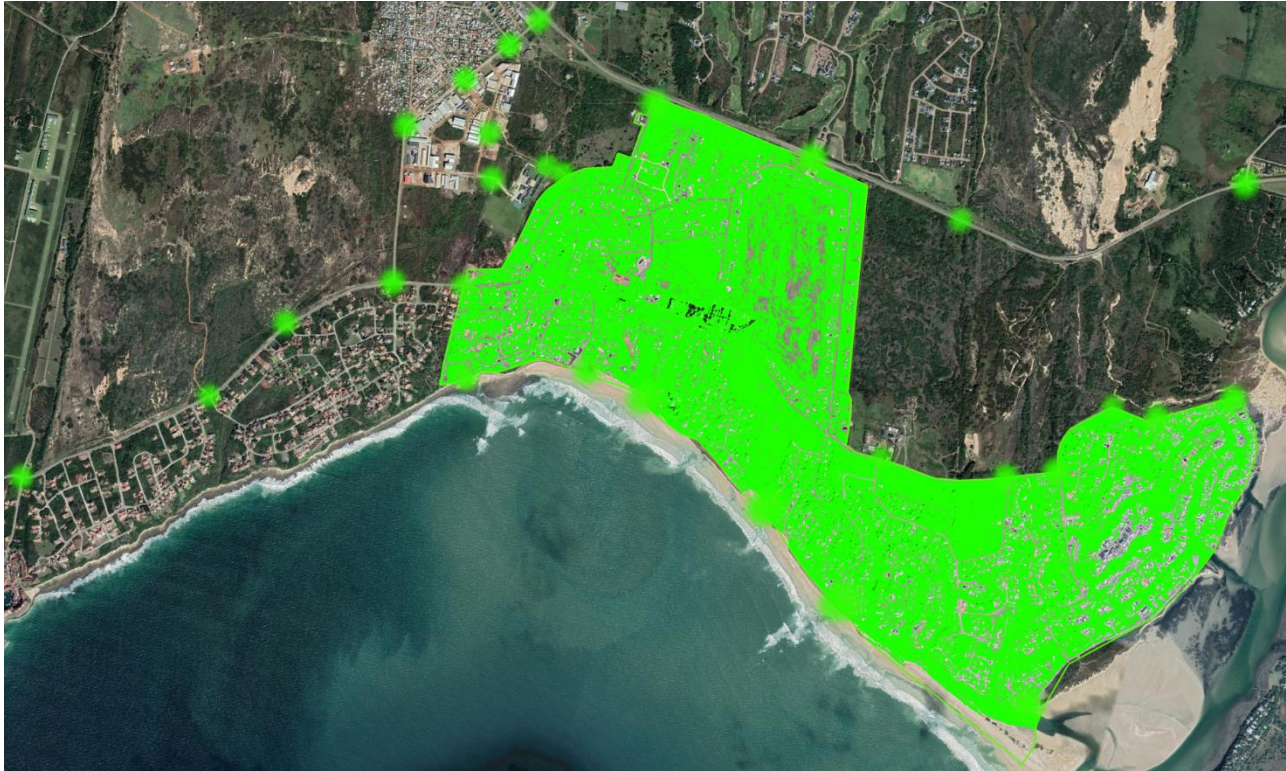


Figure 1 CCTV coverage map



Figure 2 Typical CCTV pole

## **The Pathway**

The Pathway is complete, and is a wonderful facility for our Village, and especially for our Sea Vista residents. The pathway has a concrete surface with 25 mosaics made by township artists from school children inspired artwork, imbedded in the surface. The bush along the length of the pathway has been cleared and landscaped. CCTV cameras, LED streetlights, rubbish bins, and benches have been placed at intervals along the pathway.

## Financial Reports



### Income statement

**St Francis Property Owners NPC**

Year ending 30 June 2023

**Quarter 1**

**July - September 2022**

#### **Other Income**

Interest Received	14 203
SRA Levy Income	2 527 013
<b>Total Other Income</b>	<b>2 541 216</b>

#### **Expenses**

Accounting Fees	33 000
Bank Charges	1 296
Computer Expenses	1 509
Employee Costs	
Salaries & Wages	16 040
Kouga admin fees	75 810
Marketing & communication	30 000

#### **Projects**

3 - Special Project - CCTV	
3.1 CCTV Rental & Surveillance	400 546
Rent Paid	6 750
Subscriptions	650
Telephone & Internet	1 640

<b>Total for Expenses</b>	<b>567 241</b>
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<b>Profit before Taxation</b>	<b>1 973 975</b>
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## Balance Sheet

### St Francis Property Owners NPC

Run At Date:

