

## **ITEM 1**

### **MEDIUM TERM EXPENDITURE FRAMEWORK FOR THE FINANCIAL YEARS 2009/2010 TO 2010/2012**

#### **PURPOSE**

The purpose of the report is to table the Operational and Capital budget for the medium term expenditure framework for the years 2009/2010 to 2011/2012 as per the Municipal Finance Management Act, Act 56 of 2003

#### **BACKGROUND:**

To table before Council the budget (Operating and Capital) for 2009/2010 to 2011/2012 for cognizance as required by the Municipal Finance Management Act, No 56 of 2003

#### **BACKGROUND**

The Municipal Finance Management Act (MFMA) aims to modernize budget and financial management practices by placing local government on a sustainable footing in order to maximize the capacity of municipalities to deliver services to all its residents, customers, users and investors.

The object of this Act is to secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing norms and standards and other requirements for—

(a) ensuring transparency, accountability and appropriate lines of responsibility in the fiscal and financial affairs of municipalities and municipal entities;

(b) the management of their revenues, expenditures, assets and liabilities and the handling of their financial dealings;

(c) budgetary and financial planning processes and the co-ordination of those processes with the processes of organs of state in other spheres of government;

(d) borrowing;

(e) the handling of financial problems in municipalities;

(f) supply chain management; and

(g) other financial matters.

The following chapters deal with the budget process and the responsibilities of the Executive Mayor and Management.

## **APPROPRIATION OF FUNDS FOR EXPENDITURE**

**15.** A municipality may, except where otherwise provided in this Act, incur expenditure only—

(a) in terms of an approved budget; and

(b) within the limits of the amounts appropriated for the different votes in an approved budget.

## **FUNDING OF EXPENDITURE**

**18.** (1) An annual budget may only be funded from—

realistically anticipated revenues to be collected;

(b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and

(c) borrowed funds, but only for the capital budget referred to in section 17(2).

(2) Revenue projections in the budget must be realistic, taking into account—

projected revenue for the current year based on collection levels to date; and

actual revenue collected in previous financial years.

## **CAPITAL PROJECTS**

**19.** (1) A municipality may spend money on a capital project only if—

(a) the money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget referred to in section 17(2);

(b) the project, including the total cost, has been approved by the council;

(c) section 33 has been complied with, to the extent that that section may be applicable to the project; and

(d) the sources of funding have been considered, are available and have not been committed for other purposes.

(2) Before approving a capital project in terms of subsection (1)(b), the council of a municipality must consider—

(a) the projected cost covering all financial years until the project is operational; and

(b) the future operational costs and revenue on the project, including municipal tax and tariff implications.

(3) A municipal council may in terms of subsection (1)(b) approve capital projects below a prescribed value either individually or as part of a consolidated capital programme.

## **EXECUTIVE SUMMARY**

**Section 18 Chapter 4 prescribed that an annual budget may only be funded from realistically anticipated revenues collected.**

The following aspects had to be taken into account when the budget was compiled.

- The average payment levels for the past three years were as follows:

2006/2007	77.00%
2007/2008	85.78%
2008/2009 up to February 2009	81.14%

- The political instability in Khutsong had a serious negative effect on the payment levels.
- Rand Water will increase its tariffs 15.30% for the 2009/2010 financial year.
- Eskom tariff increases are not known at this stage. No indication could be obtained regarding future tariff increases. Council had to provide for an increase based on what happened in the past. An increase of 42% was budgeted for as Eskom had increased its tariffs by 52.6% during the 2008/2009 financial year.
- The implementation of the Property Rates Act in the previous year, and the exorbitant tariff increases by Eskom had resulted in that a substantial portion of the community found it difficult to afford councils tariffs. Especially the pensioners were really affected.
- The establishment of Khutsong 1, 2 and 3 necessitated that councils structure had to be restructured to ensure that council will be able to deliver with the increase demands.

**During the budget process it was important to identify the revenue base of the municipality. This process included the following activities:**

- ✓ Review alternative service delivery mechanisms, such as Municipal Service Partnerships and shared services and the relative merits and demerits of each alternative;

- ✓ Assess options for increasing user charges and fees based on factors such as the impact of inflation, other cost increases, the adequacy of the coverage of costs and current competitive rates. In addition we assessed the implications of increasing service charges and fees, including the financial impact on households, particularly poor ones;
- ✓ Review existing service charges and fees. Municipalities use service charges and fees to fund the provision of municipal services;
- ✓ Review the nature, extent, purpose and predictability of national and provincial grants and agency payments;
- ✓ Identify other revenue opportunities, such as leases, sale of non-core assets and the like;
- ✓ Identify revenue constraints, such as maximum service charges and poor payment levels;
- ✓ Identify potential threats to municipal revenue, including changes in grant allocations and the establishment of the Regional Electricity Distributors (REDS);
- ✓ Compilation of a revenue schedule based on daily operations and normal income sources. This process incorporates the tariff policy as the basis for determination of operational revenue; and
- ✓ Review findings from the Status Quo Report and adjust the revenue schedule accordingly.

#### Other sources of income

- Sale of water to the mines was concluded and the sale of bulk electricity to the mines must be investigated.
- Levying of taxes on farms was never done but the implementation of the Municipal Property Rates Act enabled Council to levy taxes on farms. The implementation as newly rateable properties over four years had not resulted the income as was anticipated.
- The uniform pre paid vending system that was rolled out to vend 24 hours enabled council to implement the 70:30 collections on arrear accounts.
- The aspect of restricting the water supply of Indigents is not finalized. Council investigated the possibility to install pre paid water meters, but was put on hold after the outcome of the case between Joburg Water and residents of Soweto. This is critical as it will reduce the bulk water account payable to Rand Water and ensure that water used is paid for.

