

2021/22 Quarter 1
October 2021

SFPO NPC Quarterly Report

Welcome to our first quarterly report for Year 4 of the SRA. We issue three quarterly reports and an annual report each year.

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 EIA for the restoration of our beach has been approved by DEDEAT.

We started this process by raising donor funding in 2016. We contracted Advisian to complete the Preliminary Design for the Long Term Coastal Protection Solution, and their report was published in early 2018. The SRA levy was implemented in July 2018. We appointed CES to prepare and submit the EIA application to DEDEAT for the proposed solution. We are pleased to have received official authorization from DEDEAT on 20 August 2021. This has been a very thorough process, including a substantial amount of input provided through the public participation process. It is clear that if we do not implement coastal protection our beaches will be lost in the next few years, with devastating consequences to the viability of our town's economy, which relies on its seaside amenities and beaches.

The long term coastal protection solution includes a groyne field and some 1 million cubes of sand placed on the 2,7km length of the beach from the river mouth to the southern end of Main beach, with the result of widening the beach by some 40 metres. Ongoing sand nourishment will be required to maintain the beach.

Next Steps:

- **Appeal against the EIA Authorisation**
A mandatory 20 day Appeal period follows the authorization of an EIA, and is the final step in the EIA process. One appeal was submitted. We will submit our response in early October. DEDEAT will then make their decision on this appeal.

Their decision will be either to dismiss or accept the appeal. If they accept the appeal, then they can either modify the authorization or withdraw it.

- **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 are now embarking on our second round of fund raising focusing on donations and soft loans (interest free). 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 ie 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-2022, and start construction immediately thereafter.

Emergency Plan for the Spit

The Municipality constructed an emergency revetment along a large portion of the Spit. They intend to extend this revetment further north to provide additional protection to the Pump House area and Ski Canal. The SFPO NPC provided sand bags to assist with the protection of private property and the Pump House, with the Canal Home Owners Association (Riparians) using their dredger to place and fill these sand bags.

Roads

Arterial Roads

We completed the Village Entrance project 2 years ago. Pam Golding, The Links and Roots are maintaining the gardens, which provide 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

During the past year the SFPO NPC and Atlas negotiated a revision and extension of the existing CCTV contract. This revision has added an additional:

- 17 camera points to the network with full analytics
40% increase
- 50 additional cameras
42% increase
- Install additional Analytics software to all existing poles
460% increase
- Provide 2 local access points of live and recorded video footage
- Change some of the existing camera pole locations to be more effective.

The total CCTV system now comprises:

- 59 Camera Pole sites
- 170 Static cameras
- 6 Pan/Tilt/Zoom (PTZ) cameras
- 4 LPR cameras.

The new contract includes additional cameras requested and paid for by:

1. Ralph Road property owners to increase security along Ralph Road, Ralph Lane, Saxe Road, Kenneth Place and Liege Road, and
2. The St Francis Bay Riparian Home Owners Association (Riparian HOA) for added surveillance at the Canal harbour, and
3. Mahe Beat cul de sac residents.

The SFPO NPC Board approved the proposed contract with Atlas in early July. The contract had been in operation for 30 months and the revised contract will be in force for the next 60 months. This contract is effective from 1st September 2021, with the additional cameras operational by this date. Many thanks to the Ralph Road and Mahe Beat groups for supporting the CCTV camera network and improving your security.

The total contract value for the 90 month period will be R 11 787 947,66 made up of R 3 369 454,68 for the first 30 months and R 8 418 492,98 for the remaining 60 months.



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 ended 30 June 2022

July - September 2021

Other Income

Interest Received (PR04)	19 135
Spit Income & Donations	500
SRA Levy Income (PR05)	2 182 643

Total for Other Income	2 202 278
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Expenses

Accounting Fees	34 950
Marketing & communication	30 000
Bank Charges	1 927
Computer Expenses	2 755
Employee Costs	
Salaries & Wages	62 473
UIF	531
Insurance	1 859
Kouga admin fees	65 479

3%

Projects

1-Special Project - Roads	
1.1 - Upgrades	35 502
2-Special Project - River & Beach	
2.2 Phase 2	45 994
2.2.1 Engineering	-
2.2.2 Environmental	27 700
3-Special Project - CCTV	
3.1 CCTV Rental & Surveillance	378 226
3.2 CCTV System Expansion	(161 014)
4 - Non SRA Projects	
4.1 Pathway Expenses	24 321
Rent Paid	6 000
Telephone & Internet	1 930

Total for Expenses	558 633
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Profit before Taxation	1 643 645
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Balance Sheet

St Francis Property Owners NPC

Run At Date:

30 September 2021

Assets

		Market value	
		30-Sep-21	Previous month
Non-Current Assets			
Truffle Investment Account	7 209 285	7 316 725	5 791 606
SASFIN Investment Account	7 241 865	7 286 168	5 795 908
Total Non-Current Assets	14 451 150		
Current Assets			
Deposits Paid	2 000		
Trade Receivables	1 909 531		
Prepayments	11 565		
Payments in advance	19 299		
MMA - 8846	629 175		
SBSA 2730 - closed	-		
SBSA 4665	4 682		
Total Current Assets	2 576 252		
Total Assets	17 027 402		

Equity and Liabilities

Equity

Pathway Reserve		46 738	
Retained income			
- At the beginning of the year	14 855 368		
- For the year	1 643 645		
- At the end of the year		16 499 013	
Total Equity		16 545 751	

Current Liabilities

VAT Payable		351 959	
Income Tax Payable		83 345	
Aldabara Revetment Project		806	
SARS PAYE		14 404	
SF Property Owners Association		4 997	
Sundry creditors		4 090	
Other Provisions - audit fee		22 050	
Total Current Liabilities		481 651	
Total Equity and Liabilities		17 027 402	

Budget

St Francis Property Owners NPC

1 July 2021 to 30 June 2022

Income

Interest Received	300 000
SRA Levy Income	8 810 376
Less 3% Kouga municipality fee	(264 311)
Total for Other Income	8 846 065

Expenses

PROJECTS

Roads	54 480
River Spit & Beach	2 523 385
CCTV Surveillance & Maintenance	1 618 200
Total for projects	4 196 065

OPERATING EXPENSES	600 000
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Total for Expenses	4 796 065
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Profit Before Tax	4 050 000
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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 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, eg 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 2022 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 option, 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
TOTAL	R93.0m	R136.5m	R165.5m
Cash accumulated (as at end of year 5: June 2023)	R34.8m	R34.8m	R34.8m
Estimated shortfall	R58.2m	R101.7m	R130.7m
Time to complete	12 months	15 months	17 months

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 groyne 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 10th 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
TOTAL	R790,000	R1,710,000	R2,290,000

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
TOTAL	R3,180,000	R5,290,000	R6,470,000

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