

# **MERAFONG CITY LOCAL MUNICIPALITY**



## **TARIFF POLICY FINANCIAL YEAR 2009/2010**

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## **1. PRINCIPLES APPLICABLE IN THE DETERMINATION OF A TARIFF STRUCTURE**

Although the determination of tariffs is in many instances politically orientated, it ought to be based on sound, transparent and objective principles at all times. Such principles are discussed hereunder.

### ***1.1 Basic principles that ought to be observed in the compilation of a tariff structure***

- Affordability of the service;
- Discouragement of abuse by means of price mechanism;
- Sound cash flow to ensure sustainable service delivery;
- The structure must be simple and understandable;
- Acceptability to the majority of the community;
- The structure must be fair;
- The structure must be transparent; and
- The tariffs must accommodate national initiatives.

### ***1.2 Minimum service levels***

It is important that minimum service levels be determined in order to make an affordable tariff package available to all potential users.

### ***1.3 Multi year budgets***

It is required in terms of proposed legislation and guidelines from National Treasury that all Municipalities compile multi year budgets as from 2003/2004. Such change also necessitates that proposed tariffs would form part of this process. Increases in tariffs should not simply be implemented annually without considering the affordability thereof by the user. The effect of resolutions that impact on the financial situation of the Council must be observable over a longer period in respect of tariffs and sensible planning of cost structures must be done to keep tariffs within affordable levels.

### ***1.4 Credit Control***

It is not possible to successfully compile a tariff structure without consideration of the stipulations of an effective credit control system. Income is provided for in the budget as if a 100% payment level will be maintained. It is therefore important to continuously ensure that users indeed pay punctually.

However, it is also a fact that there are users who are unable to pay. Tariffs must therefore provide access to a minimum level of basic services for all users. It should furthermore be supplemented with a practical policy for indigents. This will ensure the sustainable delivery of services.

### **1.5 Package of services**

The accounts for rates and services must not be seen in isolation. It must be considered jointly to determine the most affordable amount that the different users can pay as a total account. The basic costs of a service must first of all be recovered and then only can profits be manipulated to determine the most economic package for the user with due allowance for future events in regard to a particular service.

### **1.6 Principles in terms of Section 74 of the Local Government: Systems Act 2000 (Act 32) of 2000)**

Section 74 of the Municipal Systems Act contains clear guidelines regarding the compilation of and principles for a tariff policy. An extract reads as follows:

*"74. (1) A Municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements, and which complies with the provisions of this Act and with any other applicable legislation.*

*(2) A tariff policy must reflect at least the following principles, namely that-*

- (a) Users of municipal services should be treated equally in the application of tariffs;*
- (b) The amount individual users pay for services should generally be in proportion to their use of that service;*
- (c) Poor households must have access to at least basic services through-*
  - (i) Tariffs that cover only operating and maintenance costs;*
  - (ii) Special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service, or*
  - (iii) Any other direct or indirect method of subsidisation of tariffs for poor households;*
- (d) Tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;*
- (e) Tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;*
- (f) Provision may be made in appropriate circumstances for a surcharge on the tariff for a service;*

- (g) *Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;*
  - (h) *The economical, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;*
  - (i) *The extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.*
- (3) *A tariff policy may differentiate between different categories of users, debtors, service providers, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination."*

## **2. FACTORS WHICH MUST BE EVALUATED IN THE DETERMINATION OF A UNIFORM TARIFF STRUCTURE**

### **2.1 Costs relating to the provision of the service**

The primary purpose of a tariff structure is to recover the actual costs of the rendering of a particular service. If a service is rendered at a loss, cross subsidisation of such loss by another service will be necessary. This will put pressure on the tariff structure of the other service.

Costs can be divided into three categories namely fixed costs, variable costs and profit taking.

- **Fixed costs:** Fixed costs represent those costs that must be paid irrespective of the fact whether or not a user makes use of the service for example salaries, loan costs etcetera.
- **Variable costs:** Variable costs relate directly to consumption and it differs according to the use of, for instance, chemicals and the decrease or increase in maintenance costs. However, there is always a fixed cost element present in variable costs, but it is very difficult to apply it, except in the provision of electricity.
- **Profit taking:** Profit taking represents that portion which is being levied in excess of the real cost of rendering of a service. In practice there is a delicate balance between profit taking and losses being suffered because budgets are based upon assumptions of use which is also influenced by seasonal and economic circumstances. Profit taking can be manipulated in the process to maximise affordability of the total account of a user.