- Council's deposit structure should be revisited. All high consumers should be charged a much higher deposit to minimise council's risk.
- Mining houses are our most reliable and up to date debtors as salary deductions are made from their employees into their consumer accounts. Council should also look at negotiating the same terms with other employers in Merafong City.
- All residential properties converted into business properties should not be charged residential rates and council should take a resolution to charge full business tariffs.

### **Background**

For the 2009/2010 financial year the Council, from the outset, based the guideline on the growth rates on 6% of the original budgeted amounts submitted to National Treasury for the 2008/2009 financial year. This was in line with the Reserve Banks inflation targets. However, during the 2009/2010 budgeting process, the main objective of the Council was to adhere to the prerequisite from National Treasury that Municipalities must pass budgets that are balanced and cash funded.

Planned Financing

*Operational Budget for the 2009/2010 to 2011/2012 Financial Years*

**The Operational Budget for the 2009/2010 financial years was, to a certain extent, prepared on the zero-base principle. Each line item was compiled from current financial information.**

**In terms of the multi-year budget process the projections for the 2009/2010 and 2011/2012 financial years have been prepared on incremental bases, with adjustments for known variances.**

The growth guidelines, which are in line with the Reserve Banks inflation targets, were used. Growth limits of 6% and 6% were used for the 2010/2011 and 2011/2012 budgets respectively. A summary of the operational budget setting out the planned financing for the 2009/2010 financial year and projections for 2010/2011 and 2011/2012 financial years:

The following important areas are addressed in further detail:

MEDIUM TERM INCOME AND EXPENDITURE FRAMEWORK 2009/2010 TO 2011/2012								
	Preceding Year	Current Year			Medium Term Income and Expenditure Framework			
	AUDIT ACTUAL 2007/2008	BUDGET 2008/2009	REVISED BUDGET 2008/2009	TARIFF INCREASES	INCREASE	BUDGET YEAR 2009/2010	BUDGET YEAR 2010/2011	BUDGET YEAR 2011/2012
<b>INCOME</b>								
Assessment Rates	59 371 612	79 931 569	79 747 467	2.85%	2 271 600	82 019 067	86 940 211	92 156 624
Electricity Sales	82 831 342	121 813 914	113 429 218	30.00%	34 028 765	147 457 983	156 305 462	165 683 790
Water Sales	135 453 345	150 649 132	147 560 092	25.87%	38 169 713	185 729 805	196 873 593	208 686 009
Refuse Removal	21 611 561	22 979 040	22 930 103	8.00%	1 834 408	24 764 511	26 250 382	27 825 405
Sewerage	15 072 310	16 002 080	17 119 749	8.00%	1 369 580	18 489 329	19 598 689	20 774 610
<b>Sub Total</b>	<b>314 340 170</b>	<b>391 375 735</b>	<b>380 786 629</b>	<b>12.86%</b>	<b>77 674 067</b>	<b>458 460 696</b>	<b>485 968 338</b>	<b>515 126 438</b>
-								
Equitable Share	86 292 406	81 679 000	84 795 897	37.10%	31 455 103	116 251 000	144 947 000	158 422 000
Penalty on Arrears	16 530 946	16 144 924	22 050 912	10.00%	2 205 091	24 256 003	25 711 363	27 254 045
Interest on Investments	9 120 940	7 291 740	10 291 740	-31.98%	-3 291 740	7 000 000	7 420 000	7 865 200
Traffic and Licensing	8 406 024	16 141 028	9 650 396	6.00%	579 024	10 229 420	10 843 185	11 493 776
Surplus on Sale of Assets	1 483 254	5 055 486	1 581 514	121.31%	1 918 486	3 500 000	1 590 000	1 685 400
Rental Fixed Properties	941 304	882 597	818 870	6.00%	49 132	868 002	920 082	975 287
Subsidies	8 022 285	5 050 150	5 574 072	-53.70%	-2 993 276	2 580 796	6 263 027	6 638 809
Other Income	17 135 774	14 060 816	12 960 145	-19.78%	-2 563 886	10 396 259	14 562 019	15 435 740
<b>TOTAL INCOME</b>	<b>462 273 103</b>	<b>537 681 476</b>	<b>528 510 175</b>	<b>19.87%</b>	<b>105 032 001</b>	<b>633 542 176</b>	<b>698 225 014</b>	<b>744 896 695</b>

## **REVENUE**

### **ASSESSMENT RATES**

- ❖ The implementation of the new Municipal Property Rates Act was implemented on 1 July 2008. This had a serious impact on the certain consumer's accounts.
- ❖ The financial benefit with the implementation of Agriculture was less than was anticipated. They are all new rateable properties and are faced in over a period of 4 years.

### **Council rating tariffs will be as follows:**

Residential, Sectional Titles and Agriculture will be 1.07c in the Rand.

Business and Industrial will be 2.54c in the Rand.

Mines 3.24c in the Rand

## Agricultural Properties 0.27c in the Rand

All properties zoned for residential purposes valuations will be exempted to the value of R15 000 per stand.

Improved Residential and State properties will receive an exemption of 10% and Public Service Infrastructure 30%.

All properties which were identified as unsafe are exempted from the roll.

All new rateable properties will be phased in over four years. Certain categories of users will qualify for certain rebates and must apply before 30 September 2009 as per councils rating policy for the rebates.

Council's budget includes the Rebates, Exemptions, Phasing in and Exclusions as income and Council must budget for the Rebates, Exemptions, Phasing in and Exclusions as Income foregone as expenditure.