30 September 2022

#### Assets

Market value

#### Non-Current Assets

30-Sep-22

Truffle Investment Account	10 225 923	10 381 578
SASFIN Investment Account	10 060 532	10 098 669

<b>Total Non-Current Assets</b>	<b>20 286 456</b>
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#### Current Assets

Deposits Paid	2 250
Saving St Francis Donors NPC	59 824
Trade Receivables	2 084 904
Prepayments	16 170
Money market	415 346
Cash at bank	736 957

<b>Total Current Assets</b>	<b>3 315 450</b>
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<b>Total Assets</b>	<b>23 601 906</b>
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#### Equity and Liabilities

#### Equity

Retained income	
- At the beginning of the year	20 867 963
- For the year	1 973 975
- At the end of the year	22 841 938

<b>Total Equity</b>	<b>22 841 938</b>
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Split as follows:

- Levy income	18 561 932
- Non levy income	4 280 006

<b>Total Equity</b>	<b>22 841 938</b>
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#### Current Liabilities

Trade Payables	21 000
VAT Payable	568 336
Income Tax Payable	35 577
CCTV deposits in advance	128 811
Aldabara Revetment Project	806
SF Property Owners Association	5 438

<b>Total Current Liabilities</b>	<b>759 968</b>
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<b>Total Equity and Liabilities</b>	<b>23 601 906</b>
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## Budget

### St Francis Property Owners NPC

1 July 2022 to 30 June 2023

#### Income

Interest Received	300 000
SRA Levy Income	9 378 800
Less 3% Kouga municipality fee	(281 364)
<b>Total Income</b>	<b>9 397 436</b>

#### Expenses

##### PROJECTS

Roads	50 000
River Spit & Beach	26 971 304
CCTV Surveillance & Maintenance	1 681 500
<b>Total projects</b>	<b>28 702 804</b>

<b>OPERATING EXPENSES</b>	<b>500 000</b>
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<b>Total Expenses</b>	<b>29 202 804</b>
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<b>Loss before Tax</b>	<b>(19 805 368)</b>
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<b>Estimated retained income for year ended 30 June 2022</b>	<b>19 855 368</b>
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<b>Retained income 30 June 2023</b>	<b>50 000</b>
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# Fund Raising Proposal to Accelerate the Construction of the Long Term Coastal Protection Solution

## Background

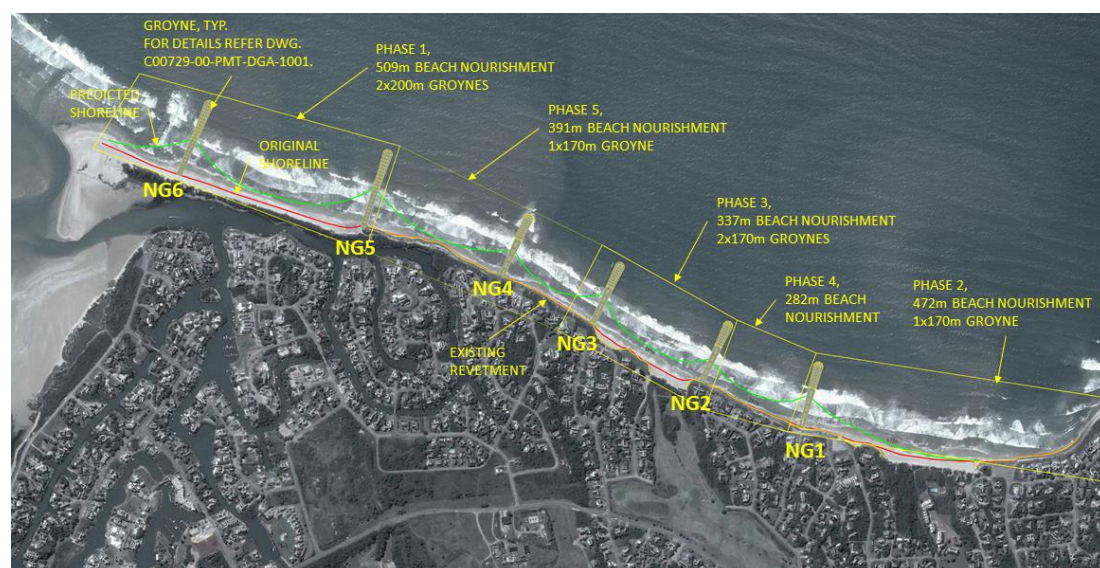
The SFPO NPC is a Not for Profit Company that was formed to manage and deliver the SRA's 10 Year Business Plan to restore our River, Spit and Beach (Long Term Coastal Protection), upgrade our arterial Roads, and provide a network of CCTV cameras to improve our security. The Kouga Municipality approved our application for a special levy to assist with funding these projects and services in 2018. This was effective from July 1, 2018. We have to-date installed the CCTV cameras, upgraded a good portion of the arterial roads, and obtained Environmental Authorisation from DEDEAT (Department of Environmental Affairs) to restore the River, Spit and Beach. We are now in Year 4 of our Business Plan.