## **2.2 Socio- economic factors and the ability of users to pay**

Local Governments in general, including Merafong City Local Municipality, are currently paralysed as a result of a lack of cash flow due to non-payment of services.

One of the main reasons for non-payment is the fact that tariff structures do not provide for the socio-economic circumstances of communities. Progress has been made to a large extent in the case of Merafong City Local Municipality with the installation of pre-paid electricity meters as well as the implementation of the provision of 6 kiloliters free basic water for indigent cases. Pre-paid meters must, however, be utilised more effectively to recover the costs of economic services by means of levying of the user account.

Users can be divided into the following categories:

- Users who are incapable to make any contribution towards the consumption of services and who are fully subsidised;
- Users who are able to afford a partial contribution and who are partially subsidised only; and
- Users who can afford the services in total.

It is important to identify these categories and to plan the tariff structures accordingly. Subsidies are currently derived from two sources namely:

- Contributions from National Government: National Government makes an annual contribution, which is primarily based on information obtained from Statistics South Africa by means of census surveys. If this contribution is judiciously utilised it will subsidise all indigent households who qualify in terms of the Council policy.
- Contributions from own funds: The Council can, if the contribution of National Government is insufficient, provide in its own operational budget for such support. Such action will in all probability result in increased tariffs for the larger users. Any subsidy must be made known publicly.

In the case of Merafong City Local Municipality services for indigent households are currently fully subsidised from contributions made by National Government only.

The tariff structure can be compiled as follows to make provision for subsidisation:

- Totally free services (within limits and guide lines);

- Lower tariffs for users who qualify in terms of particular guide lines for example to recover the operational costs of the service only; and
- Full tariff payable with a subsidy that is transferable from sources as mentioned above.

In the case of Merafong City Local Municipality the following principles are proposed:

- Free minimum water (6 kiloliters per month) with effect from 1 July 2004 for indigent consumers whereof the extent is annually determined during the adoption of the operational budget;
- Free distribution of electricity (50 units per month) with effect from 1 July 2004 for indigent consumers whereof the extent is annually determined during the adoption of the operational budget; and
- Subsidy to all indigent households that qualify in terms of the Council's current indigent policy in respect of basic charges.

### ***2.3 Historical and future user patterns***

It is important to keep proper consumption statistics for the purpose of determining tariffs. Consumption determines tendencies, which ultimately have an influence on tariffs within a structure. Provision should be made in the process for growth and seasonal use, as well as for unforeseen events that might have an impact on tariffs.

### ***2.4 User groups***

Users are traditionally divided into groups as follow:

- Households;
- Businesses;
- Industries/Bulk consumers;
- Schools and hostels;
- Institutions that are directly subsidised for example retirement homes, etcetera.

A continuous effort is made to group together those users who have more or less the same access to a specific service.

### ***2.5 GRAP (Generally Recognised Accounting Practise)***

A totally new concept of cost allocations regarding the allocation and financing of assets is introduced with the implementation of GRAP. The making of internal loans from statutory funds will no longer be allowed if such funds do not have sufficient cash. It was therefore necessary for Council to develop a policy relating to contributions to these statutory funds.

The contributions will be carried as a liability against the cost account concerned and it will therefore be accommodated as fixed costs in the tariffs. It is also important that these contributions in the form of cash be kept in separate accounts and be utilised for the intended purpose only.

GRAP further views the actual cost of capital as depreciation of assets (cost of use) and not as loan costs. In view of the fact that depreciation has direct cash implications it will also influence tariff structures.

### **3. PROPOSED TARIFFS FOR VARIOUS SERVICES**

It is essential that a compromise be reached between the following needs with the determination of a tariff structure:

- The need to reflect costs as accurately as possible in order to achieve cost effectiveness;
- The need to ensure equality and fairness between user groups;
- The need for a practically implementable tariff;
- The need to use appropriate metering and provisioning technology;
- The need for an understandable tariff; and
- The user's ability to pay.

Taking into consideration the abovementioned points the tariff structure of the following services are discussed:

- 3.1 Electricity;
- 3.2 Water;
- 3.3 Refuse Removal;
- 3.4 Sewerage, and
- 3.5 Property Rates.

#### **3.1. Electricity**

##### **3.1.1 Cost structure for electricity**

A cost structure for electricity consists of three basic components as discussed below.