As previously mentioned certain categories of consumers especially pensioners were seriously affected by the implementation of the said Act. Council therefore recommend an increase in the rebates granted to pensioners.

### Additional aspects

- ❖ The development of Khutsong Extensions 1, 2 and 3 will add an additional 18 000 houses to the existing 27 891 stands in Merafong. This will increase the stands by 39%. It can be accepted that these properties will all be exempted from assessment rates.
- ❖ Council cannot continue building low cost housing without embarking on high property developments. The percentage of low cost housing is too big and the existing properties will not be able to sustain the income or even generate additional income for investment.

Council will have to embark on high income property developments to generate additional income. If council's tariffs increase above inflation targets and become unaffordable it will become too expensive for its residents to live in Merafong. Council can experience an outflow of economic active people to border towns.

This must be a high priority, land needs to be identified and a marketing strategy needs to be investigated.

Council will have to investigate the expansion of council's industrial land. A marketing strategy must be investigated and rolled as a matter of urgency.

Investment in Merafong must be the highest priority to ensure survival.

## **ELECTRICITY**

Electricity is a major concern to council. Escom had increase tariffs by 53.2% in the previous financial year. Escom had not submitted its tariff application to NERSA. No indications of tariff increases are available except rumours of tariff increases above 100%. This was denied by Escom.

This aspect made it very difficult to compile a budget without an indication of Electricity tariffs. In line with the increases of the previous year council propose to budget for an increase of 42% and to adjust it when the Escom tariffs are available.

Possible power shedding will have an impact on the projections as proven in the previous financial year.

It is envisage that council will lose its electricity section to the REDS in the next 18 months.

Electricity contributes 23% of council's income which will be loosed. Council will be allowed to implement a surcharge to offset the potential losses that will be occurred.

Council will share in the profits of the REDS. If Escom become part of the REDS council will share in the electricity sales to the mines. Economies of scale will also exist and will increase the potential profits.

The negative is that council will not be able to use, the discontinue, of electricity, as a means of credit control but council will be ensured of its income from the REDS.

The financial impact is not known and cannot be taken into account for the medium term expenditure framework.

## **WATER**

- ❖ Rand Water had increased its tariffs for the 2009/2010 financial year by 15.3%. This will place a further burden on the already over burden community of Merafong.

It is recommended that the increase be structured that the consumers using between 0 and 15kl only be increased by 6%. The residents using between 16 and 35kl by 10% and those above by 15%.

It is a fact that we live in a water scares country and the increases can therefore be motivated.

The mine tariffs were never in line with the approved tariffs of Merafong residential and industrial tariffs. It is therefore recommended that the mine tariffs be brought in line with the tariff of consumers using 16 to 35kl of water.

- ❖ Sales to the mines are concluded. Council is the Water Service Authority from 1 July 2006 and the agreement was signed with Rand Water. DRD is still refusing to pay councils its part and had resolved to pursue the matter in High Court.
- ❖ Council cannot continue providing water to indigents in excess of the subsidy limit of 6kl. They cannot afford it and the losses must be borne by council. The only solution is that council will have to restrict water to indigent houses.

Certain indigents are consuming in excess of 200kl of water per month. Council can save in excess of R5million per year in the bulk purchases account.

### **EQUITABLE SHARE**

Council equitable share had increase by R31 455 103 for the 2009/2010 financial year.

Council is continuing building houses for the homeless people of Merafong. It is envisage that in the next three years the indigent households will increase by 20 000. Council will need an additional R40 Million to subsidise the households for basic services. This only represents direct subsidies and not the rendering of services.

The subsidy provided through the equitable share will increase by R36 million. This is not sufficient to cover the subsidy that must be provided to the indigents.

The 18 000 houses that will be built in the next three years will increase councils properties by 41%. It is a fact that the levels of services are of a lower standard and will need more and regular maintenance. Staff in the service delivery departments will almost double and the maintenance budget must be increased to ensure reliable service delivery. Additional staff costs can be in excess of R30million and additional Maintenance costs R10million.

Council will be worse off at least by R40 million as a result of the developments. This excludes additional hidden costs for e.g. office space, vehicles and other costs.

The existing dumping sites must be increased and cemeteries will have to be doubled.

## SUBSIDIES

Fire was taken over from the West Rand District Municipality from 1 July 2007. Council entered into a service level agreement for the financial year 2007/2008 with the Southern District Municipality. They have indicated that they cannot assist this year. Council will have to borne to total budget of Fire Services. Emergency services must be transferred to Province.