Our primary focus going forward is to implement the Long Term Coastal Protection:

- Complete the detail design
- Issue and award tenders for the construction
- Construct the Long Term Coastal Protection

## The Project

The St Francis Bay Long Term Coastal Protection project comprises beach nourishment and the construction of a set of groynes, as shown in the map below. The beach created through beach nourishment will dissipate wave energy and in doing so protect the properties and infrastructure along the coastline. Sand at St Francis Bay is lost due to a northward long-shore drift, and the function of the groynes is to intercept and retain sand placed on the beach. Sand will be sourced from the Kromme River Estuary, which will improve navigability of the Kromme River. This is a win-win project.



## Current Status

We have:

- The preliminary design for the restoration of the Spit and Beach and the Long Term Coastal Protection of the St Francis Bay Beach, which was prepared by Advisian (a multinational Consulting Engineering group with Coastal Engineering expertise) in 2018. In 2020 the preliminary design was augmented by Supplementary Shoreline Modelling and Hydrodynamic Modelling of the Kromme River Estuary.
- Obtained Environmental Authorisation from DEDEAT for the implementation of the long-term solution.
- Consulted extensively with a wide spectrum of stakeholders.
- Set up a second NPC (Non Profit Company) to hold and control revenue from sources other than the SRA levy. Such sources include donations, soft loans, grants, etc. We have applied to SARS for PBO (Public Benefit Organisation) status for this new NPC, specifically limiting the collection and spend of money on environmental projects, i.e. the restoration of the Spit, Beach and River.
- Used both the levy income and some of the R4.5m donations received prior to the SRA approval to fund the work done to-date on the Long Term Coastal Protection project.
- Received assistance from the Municipality when they spent some R10m on installing the emergency revetment along the Spit following its breaches over the past year and repairing revetments elsewhere, e.g. at Main Beach.

## Next Steps

Our journey to restore our River, Spit, and Beach was planned over at least 10 years, largely dictated by our ability to raise the funding required through the SRA levy (approximately half of what we required) and other sources such as Riparians (St Francis Bay Canal Home Owners), Kromme Joint River Committee (River Estates), the Municipality, donations, other government grants, etc.

We had planned to complete this restoration in phases, as and when we had accumulated sufficient funds to pay for each phase. The various phases are shown in the map above. The lowest cost option is to complete the full restoration in one phase, and avoid multiple contractor mobilisations and de-mobilisations.

Our next step is to commission the Detail Design of the Long Term Coastal Protection infrastructure. We expect to start work in 2023 on Phase 1.

Advisian provided a cost estimate for the long term solution in their Preliminary Design Report. Following input received from Interested and Affected Parties (I&AP's), and in particular from the surfing fraternity, the groyne configuration was amended and Advisian performed their supplementary shoreline modelling on the amended groyne layout. In their report on the supplementary modelling (October 2020) they also updated their cost estimate. This updated estimate includes escalation between February 2018 (the date of their first report) and October 2020 (the date of their second report). The estimates in the table below are based on the amended layout scenario.

We have several options to accelerate this work. This will depend on what additional funding we can raise. We have been offered donations and soft loans (interest free) by a number of property owners to accelerate the implementation of the long-term solution.

We have, at this juncture, defined 3 options from an engineering project perspective. We will have collected R 34 m in cash by the start of the construction phase of this project from the levy and other existing sources, so we would need to raise the following shortfalls, shown by the options in Table 1 below:

Table 1

OPTION	OPTION 1	OPTION 2	OPTION 3
Phases completed	Phases 1 & 2	Phases 1, 2, 3 & 4	All phases (1 to 5)
Description	Option 1 will provide substantial benefit as a starting point as it restores the Main Beach and the Spit area. The sand shifted from Main Beach will feed the full length of the beach to its north, benefitting Areas 3, 4 and 5	Option 2 includes the construction of 5 of the six groynes, and nourishment of Areas 1, 2, 3 and 4. Area 5 will benefit from the movement of sand northward from Areas 2, 3 and 4	Option 3 includes all areas. It is the complete solution, unphased
Estimated construction cost (Base Date: Oct 2020)	R73.0m	R107.2m	R130m
Professional fees, surveys, environmental and ancillary costs	R7.3m	R10.7m	R13.0m
Escalation from Base Date	R12.7m	R18.6m	R22.5m
<b>TOTAL</b>	<b>R93.0m</b>	<b>R136.5m</b>	<b>R165.5m</b>
Cash accumulated (as at end of year 5: June 2023)	R34.8m	R34.8m	R34.8m
<b>Estimated shortfall</b>	<b>R58.2m</b>	<b>R101.7m</b>	<b>R130.7m</b>
<b>Time to complete</b>	<b>12 months</b>	<b>15 months</b>	<b>17 months</b>

*Note: All amounts in the table exclude value added tax.*

The construction cost when implemented in one project rather than as a drawn out multi-phased basis results in a saving of 10-15%.