- Fixed costs: It represents that portion of expenses that must be incurred irrespective of the fact whether or not any electricity has been sold, for example the salary of staff who have been appointed permanently with specific tasks relating to the provision of electricity, costs of capital and insurance that is payable in respect of the infra structure. These costs must be recovered whether any electricity is used or not. The costs are therefore recovered by means of a fixed levy per period (normally on a monthly basis) in order to ensure that these costs are covered.

- Variable costs: It relates to the physical provision of electricity according to demand and must be financed by means of a unit tariff which is payable per kilowatt electricity consumed.
- Profit taking: It goes with a *pro rata* increase in the fixed levy and unit tariffs after provision has been made for costs.

The principle of basic levies and a kilowatt per hour tariff for electricity are determined by the cost structure.

### 3.1.2 Tariff structures

Various tariff structures exist for electricity as explained below.

| Name of tariff                                    | Components for determination of a tariff |                        |  |                          |
|---|--|------------------------|--|--------------------------|
|   | Fixed costs (Rand/month)                 | Energy levy (Cent/kWh) | Time of consumption energy levy (Cent/kWh) | Capacity levy (Rand/kVA) |
| Single-leg energy consumption ("lifeline tariff") |  | X                      |  |                          |
| Two-leg tariff                                    | x  | X                      |  |                          |
| Two-leg time-of-consumption tariff                | x  |                        | x  |                          |
| Three-leg tariff                                  |  | X                      | X  | X                        |
| Three-leg time-of-consumption tariff              |  | X                      | X  | X                        |
| Special tariff                                    |  |                        |  |                          |

The types of users are of such a nature in respect of Merafong City Local Municipality that the implementation of all the above tariff structures is not needed. The following three tariff structures were basically used for the determination of tariffs:

- Single-leg energy consumption ("lifeline tariff") adapted for users with pre-paid meters;
- Two-leg tariff; and
- Three-leg tariff.

Above-mentioned tariff structures are discussed in more detail hereunder.

**Single-leg energy consumption.** A basic charge is used for household consumers, Flats, businesses, schools and bulk consumers.

**Two-leg tariff.** This tariff will basically apply to all consumers with conventional meters, excluding bulk consumers. A distinction in regard to the basic levy is made between businesses and household consumers whilst the cost of energy consumption is the same.

**Three-leg tariff.** This tariff applies primarily to bulk (KVA) consumers.

### **3.1.3 Proposed tariffs**

The proposed tariffs are contained in Annexure A. It is proposed that indigent consumers will receive free electricity to the value of 50 units per account holder per month from 1 July 2004.

The cost to supply indigent consumers with an amount of free electricity will be as follow:

#### **Indigents**

|  |            |
|--|------------|
| 50 Units @ R0.6938 x 5500 consumers x 12 months    | R2 289 540 |
| Electricity basic charge = R36.54 X 5500x12 months | R2 411 640 |

The calculated distribution loss amounts to 12.62%, where as the norm is between 10% and 14%. However, it has to be noted that when a pre-paid vending machine breaks down, the statistical information is lost, and that may significantly influence the calculation of the distribution loss.

The proposed tariff increase is 30.00% for the 2009/2010 financial year. This increase is required in order to maintain an 8.85% profit margin.

### **3.1.4 Projected income**

|   |                    |
|---|--------------------|
| Projected Income based on the proposed tariffs: | R151 611 076       |
| Estimated Expenditure                           | (R139 289 912)     |
| Estimated Surplus                               | <b>R12 321 164</b> |

## **3.2 Water**

### **3.2.1 Cost structure for water**

A cost structure for water consists of three basic components as explained below.

- **Fixed costs:** It represents that portion of expenses that must be incurred irrespective of the fact whether or not any water has been sold, for example the salary of staff who have been appointed permanently with specific tasks relating to the provision of water, costs of capital and insurance that is payable in respect of the infra structure.

These costs must be recovered whether any water is used or not. The costs are therefore recovered by means of a fixed levy per period (normally on a monthly basis) in order to ensure that these costs are covered.

- Variable costs: It relates to the physical provision of water according to demand and must be financed by means of a unit tariff which is payable per kilolitre water consumed.
- Profit taking: It goes with a *pro rata* increase in the fixed levy and unit tariffs after provision has been made for costs.

The principle of basic levies and a kilolitre tariff for water used are determined by the cost structure.