## EXPENDITURE

MEDIUM TERM INCOME AND EXPENDITURE FRAMEWORK 2009/2010 TO 2011/2012								
	Preceding Year	Current Year						
		Medium Term Income and Expenditure Framework						
	AUDIT ACTUAL 2007/2008	BUDGET 2008/2009	REVISED BUDGET 2008/2009	TARIFF INCREASES	INCREASE	BUDGET YEAR 2009/2010	BUDGET YEAR 2010/2011	BUDGET YEAR 2011/2012
<b>INCOME</b>								
<b>EXPENDITURE</b>								
Salaries and Allowances	152 761 047	160 187 460	164 241 988	14.44%	23 716 923	187 958 911	199 236 446	211 190 632
Remuneration Council	10 262 097	11 760 000	10 910 439	12.00%	1 309 253	12 219 692	12 952 873	13 730 046
Bulk Electricity Purchases	44 018 267	66 628 662	60 342 912	42.00%	25 344 023	85 686 935	90 828 151	96 277 840
Bulk Water Purchases	96 281 808	107 917 049	100 958 369	15.30%	15 446 630	116 404 999	123 389 299	130 792 657
General Expenses	48 938 750	74 838 914	41 815 572	6.72%	2 810 184	44 625 756	47 303 301	50 141 499
Income Foregone			16 008 072	-12.80%	-2 048 753	13 959 319	14 796 878	15 684 691
Repairs and Maintenance	13 282 460	15 968 578	17 443 789	10.00%	1 744 379	19 188 168	20 339 458	21 559 826
Transfer Depreciation	11 124 718	2 968 000	12 000 000	8.00%	960 000	12 960 000	13 737 600	14 561 856
Contracted Services	21 379 921	25 949 780	27 545 078	6.00%	1 652 705	29 197 783	30 949 650	32 806 629
Financial Charges	13 452 124	15 168 002	20 736 193	29.51%	6 120 035	26 856 228	28 467 602	30 175 658
Capital Expenditure		14 840 125	10 016 158	20.02%	2 005 079	12 021 237	32 935 374	34 911 494
Grants and Subsidies	11 132 347		5 036 699	163.72%	8 246 091	13 282 790	20 557 202	26 568 817
Transfer Reserves	59 958 022	41 454 906	41 454 906	42.76%	17 725 452	59 180 358	62 731 179	66 495 050
<b>TOTAL EXPENDITURE</b>	<b>482 591 561</b>	<b>537 681 476</b>	<b>528 510 175</b>	<b>19.87%</b>	<b>105 032 001</b>	<b>633 542 176</b>	<b>698 225 014</b>	<b>744 896 694</b>
<b>SURPLUS (DEFICIT)</b>	<b>-20 318 457</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## SALARIES AND ALLOWANCES

Council's salaries represent 30% of council's budget. This is well below the norm of 35%. Council is not in a position to fill all the positions on the organogram.

Council must consider approving that the salaries and allowances budget in the 2009/2010 financial year be based on the status quo of filled positions as at date of the budget approval. Provision must however be made for the filling of positions identified and regarded as crucial posts for service delivery purposes. Salary increases of 12% were provided for.

Staffing of the new approved organisational structure and vacant positions that were not filled in the previous organogram cannot be filled. Council will not be in a position to fill the positions on the organogram.

### **REPAIRS AND MAINTENANCE**

During the IDP review process and internal analysis of service delivery, maintenance of infrastructure was identified as a key focus area to improve service delivery. Although the provision for maintenance on the proposed budget is still not at the required levels, the Repairs and Maintenance budget has been increased by R1 744 379 for the financial year, with a total provision of R19 188 168.

The dolomite situation in Carletonville is really stretching council's repairs and maintenance budget. Further councils water network especially in Carletonville is very old.

A concerted effort was made to increase Repairs and Maintenance to accommodate the growing need for funds. A target should be set to at least increase from the present 3.0% to 10% for the outer years until the 2011/2012 financial year.

### **CONTRIBUTIONS TO FUNDS**

Contribution to the Working Capital Reserve for the 2009/2010 financial year amounted to R59 180 358. The quantum of this item is relating directly to the revenue collection ratio. The municipality expects that it will only be able to collect 81 percent of all revenue raised and is therefore including an amount under this item equal to 19 percent of the total revenue raised.

It must be noted that Council was in a position to provide for a 100% provision for bad debt for all possible uncollectible debt.

Council will have to implement vigorous credit control in the 2009/2010 financial year. Council will have to implement credit control to the fullest and sale of movable and immovable properties will have to be implemented. Water will have to be restricted.

### **3. (DEFICIT) / SURPLUS**

Council may not approve a budget that is not in balance. It must be stated that this submission is not the approval of the budget but the tabling of the budget in accordance with section 16 of the MFMA. Section 23 of the MFMA makes provision for a consultation process.

#### 4. CAPITAL BUDGET

The capital budget for Merafong City Local Council for the financial year 2009/2010 amounts to R710 484 564, which are made up as follows:

Secured Funding	R337 786 532
Unsecured Funding	R372 698 032
	<u>R710 484 564</u>

All projects where funds were not secured can be implemented during the financial year as and when funds become available. Funding applications should therefore be submitted by the responsible departments to possible funding institutions to secure funding for the prioritized projects.

The summarized portion and source of funding is depicted hereunder:

Funding Source	Total budget	Scheduling of total budget cost estimate over MTREF period			
		2009/2010	Unsecured	2010/2011	2011/2012
Revenue	65 326 237	9 521 237	32 265 000	20 170 000	3 370 000
External Loans	264 280 000	35 000 000	10 000 000	45 800 000	173 480 000
Housing Development Fund	5 700 000	5 700 000	0	0	0
Capital Replacement Reserve	4 812 683	4 812 683	0	0	0
Government Grant and Subsidies	3 059 359 556	282 752 612	330 433 032	1 475 876 751	970 297 161
Donations and Public Contributions	4 010 180	0	0	4 010 180	0
	<u>3 403 488 656</u>	<u>337 786 532</u>	<u>372 698 032</u>	<u>1 545 856 931</u>	<u>1 147 147 161</u>

Council received an amount of R43 575 000 for projects to be funded out of the Municipal Infrastructure Grant. MIG projects to the value of R21 546 000 will be roll over projects. The reason for the roll over projects is that the Rooipoort land fill site and the Waste Water Treatment Plant projects are multiyear projects

Council budgeted to execute housing projects to the value of R208 831 612 for the 2009/2010 financial year. Included in this amount is R134 725 601 regarding the bulk services and houses in Khutsong 1, 2 and 3.