The benefit to property owners of an accelerated restoration of the River, Spit and Beach include:

- reduction in maintenance costs on beach revetments, and improved protection for beachfront properties
- improved protection for the Canals and Canal properties
- improved river navigability for River Estates
- enhanced surfing conditions and tourism benefits
- restored beaches for everyone

## Investor Proposal

Implementing the project as our SRA funds accumulate from time to time will result in a very long and drawn out project. Costs will be much higher as we bring on the solution in numerous small phases and the project will be less efficient until fully completed.

Our proposal is to raise funding so that we can accelerate the project, get it done quickly and effectively and then repay the financing that was raised.

Our cash available as we start construction is forecasted at R34m.

We expect to raise approximately R8m per annum for the project from principally the SRA and other levies.

From an engineering perspective three options have been tabled above. Option 1 at R93m, option 2 at R136,5m and option 3 at R165,5m. These are the logical options from an engineering perspective. When one now considers these options it is insightful to balance the engineering options with the cash flows that the SFPO NPC can afford to repay. There is a financing constraint.

From a financing perspective the proposal is that we aim at a project with a total cost of around R100m. This is the amount that the SFPO NPC can reasonably afford as a 10 year funding structure.

So this puts us between option 1 and 2 above. The proposal is that with R100m in mind we set about finalizing the engineering alternative that results in that level of expenditure.

We need to raise in the order of R65 – R75 m.

The additional funding to accelerate the long-term solution can be raised through the provision of donations and loans.

- **Donation**

Some property owners may prefer to make a donation and receive the immediate tax relief that a PBO status affords them.

- **Soft Loan**

The commitment by a property owner to an interest free loan, that will be re-paid from the future stream of SRA levy revenue paid to the SFPO NPC. The advantage of an interest free loan is that there is no increase in the cost of the long-term solution. It also gives the lender, a property owner, the opportunity to recover their loan capital, receive the early benefit of an increase in the value of their property that the River, Spit and Beach restoration is expected to provide, and enjoy the restored beach, spit and river amenities.

Contractual arrangements will be put in place to administer the loans made between:

- an individual investor and the NPC PBO, and
- the NPC PBO and the SFPO NPC.

The choice of funding method is dependent on each property owner's own circumstances and preferences.

## Anticipated Maintenance Costs

Ongoing maintenance of the beach and groynes after completion of construction will be necessary. Funding will have to be set aside for such maintenance, and this will influence the repayment of soft loans.

Maintenance nourishment is expected to be undertaken annually, whilst groyne maintenance is expected to happen approximately every 10<sup>th</sup> year. The intention is to set funds aside annually for groyne maintenance so that it is available when such maintenance becomes necessary.

It is assumed that the Riparians will be able to perform annual nourishment for the Phase 1 area as part of their normal canal maintenance dredging activities. Phase 1 nourishment costs have been excluded from the costs shown in Table 2.

The estimated annual maintenance costs are set out in the Table 2 below.

Table 2

ANNUAL MAINTENANCE			
After completion of	OPTION 1	OPTION 2	OPTION 3
Beach nourishment	R640,000	R1,510,000	R2,070,000
Groyne maintenance	R150,000	R200,000	R220,000
<b>TOTAL</b>	<b>R790,000</b>	<b>R1,710,000</b>	<b>R2,290,000</b>

*Notes: (1) Amounts exclude VAT. (2) All amounts are June 2023 estimates, and will escalate annually.*

In addition, restoration may be required after a major storm event, and allowance should be made until sufficient funding has been set aside to deal with major storm event damage. The estimated required funding is shown the Table 3 below.

Table 3

MAJOR STORM EVENT DAMAGE RESTORATION COST			
After completion of	OPTION 1	OPTION 2	OPTION 3
Beach nourishment	R640,000	R1,510,000	R2,070,000
Groyne repair work	R2,540,000	R3,780,000	R4,400,000
<b>TOTAL</b>	<b>R3,180,000</b>	<b>R5,290,000</b>	<b>R6,470,000</b>

*Notes: (1) Amounts exclude VAT. (2) All amounts are June 2023 estimates, and will escalate annually*