### 3.2.2 Tariff structures

The block structure as previously implemented by Merafong City Local Municipality was restructured in order to simplify tariff calculations for consumers as well as council. The new structure is illustrated below.

| <b>Residential</b>   | <b>Businesses/Industrial</b> | <b>Churches/Schools Welfare</b> |
|--|------------------------------|---------------------------------|
| 0 - 15 kiloliters<br>16 – 35 kiloliters<br>36 kiloliters + | Tariff per kiloliter         | Tariff per kiloliter            |

### 3.2.3 Proposed Tariffs

The proposed tariffs are contained in Annexure A. The first 6 kiloliters of water is currently supplied free of charge to indigents. It is proposed that this benefit remains intact.

The annual cost of the above proposal will be as follow:

#### **Indigents**

5500 x 6 kiloliters x 12 months x R5.36

R2 122 560

The calculated distribution loss amounts to 14%, where as the norm is between 10% and 15%. However, it has to be noted that this calculation excludes the free water allocation.

In the past all the mines in the municipal area of Merafong purchased their water directly from Rand Water. Council were deprived of any income from this source. The new Water Services Act stipulated that the councils are the service providers in their area of jurisdiction. Negotiations between Rand Water, Council, Chamber of Mines and the various mines had been concluded. It was resolved that Rand Water will refund council the difference between the purchase price and the entry level for consumers.

Due to the additional income from the mines, the average increase amounts to approximately 9.00%. This increase is required in order to maintain an 10.00% profit margin.

### **3.2.4 Projected income**

|  |                           |
|--|---------------------------|
| Projected Income based on the proposed tariffs | R186 556 015              |
| Estimated Expenditure                          | <u>(R169 390 714)</u>     |
| Estimated Surplus                              | <u><b>R17 165 301</b></u> |

## **3.3 Refuse Removal**

### **3.3.1 Introduction**

The approved 2008/2009 budget provided for a surplus of R9 949 288. The tariff adjustments for the past 3 years were as follow:

|           |       |
|-----------|-------|
| 2006/2007 | 6.00% |
| 2007/2008 | 6.50% |
| 2008/2009 | 6.00% |

The cost to supply indigent consumers with an amount of free refuse will be as follow:

#### **Indigents**

5500 x 65.19 x12 months R4 302 540

### **3.3.2 Proposed tariffs**

The proposed tariffs are contained in Annexure A. An additional amount of R9 007 797 is subsidised from the Equitable Share It is proposed that the Refuse Removal Tariffs are increased with 8.00%. This will result in a surplus of approximately R7 692 009 for Refuse Removal, which is an economical service.

### **3.3.3 Projected Income**

|  |                          |
|--|--------------------------|
| Projected Income based on the proposed tariffs | R24 830 052              |
| Subsidised from Equitable Share                | R9 007 797               |
| Estimated Expenditure                          | <u>R26 145 840</u>       |
| Estimated Surplus                              | <u><b>R7 692 009</b></u> |

## **3.4 Sewerage**

### **3.4.1 Introduction**

The approved 2008/2009 budget provided for a surplus of R14 475 874. This projection was however based on the exclusion of the cost of the water care works. The tariff increases for the past 3 years were as follow:

|           |       |
|-----------|-------|
| 2006/2007 | 6.00% |
| 2007/2008 | 6.00% |
| 2008/2009 | 6.00% |

### 3.4.2 Proposed tariffs

The regulations and guidelines from the department of Water Affairs and Forestry recommends as follows on sanitation tariffs.

- (a) Support the viability and sustainability of sanitation services to the poor.
- (b) Recognize the significant public benefit of efficient and sustainable sanitation services.
- (c) And discourage usage practices that may degrade the natural environment.

It is expensive and unnecessary to measure water borne sewerage at individual households; rather, the sanitation tariff for water borne sanitation systems should be based on water supplied (or water sold).

Sanitation tariffs for Merafong will be based on water usage during the month. Indigent's subsidy will be based on the first six-kiloliter water usage.

The cost to supply indigent consumers with an amount of free sewerage will be as follow:

#### Indigents

5500 x 6kl x2.98 x12 months R1 180 080

The proposed tariffs are contained in Annexure A. The proposed tariff increase is 7.97% for the 2009/2010 financial year. This will ensure a surplus of approximately R9 351 204 for sewerage, which is an economical service.