## **BUDGET PROCESS OVERVIEW**

- Schedule of Key Deadlines relating to budget process MFMA s 21(1)(b)];

<b>TIME SCHEDULE OF KEY DEADLINES</b>		
<b>MAYOR TO TABLE IN COUNCIL 10 MONTHS PRIOR TO START OF BUDGET YEAR</b>		
<b>MONTH</b>	<b>MUNICIPALITY MERA FONG CITY MUNICIPALITY</b>	<b>BUDGET YEAR 2009/2010 TO 2011/12</b>
	<b>MAYOR AND COUNCIL/ENTITY BOARD</b>	<b>ADMINISTRATION – MUNICIPLAITY AND ENTITY</b>
<b>JULY</b>	<p>Mayor begins planning for next three-year budget in accordance with co-ordination role of the budget process <b>MFMA S 53</b></p> <p>Planning includes review of the previous years budget process and completion of the Budget Evaluation Check List</p>	<p>Accounting officers and senior officials of municipality and entities begin planning for next three-year budget <b>MFMA s 68,77</b></p> <p>Accounting officers and senior officials of municipality and entities review options and contracts for service delivery <b>MSA s 76 - 81</b></p>
<b>August</b>	<p>Mayor tables in Council a time schedule outlining key deadlines for preparing, tabling and approving the budget, reviewing the IDP (as per s 34 MSA) and budget related policies and consultations process at least 10 months before the start of the budget year <b>MFMA s21, 22, 23; MSA s 34 Ch 4 as amended</b></p>	
<b>September</b>	<p>Council through the IDP review process determines strategic objectives for service delivery and development for next three-year budgets including review of provincial and national government sector and strategic plans</p>	<p>Budget office of municipality and entities determine revenue projections and proposed rate and service charges and draft initial allocations to functions and departments for the next financial year after taking into account strategic objectives Engages with Provincial and National sector departments on sector specific programmes for alignment with municipalities plans (schools,</p>

<b>TIME SCHEDULE OF KEY DEADLINES</b>		
<b>MAYOR TO TABLE IN COUNCIL 10 MONTHS PRIOR TO START OF BUDGET YEAR</b>		
<b>MONTH</b>	<b>MUNICIPALITY MERAUFONG CITY MUNICIPALITY</b>	<b>BUDGET YEAR 2009/2010 TO 2011/12</b>
	<b>MAYOR AND COUNCIL/ENTITY BOARD</b>	<b>ADMINISTRATION – MUNICIPALITY AND ENTITY</b>
		libraries, clinic, water, electricity, roads, etc)
<b>October</b>		Accounting Officers does initial review of national policies and budget plans and potentials price increases of bulk resources with function and department officials <b>MFMA s 35, 36, 42; MTBPS</b>
<b>November</b>		Accounting Officer reviews and drafts initial changes to <b>IDP MSA s34</b>
<b>December</b>	Council finalizes tariff (rates and services charges) policies for next financial year	Accounting Officer and senior officials consolidate and prepare proposed budget and plans for next financial year taking into account previous years performance as per audited financial statements
<b>January</b>		Accounting officer reviews proposed national and provincial allocations to municipality for incorporation into the draft budget for tabling. (Proposed national and provincial allocations for three years must be available by 20 January) <b>MFMA s36</b>
<b>February</b>		Accounting officer finalises and submits to mayor proposed budgets and plans for next three-year budgets taking into account the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous years audited financial statements and annual report.  Accounting officer to notify relevant municipalities of

<b>TIME SCHEDULE OF KEY DEADLINES</b>		
<b>MAYOR TO TABLE IN COUNCIL 10 MONTHS PRIOR TO START OF BUDGET YEAR</b>		
<b>MONTH</b>	<b>MUNICIPALITY MERA FONG CITY MUNICIPALITY</b>	<b>BUDGET YEAR 2009/2010 TO 2011/12</b>
	<b>MAYOR AND COUNCIL/ENTITY BOARD</b>	<b>ADMINISTRATION – MUNICIPLAITY AND ENTITY</b>
		projected allocations for next three years 120 days prior to start of the budget year. <b>MFMA s37(2)</b>
<b>March</b>	Entity board of directors considers recommendations of parent municipality and submit revised budget by 22 <sup>nd</sup> of month. <b>MFMA s87 (2)</b>  Mayor tables municipality budget, budget of entities, resolutions, plans and proposed revisions to IDP at least 90 days before start of budget year <b>MFMA s 16, 22, 23, 87; MSA s 34</b>	Accounting officer publishes tabled budget, plans, proposed revisions to IDP, invites local community comment and submits to NT, PT and other as prescribed MFMA s 22 & 27; MSA Ch 4 as amended  Accounting officer reviews any changes in prices for bulk resources as communicated by 15 March <b>MFMA s 42</b>
<b>April</b>	Consultation with national and provincial treasuries and finalize sector plans for water, sanitation, electricity, etc. <b>MFMA s 21</b>	Accounting Officer assist the Mayor in revising budget documentation in accordance with consultative processes and taking into account the results from the third quarterly review of the current year.
<b>May</b>	Public hearings on the budget, and council debate. Council consider views of the local community, NT, PT, other provincial and national organs of state and municipalities. Mayor to be provided with an opportunity to respond to submissions during consultation and table amendments for council consideration. Council to consider approval of budget and plans at least 30 days before start of budget year. <b>MFMA s 23, 24; MSA Ch 4 as amended</b>	Accounting officer assists the Mayor in preparing the final budget documentation for consideration for approval at least 30 days before the start of the budget year taking into account consultative processes and any other new information of a material nature
<b>June</b>	Council must approve annual	Accounting officer submits to