### 3.4.3 Projected Income

|  |                          |
|--|--------------------------|
| Projected Income based on the proposed tariffs | R18 489 329              |
| Estimated Expenditure                          | <u>(R9 138 125)</u>      |
| Estimated Surplus                              | <u><b>R9 351 204</b></u> |

## 3.5 Property Rates

### 3.5.1 Introduction

The tariff increases for the past 3 years were as follow:

|           |       |
|-----------|-------|
| 2006/2007 | 6.00% |
| 2007/2008 | 6.00% |
| 2008/2009 | 6.00% |

### 3.5.2 Proposed Tariffs

The proposed tariffs are contained in Annexure A. Calculations for tariff increases were based on the existing property valuations. An additional amount of R14 601 443 is subsidised from the Equitable Share. Tariffs will be increased by 8.00% with effect from 1 July 2009. The proposed tariff will result in an estimated income of R82 019 067.

### 3.5.3 Rebates

A rebate of 10% is currently granted to house owners and 0% to businesses and agricultural landowners. It is proposed that these rebates remain unchanged.

## 4. CONCLUSION

An increase in tariffs of 30% for electricity and 6.00% to 9.00% for other services are proposed. In order to comply with guidelines from National Government in respect of affordability and delivery of free basic services, tariffs were subsidised from the Equitable Share allocation with R72 463 149 million. 6kl free water and 50kWh free Electricity to indigent consumers have also been provided for within the tariff calculations.

| <b>SERVICE</b> | <b>% INCREASE</b> | <b>SUBSIDY</b>    | <b>FREE SERVICE</b> | <b>TOTAL INCOME (Excl. subsidy)</b> |
|----------------|-------------------|-------------------|---------------------|-------------------------------------|
| Electricity    | 30.00%            | 32 024 537        | 4 007 520           | 151 611 076                         |
| Water          | 9.00%             | 12 136 319        | 2 122 560           | 186 556 015                         |
| Refuse         | 8.00%             | 9 007 797         | 4 302 540           | 24 830 052                          |
| Sewerage       | 8.00%             | 4 693 053         | 1 180 080           | 18 489 329                          |
| Property Rates | 8.00%             | 14 601 443        | 1 670 090           | 82 019 067                          |
|                |                   | <u>72 463 149</u> | <u>13 282 790</u>   | <u>463 505 539</u>                  |

We believe that the proposed tariffs will significantly contribute in restoring the financial stability of the Merafong City Local Municipality.

## **PROPOSED TARIFFS -ELECTRICITY**

### **INTRODUCTION**

Electricity purchases were adjusted with 30%, which is in line with the increase from the NER.

### **PROPOSED ELECTRICITY TARIFFS**

|                                      |                     |
|--------------------------------------|---------------------|
| Domestic                             | 69.38 cent per KWh  |
| Commercial (less than 60kVa)         | 59.42 cent per KWh  |
| Commercial C.B.C (less than 60kVa)   | R344.76             |
| Industrial KWh (more than 60kVa)     | 32.75 cent per KWh  |
| Industrial MD (more than 60kVa)      | R99.98              |
| Industrial MD (more than 60kVa –3%)  | R99.98              |
| Industrial KWh (more than 60kVa –3%) | 32.75 cent per KWh  |
| Industrial SC (more than 60kVa)      | R499.90             |
| Temporary power                      | 68.99 cents per KWh |
| Street lights                        | 52.07 cent per KWh  |
| Council KWh                          | 52.07 cent per KWh  |
| Domestic Basic Charge                | R36.54              |
| Commercial less 60Kva                | R22.41              |

### **Tariff Type**

Indigent's subsidy will be based on the first 50 KWh usages at 69.38 cent per KWh and no Domestic Basic charge will be charged to indigents that qualify in accordance with council's indigent policy.

## **PROPOSED TARIFFS -WATER**

### **INTRODUCTION**

Rand Water increased the water tariff by 15.3% with a rebate of 0.6%. Council has thus increased the water tariff for the new financial year by 9.00%.

### **PROPOSED WATER TARIFFS**

#### **Residential**

|                                     |                     |
|-------------------------------------|---------------------|
| Residential 0 – 15 kiloliters       | R5.36 per kiloliter |
| Residential 16-35 kiloliters        | R6.67 per kiloliter |
| Residential 36 kiloliters and above | R9.41 per kiloliter |
| Residential pre paid meters         | R5.36 per kiloliter |

#### **Business and Industrial**

R10.15 per kiloliter

## Special Consumers (Schools, Churches and welfare organisations)

R7.67 per kiloliter

Mines Domestic

R6.67 per kiloliter

Mines Operations

R6.67 per kiloliter

## Indigent Consumers

Indigent's subsidy will be based on the first six-kiloliter water usage at R5.36 per kiloliter to indigents that qualifies in accordance with council's indigent policy.

### 3. PROPOSED REFUSE REMOVAL TARIFFS

#### INTRODUCTION

Council has proposed an increase of 8.00% in the tariffs for refuse removal for the new financial year.

#### **PROPOSED REFUSE TARIFFS**

|  |                                   |            |
|--|-----------------------------------|------------|
| BIN 1x per week                                |                                   | R65.19     |
| BIN 3x per week                                |                                   | R167.93    |
| BIN 5x per week                                |                                   | R241.59    |
| MMH (1.75M <sup>3</sup> ) 1x per week          |                                   | R984.60    |
| MMH (1.75M <sup>3</sup> ) 2x per week          |                                   | R1 553.17  |
| MMH (1.75M <sup>3</sup> ) 3x per week          |                                   | R2 204.95  |
| MMH (1.75M <sup>3</sup> ) 5x per week          |                                   | R3 917.58  |
| Bulk container (30M <sup>3</sup> ) 1x per week |                                   | R14 852.16 |
| Bulk container (30M <sup>3</sup> ) 2x per week |                                   | R22 444.64 |
| Bulk container (30M <sup>3</sup> ) 3x per week |                                   | R40 641.66 |
| Bulk container (30M <sup>3</sup> ) 5x per week |                                   | R66 267.51 |
| Waste 3m <sup>3</sup>                          |                                   | R324.00    |
| Waste 4m <sup>3</sup>                          |                                   | R324.00    |
| Waste 6m <sup>3</sup>                          |                                   | R324.00    |
| Temporary service                              | Per Bin                           | R37.44     |
| Bulky waste                                    | Per m <sup>3</sup>                | R180.27    |
| Special Exemption                              | Per m <sup>3</sup>                | R83.10     |
| Garden services waste                          | LDV/Trailer                       | R21.60     |
| Small Animal Carcasses                         |                                   | R64.92     |
| Bulky garden waste                             | 1m <sup>3</sup> - 3m <sup>3</sup> | R166.19    |
| Bulky garden waste                             | 3m <sup>3</sup> and above         | R332.39    |
| Building rubble                                | per m <sup>3</sup>                | R142.82    |

An indigent subsidy of R65.19 per month will be awarded to indigent consumers who qualify in accordance with council's indigent policy.

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## **4. PROPOSED SEWERAGE TARIFFS**

### **INTRODUCTION**

Council has proposed an increase of 7.97% for Sewerage Tariff for the new financial year.

### **Estimated Expenditure**

#### **Residential**

R2.98 per Kiloliter with a maximum of 50 Kiloliter.

#### **Business and Industrial**

##### **Small businesses. (Less than 60kVa electricity consumed)**

R2.98 per kiloliter with a maximum of 50 kiloliter.

##### **Large businesses. (More than 60kVa electricity consumed)**

R2.98 per kiloliter with no maximum

#### **Special Consumers (Schools, Churches Welfare organisations and consumers as approved by council)**

R1.39 per kiloliter with no maximum.

#### **Flats and Townhouses**

R2.98 per kiloliter with a maximum of 50 kiloliter **per unit**.

#### **Indigent consumers**

Indigent's subsidy will be based on the first six-kiloliter water usage at R2.98 per kiloliter to indigents that qualifies in accordance with council's indigent policy.