<b>TIME SCHEDULE OF KEY DEADLINES</b>		
<b>MAYOR TO TABLE IN COUNCIL 10 MONTHS PRIOR TO START OF BUDGET YEAR</b>		
<b>MONTH</b>	<b>MUNICIPALITY MERA FONG CITY MUNICIPALITY</b>	<b>BUDGET YEAR 2009/2010 TO 2011/12</b>
	<b>MAYOR AND COUNCIL/ENTITY BOARD</b>	<b>ADMINISTRATION – MUNICIPLAITY AND ENTITY</b>
	<p>budget by resolution, setting taxes and tariffs, approving changes to IDP and budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before start of budget year</p> <p><b>MFMA s 16, 24, 26, 53</b></p> <p>Mayor must approve SDBIP within 28 days after approval of the budget and ensure that annual performance contracts are concluded in accordance with s 57(2) of the MSA.</p> <p>Mayor to ensure that the annual performance agreements are linked to the measurable performance objectives approved with the budget and SDBIP. The mayor submits the approved SDBIP and performance agreements to council, MEC for local government and makes public within 14 days after approval.</p> <p><b>MFMA s 53; MSA s 38-45, 57(2)</b></p> <p>Council must finalise a system of delegations.</p> <p><b>MFMA s 59, 79, 82; MSA s 59-65</b></p>	<p>the mayor no later than 14 days after approval of the budget a draft of the SDBIP and annual performance agreements required by s 57(1)(b) of the MSA.</p> <p><b>MFMA s 69; MSA s 57</b></p> <p>Accounting officers of municipality and entities publishes adopted budget and plans</p> <p><b>MFMA s 75, 87</b></p>

- Process for consultations with each group of stakeholders

Budgets will be displayed at pay points and libraries for review by communities. Consultative meetings will be held in the various wards to consult with the communities. The budget will be published in the local

newspaper for comments and on Councils Web site. Budgets will be submitted to National and Provincial Treasury.

- Timing, number and type of consultations:

## **PROPOSED BUDGET 2009 / 2010**

### **CONSULTATIVE MEETINGS**

<b>DATE &amp; TIME</b>	<b>SUBURB OR FORUM</b>	<b>VENUE</b>
31 <sup>TH</sup> MARCH 2009 @ 17H00	TABLING OF BUDGET COUNCIL	COUNCIL CHAMBER
14 <sup>TH</sup> APRIL 2009 @ 17H00	KOKOSI	COMMUNITY HALL
15 <sup>TH</sup> APRIL 2009 @17H00	WEDELA	COMMUNITY HALL
16 <sup>TH</sup> APRIL 2009 @ 17H00	CARLETONVILLE	CIVIC CENTRE
20 <sup>TH</sup> APRIL 2009 @ 17H00	KHUTSONG	COMMUNITY HALL

It is suggested that the consultative meetings be centralized. It is recommended that three meetings be held as follows:

Kokosi, Greenspark and Fochville in Kokosi  
Savuka mine, Deelkraal and Wedela in Wedela  
Blybank, Western Deeps, East Driefontein, and Carletonville in Carletonville Civic Centre.  
Khutsong, Khutsong South Khutsong Community Hall

It is suggested that the residents be transported to the venues

### **RECOMMENDED:**

- 1) That the Income budget of R916 294 788 and Expenditure budget of R916 294 788 for the 2009/2010 Financial Year be tabled and submitted for consultation to the community of Merafong, National Treasury and relevant Provincial Treasury for comments.
- 2) That the following be proposed in respect of Assessment Rates and the charge to be as follows:

- a) The proposed property rates are to be levied in accordance with Council policies, unless otherwise indicated, and the Local Government Municipal Property Rates Act 2004 and the Local Government Municipal Finance Management Act 2003.
- b) Property rates are based on values indicated in the new General Valuation Roll. The Roll is updated for properties affected by land subdivisions, alterations to buildings, demolitions and new buildings (improvements) through Supplemental Valuation Rolls. All values are as at the date of the roll, being July 2007.
- c) Rebates and concessions are granted to certain categories of property usage or property owner.
- d) The definitions and listing of categories are reflected in the Rates Policy.
- e) Industrial / Commercial Properties – Undeveloped Land

All properties other than those defined below as residential will be rated as “non-residential” properties. This includes all undeveloped land. The cent-in-the-rand for all “non-residential” properties for 2009 / 2010 is proposed to be R 0, 0254.

f) Residential Properties

For all residential properties, as defined per the Rates Policy, the first R 15 000 of property value will be rebated by an amount equal to the rates payable on a property of R 15 000 in value.

All residential properties, as defined per the Rates Policy, will be levied a rate which is rebated by 10%. The cent in the rand for 2009 / 2010 is proposed to be R 0, 0107

g) Agricultural Properties

Agricultural properties (including farms and small holdings) fall into three categories:

- (a) Those used for residential purposes;
- (b) Those used for industrial purposes;
- (c) Those used for other businesses and commercial purposes

Properties in rural areas deemed to be small holdings that are not used for *bona fide* farming, but are used as residential properties will be

categorized as “residential”, provided that they meet the definition of a residential property as described in the Rates Policy. Such properties will qualify for the rebate of the first R 15 000 of municipal value as per the General Valuation Roll and the “rebated” cent-in-the-rand. The cent-in-the-rand for agricultural properties or small holdings that qualify for residential status is proposed to be R 0, 0027

h) Public Service Infrastructure

In terms of the Municipal Property Rates Act, Council may not levy rates on the first 30% of the market value of Public Service Infrastructure. The remainder of the market value is rated at the non-residential cent-in-the-rand of R 0, 0254.

i) Mines

All Mine properties, as defined per the Rates Policy, will be levied a rate. The cent in the rand for 2009 / 2010 is proposed to be R 0, 0324

j) Senior Citizens and Disabled Persons Rate Rebate

Registered owners of properties who are senior citizens and/or registered owners of properties who are disabled persons qualify for special rebates according to gross monthly household income. To qualify for the rebate(s) a property owner must be a natural person and the owner of a property which satisfies the requirements for the residential rebate and must on the 1 July of the financial year:

- I. occupy the property as his/her normal residence and
- II. be at least 60 years of age or in receipt of a disability pension from the Department of Social Development and
- III. be in receipt of a total monthly income from all sources (including income of spouses of owners) not exceeding R 21 000 per annum and
- IV. not be the owner of more than one property and
- V. submit the application by 30 September for this rebate for the current financial year, failing which the rebate will not be granted.