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## 5. DETERMINATION OF ASSESSMENT RATES

### Fixed costs

|                          |                           |
|--------------------------|---------------------------|
| Fixed overheads          | R15 629 409               |
| Transfer Reserves        | R12 931 352               |
|                          |                           |
| <b>Total Fixed Costs</b> | <b>R29 560 761</b>        |
| <b>Estimated Income</b>  | <b><u>R82 019 067</u></b> |

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**assessment Rates**

|                    | <u>Valuations</u>    | <u>Reductions</u> | <u>Municipality</u> | <u>Exclusions</u>  | <u>Rebates</u>       | <u>Phasing In</u>  | <u>Total Valuations</u> | <u>Assessment Rates</u> |
|--------------------|----------------------|-------------------|---------------------|--------------------|----------------------|--------------------|-------------------------|-------------------------|
| Business           | 920 200 350          | 0                 | 15 817 000          | 0                  | 0                    | 0                  | 901 207 350             | 22 530 183.75           |
| Church             | 63 100 000           | 0                 | 4 690 000           | 58 410 000         | 0                    | 0                  | 0                       |                         |
| Crèche             | 1 694 200            | 0                 | 404 200             | 0                  | 0                    | 0                  | 1 290 000               | 32 250.00               |
| Education          | 114 776 900          | 0                 | 15 310 000          | 0                  | 0                    | 0                  | 99 466 900              | 2 486 672.50            |
| Government         | 14 076 380           | 0                 | 1 200               | 0                  | 2 651 400            | 0                  | 11 423 780              | 285 594.50              |
| Guest House        | 7 920 000            | 0                 | 0                   | 0                  | 0                    | 0                  | 7 920 000               | 198 000.00              |
| Industrial         | 36 862 600           | 0                 | 12 904 100          | 0                  | 0                    | 0                  | 23 958 500              | 598 962.50              |
| Institutional      | 33 935 000           | 0                 | 17 400 000          | 16 520 000         | 15 000               | 0                  | 0                       |                         |
| Municipality       | 74 249 150           | 0                 | 74 249 150          | 0                  | 0                    | 0                  | 0                       |                         |
| Offices            | 16 195 000           | 0                 | 0                   | 0                  | 0                    | 0                  | 16 195 000              | 404 875.00              |
| Parking            | 1 790 000            | 0                 | 1 230 000           | 0                  | 0                    | 0                  | 560 000                 | 14 000.00               |
| Garages            | 5 685 000            | 0                 | 0                   | 0                  | 0                    | 0                  | 5 685 000               | 142 125.00              |
| Residential        | 3 882 996 701        | 935 000           | 93 105 000          | 354 613 700        | 684 120 200          | 0                  | 2 750 222 801           | 34 377 785.01           |
| Roads              | 63 450               | 0                 | 63 450              | 0                  | 0                    | 0                  | 0                       |                         |
| Special            | 1 250 000            | 0                 | 0                   | 0                  | 0                    | 0                  | 1 250 000               | 15 625.00               |
| Sectional Title    | 122 716 500          | 0                 | 0                   | 5 955 000          | 23 222 300           | 0                  | 93 539 200              | 1 169 240.00            |
| Agricultural       | 698 703 622          | 0                 | 950 000             | 1 785 000          | 299 093 730          | 263 885 169        | 132 989 723             | 1 662 371.54            |
| Public Open Spaces | 2 190 000            | 0                 | 1 725 000           | 0                  | 0                    | 0                  | 465 000                 | 5 812.50                |
| -                  | <b>5 998 404 853</b> | <b>935 000</b>    | <b>237 849 100</b>  | <b>437 283 700</b> | <b>1 009 102 630</b> | <b>263 885 169</b> | <b>4 046 173 254</b>    | <b>63 923 497.30</b>    |

## PROPOSED ASSESSMENT RATES TARIFFS

- 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) A Draft Rates Policy was published for comments and objections. All the input received has been included in the updated Policy.
- c) Property rates are based on values indicated in the new General Valuation Roll. The Roll is updated for properties affected by land sub-divisions, 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.
- d) Rebates and concessions are granted to certain categories of property usage or property owner.
- e) The definitions and listing of categories are reflected in the Rates Policy.
- f) 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-land for all “non-residential” properties for 2009 / 2010 is proposed to be R 0, 0254.

### g) 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

### h) 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.

i) 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.

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 78 000 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 2008 / 2009 |          | % Rebate |
|--|----------|----------|
| R 1  | R 60 000 | 100.00%  |

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|          |          |        |
|----------|----------|--------|
| R 60 001 | R 66 000 | 75.00% |
| R 66 001 | R 72 000 | 50.00% |
| R 72 001 | R 78 000 | 25.00% |
|          |          |        |

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 draft 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 draft 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.

**PROPOSED MISCELLANEOUS/TARIFFS**

This relates to income from other sundry services Council delivers like burial services and other miscellaneous services. Council budgeted R12 960 145 during the financial year 2008/2009.

The proposed tariffs are contained in Annexure B