The percentage rebate granted to different monthly household income levels will be determined according to the schedule below.

The proposed incomes and rebates for the 2009 / 2010 financial year as follows:

Gross Monthly Household Income 2009 / 2010		% Rebate
R 1	R 60 000	100%
R 60 001	R 66 000	75%
R 66 001	R 72 000	50%
72 001	R 78 000	25%
78 001 and above		0%

k) Rebates for Certain Categories of Properties / Property Users

The categories of properties qualifying for exemption and rebates are as per the Rates Policy.

- l) The Budget for 2009 / 2010 has been balanced using the estimated income from levying the rates proposed in this report.
- m) Provision has been made in the Budget for 2009 / 2010 for the income forgone arising from the rebates and concessions proposed in this report as detailed in the Draft Rates Policy.
- n) that in terms of Section 26(1) of the Municipal Property Rates Act, the payment of any amount owed emanating from the levy of rates as determined on 1 July 2008 is payable before or on 7 August 2008 and thereafter monthly before or on the date due as determined in (i) below: with the provision that the date(s) for payment of assessment rates with regard to owners mentioned in (ii) below shall be determined as follows:

As regards one half, on 7 October 2009;  
as regards the balance, on 7 April 2010;

(i) that the payment shall be as follows:

**Other:**

7 August 2008  
8 September 2008  
7 October 2008  
7 November 2008  
8 December 2008  
7 January 2009  
9 February 2009  
9 March 2009  
7 April 2009  
7 May 2009  
8 June 2009  
7 July 2009

**Pensioners:**

17 August 2009  
15 September 2009  
15 October 2009  
16 November 2009  
15 December 2009  
15 January 2010  
15 February 2010  
15 March 2010  
15 April 2010  
17 May 2010  
15 June 2010  
15 July 2010

(ii) that the following Mines as well as the responsible state institution may pay in accordance with (n) :

Mines  
Blyvooruitzicht  
Deelkraal  
Doornfontein  
Elandsrand

State Institutions  
Gauteng Government  
Dept Justice  
S.A. Police Services  
Dept of Land

- 3) that interest be levied at the rate as determined from time to time by the Premier in terms of Section 50(A) of the Local Government Ordinance, 1939, (Ordinance 17 of 1939) which has been determined at prime rate with effect from 1 December 1997 by the Department of Finance on all arrear charges, rates and levies from the day following the due dates as determined in (ii) (d) and (ii) (e) above;
- 4) That the following electricity tariffs be promulgated in terms of Sections 4 and 11(3) of the Municipal Systems Act, 2000 (Act 32 of 2000) as the Tariff of Charges: Electricity of the Merafong City Local Municipality, provided that the tariffs are approved by the National Electricity Regulator and subject to the Escom tariff increase. ;

PROPOSED TARIFF STRUCTURE – MERAFONG CITY LOCAL MUNICIPALITY 2009/2010			
	CURRENT	PROPOSED	%CHANGE
<u>DOMESTIC</u>	-		
Residential: Basic charge	28.11	36.54	30.00%
Residential per KWh	0.5337	0.6938	30.00%
Pre paid	0.5689	0.7396	30.00%
<u>COMMERCIAL</u>			
Basic Charge	265.2	344.76	30.00%
Flats Businesses & Schools less than 60	0.4571	0.5942	30.00%
KVA: Services per KWh Pre Paid	0.4571	0.5942	30.00%
<u>INDUSTRIAL</u>			
Bulk Cons. Service/ch per KWh	384.54 0.2519	499.90 0.3275	30.00% 30.00%
AMA Maximum Demand	76.91	99.98	30.00%
<u>INDUSTRIAL-3%</u>			
Bulk Cons. Service/change per kwh-3%	384.54 0.2519	499.90 0.3275	30.00% 30.00%
AMA Maximum Demand-3%	76.91	99.98	30.00%
<u>TEMPORARY POWER</u>			
Departmental	0.4005	0.5207	30.00%
Temp/power / KWh	0.5307	0.6899	30.00%
Streetlights	0.4005	0.5207	30.00%
KVA < THAN 60	17.24	22.41	30.00%

- 5) that the following Water Tariff be approved and the tariffs be promulgated in terms of Sections 4 and 11(3) of the Municipal Systems Act, 2000 (Act 32 of 2000) as the Tariff of Charges: Water of the Merafong City Local Municipality.

	Present	Proposed	% Increase
0.6kl	5.06	5.36	6.00%
7 – 15kl	5.06	5.36	6.00%
16 – 35kl	6.06	6.67	10.00%
36 and above	8.18	9.41	15.00%
Business and Industrial	8.83	10.15	15.00%
Special Consumers (schools & churches)	6.67	7.67	15.00%
Residential pre-paid	5.03	5.36	6.00%
Mines Domestic and Operations	5.03	6.67	32.60%

- 6) that the following Refuse Removal Tariff be approved and the tariffs be promulgated in terms of Sections 4 and 11(3) of the Municipal Systems Act, 2000 (Act 32 of 2000) as the Tariff of Charges: Cleaning Services of the Merafong City Local Municipality:

**CLEANSING: (PLUS V.A.T.):**

		Present	Proposed
Residential	1 bin/week	R60.36	R 65.19
Business	Bin/week	R60.36	R65.19
Business	Bin/3 x week	R155.49	R 167.93
Business	Bin/5 x week	R223.69	R 241.59
Mini Bulk Containers	1 MBC/1 x week	R911.67	R 984.60
Mini Bulk Container	1 MBC/2 x Week	R1 438.12	R 1 553.17
Mini Bulk Container	1 MBC/3 x Week	R2 041.62	R 2 204.95
Mini Bulk Container	1 MBC/ 5 x Week	R3 627.39	R 3 917.58
Bulk Container	1 Bulk/1 x Week	R13 750.00	R 14 852.16
Bulk Container	1 Bulk/2 x Week	R20 782.07	R 22 444.64
Bulk Container	1 Bulk/3 x Week	R37 631.17	R 40 641.66
Bulk Container	1 Bulk/5 x Week	R61 358.81	R 66 267.51
Waste 6m <sup>3</sup>		R300.00	R 324.00
Temporary Service	Per Bin	R34.67	R37.44
Bulk Waste	Per m <sup>3</sup>	R166.92	R180.27

Special Exemption	Per m <sup>3</sup>	R76.94	R 83.10
Garden Services Waster	LDV/Trailer	R20.00	R 21.60
Small Animal Carcasses		R60.11	R 64.92
Bulky Garden Waste	1 m <sup>3</sup> - 3m <sup>3</sup>	R153.88	R 166.19
Bulky Garden Waste	3m <sup>3</sup> and above	R307.77	R 332.39
Building Rubble	Per m <sup>3</sup>	R132.24	R 142.82

- 7) And that the following Sewerage Tariff be approved and that the tariffs be promulgated in terms of Sections 4 and 11(3) of the Municipal Systems Act, 2000 (Act 32 of 2000) as the Tariff of Charges: Drainage Services of the Merafong City Local Municipality:

SEWERAGE: (PLUS V.A.T.):

Residential	R2.98per Kilolitre	maximum 50kl
Businesses	R2.98 per kilolitre	maximum 50kl
Businesses large	R2.98per kilolitre	no maximum
Churches & Schools	R1.39 per kilolitre	no maximum
Flats & Townhouses	R2.98 per kilolitre	maximum 50kl
Indigent subsidy	R2.98 per kilolitre	maximum 50kl

Indigents Subsidy based only on first six Kilolitres @ R2.98 kl

- 8) That the budget of the new Organizational Structure be reviewed when the budget is revised within six months. The filling of the frozen vacancies will be reconsidered in line with the actual income generated over the first half of the financial year.
- 9) That Council approves and adopts the attached Tariff Policy as a policy of Council. **Annexure A**
- 10) That Council approves and adopts the attached Rating Policy as a policy of Council. **Annexure B**
- 11) That with effect from 1 July 2004 free basic services is supplied only to registered indigents.
- 12) That council take cognisance of the proposed costs to the municipality for the budget year of the salary, allowances and benefits of-

Each political office bearer of the municipality,  
 Councillors of the municipality  
 The Municipal Manager, Chief Financial Officer and Strategic Executives of council. **Annexure C**

13) That the Capital Budget for the 2009/2010-Financial Year as well as the means of financing of the various projects as put forth in the Capital Budget, be tabled;

14) That Council take cognisance of the projected cash flow for the tabled budget by revenue source broken down per month. **Annexure D**

That council take cognisance of the Investments held by Council as at 30 June 2008. **Annexure E**

15) That council had considered the views of the;

- The local community and
- The National Treasury and the relevant Provincial Treasury.

16) Council resolves that the annual budget of the Merafong City Local municipality for the financial year 2009/10 and indicative for the two projected outer years 2010/11 and 2011/12 be approved as set-out in the following schedules:

17.1 Operating revenue by source reflected in schedule 1;

17.2 Operating expenditure by vote reflected in schedule 2;

17.3 Operating expenditure by GFS classification reflected in schedule 2(a);

17.4 Capital expenditure by GFS classification reflected in schedule 3(a); and

17.5 Capital funding by source reflected in schedule 4.

17.6 Council resolves that multi-year capital appropriations by vote and associated funding reflected in schedules 3(a) and 4 be approved.

18) Council resolves that property rates reflected in the Tariff Policy and any other municipal tax reflected in the Tariff Policy are imposed for the budget year 2009/10.

19) Council resolves that tariffs and charges reflected in the Tariff Policy are approved for the budget year 2009/10.

20) Council resolves that the measurable performance objectives for revenue from each source are approved for the budget year 2009/10.

21) Council resolves that the measurable performance objectives for each vote are approved for the budget year 2009/10.

22) Council resolves that the policies for credit control, debt collection and indigents as approved in 2006/07 are still applicable for the budget year 2009/10. That a service provider be appointed to review, update and develop policies as prescribed by the Budget Regulations

Prepared by:

**MG WIENEKUS**  
**CHIEF FINANCIAL OFFICER**

A. **MUNICIPAL MANAGER'S COMMENTS**

APPROVED	
NOT APPROVED	

**JM RABODILA**  
**MUNICIPAL MANAGER**

B. **SECTION 80: FINANCE**

AS RECOMMENDED	
NOT RECOMMENDED AND REFERRED BACK	

**PORTFLOIO HEAD: FINANCE**

C. **EXECUTIVE MAYOR'S APPROVAL**

APPROVED AS RECOMMENDED	
NOT APPROVED AND REFERRED BACK	
REFERRED TO MAYORAL COMMITTEE	

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**EXECUTIVE MAYOR**

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**DATE**