-SUNDAYS RIVER VALLEY MUNICIPALITY

REVISED DRAFT TARIFF POLICY

Purpose of this policy

The purpose of this policy is to give effect to Section 74 of the Local Government: Municipal Systems Act 32 of 2000 which requires a municipal council to 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. The aforesaid policy must comply with the provisions of the Act and any other applicable legislation.

1. Definitions

For the purposes of this policy, unless the context otherwise indicates –

"account holder"means any person who is due to receive a municipal account, which includes a user of pre-paid electricity or water;

"annual budget" means the budget approved by the municipal council for any particular financial year and includes any adjustments to such budget;

"availability charge" means a fixed monthly or annual charge levied against the account holder which is based on the cost of providing a municipal service to the premises of the account holder;

"consumer" means the occupier of any premises to which the municipality has agreed to supply or is actually supplying municipal services, or if there is no occupier, then any person who has entered into a service agreement with the municipality for the supply of municipal services to such premises, or, if there is no such person, then the owner of the premises;

"domestic consumer" or "domestic user" of municipal services means the person or household to whom municipal services are rendered in respect of residential property;

"consumer price index" means the consumer price index (CPIX) as gazetted by the South African Bureau of Statistics;

"Council" means the Council of the Municipality of Sundays River Valley (or any service provider to the municipality);

"indigent debtor" means an indigent debtor registered in the municpality's register of indigent debtors;

"major services" means those services contemplated in paragraph 2(e) of this policy;

"minor tariffs" means all tariffs, charges, fees, rentals or fines levied or imposed by the municipality in respect of services, other than major services provided, and includes services incidental to the provision of the major services;

"municipal manager" means the person appointed by the municipality in terms of Section 82 of the Municipal Structures Act, 1998 and includes any person;

(a) Acting in such position; and
(b) to whom the municipal manager has delegated any power, function or responsibility in as far as it concerns the execution of those powers, functions or duties;

"municipal service" means a service that a municipality in terms of its powers and functions provides or may provide to or for the benefit of the local community irrespective of whether-

such a service is provided, or to be provided, by the municipality through an internal mechanism contemplated in Section 76 of the Municipal Systems Act, 2000 or by engaging an external mechanism contemplated in the said Section 76; and

fees, charges or tariffs are levied in respect of such a service or not;

"municipal tariff" means a tariff for services which the municipality sets for the provision of a service to the local community, such as a tariff set for major services or a minor tariff, and includes a surcharge on such service;

"tariffs for major services" means tariffs set for the supply and consumption or usage of major services.

2. General principles

(a) The municipality adopts, subject to subparagraph 1, paragraphs 4.1(c)(iii) and (iv) and 4.2(e)(iv), a two-part tariff structure consisting of a fixed availability charge coupled with a charge based on consumption;

(b) In setting its annual tariffs, the municipality must, at all times, take due cognisance of the –

- **(i)** Tariffs applicable elsewhere in the economic region; and
- **(ii)** The impact which its own tariffs may have on local economic development;

(c) With the exception of the indigent relief measures approved by the municipality, service tariffs imposed by the municipality should be viewed as user charges and not as taxes, and the ability of the relevant occupant or user of the services to which such tariffs relate, to pay for such service should not be considered as a relevant criterion;

(d) The municipality must ensure that its tariffs are uniformly and fairly throughout the municipal area;

(e) Tariffs for the following services rendered by the municipality, must as quick as possible recover the expenses associated with the rendering of service concerned, and, where feasible, generate a surplus as determined in each annual budget;

- **(i)** Supply of electricity;
- **(ii)** Supply of water;
- **(iii)** Sanitation services, including sewerage and waste water disposal services; and
- **(iv)** Refuse (solid waste) removal services;

(f) The tariff, which a particular consumer or user pays, must be related to the standard of service received and the quantity in particular service used or consumed;

(g) The municipality must annually review its indigent relief measure and must set out the –

- **(1)** Municipality's cost recovery policy in respect of the tariffs and levies on registered indigents; and

(2) The implications of such policy for the tariffs which it impose on other users and consumers in the municipal region;

(h) **(1)** The municipality's tariff policy must be transparent;

(3) The extent to which there is cross-subsidisation between categories of consumers or users must be evident to all consumers or users of the service in question;

(i) The municipality undertakes to –

(1) Ensure that its tariffs are explained to and understood consumers and users affected by this policy;

(2) Render its services cost effectively in order to ensure the possible cost of service delivery;

(j) In the case of the directly measurable services, namely electricity and water, the consumption of such services must be properly metered by the municipality and meters must be read, wherever circumstances reasonably permit, on a monthly basis, and the charges levied on consumers must be proportionate to the quantity of the service which they consume;

(k) In considering the costing of its water, electricity and sewerage services, the municipality must take due cognisance of the high capital cost of establishing and expanding such services and of the resultant high fixed costs, as opposed to variable costs of operating these services;

(l) **(1)** The municipality's tariffs for electricity services are determined to ensure that those consumers who are mainly responsible for peak demand and accordingly for the incurring by the municipality of the associated demand charge from Eskom, bear the costs associated with these charges;

(ii)For those purposes of subparagraph (i), the municipality must install demand meters to measure the maximum demand of such consumers during certain periods;

(3) Such consumers must pay the relevant demand charge as well as a service charge directly related to their actual consumption of electricity during the relevant metering period.

3. Calculation of tariffs for major services

In order to calculate the tariffs which must be charges for the supply of the services contemplated in paragraph 2(e), the municipality must identify all the costs of operation of the undertakings concerned, including specifically the following:

(a) Cost of bulk purchases in the case of water and electricity;
(b) Distribution costs;
(c) Distribution losses in the case of electricity and water;
(d) Depreciation expenses;
(e) Maintenance of infrastructure and other fixed assets;
(f) Administration and service costs, including –
- (i) Service charges levied by other departments such as finance, human resources and legal services;
- (ii) Reasonable general overheads, such as the costs associated with the office of the municipal manager;
- (iii) Adequate contributions to the provisions for bad debt or obsolescence of stock, and
- (iv) All other ordinary operating expenses associated with the concerned including, in the case of the electricity service, the providing street lighting in the municipal area, and

(g) The cost of indigent relief measures.

4. Structure of tariffs

(a) The municipality may-
- (1) Determine the kilowatt-hours of electricity per month and kilolitres of water which will be provided free of charge to consumers who has registered as an indigent in terms of the municipality's indigent relief policy, and
- (2) Consider relief in respect of the tariffs for sewerage and waste removal for such registered indigent to the extent that the council deems such relief affordable in terms of each annual budget. Such relief may however, not be less than a discount as determined by the municipality;

(b) The tariff for a pre-paid meter may differ from the ordinary consumption tariff levied on the category of consumer concerned, and no availability charge is levied on a property where a pre-paid meter has been installed.

4.1 Electricity tariffs

(a) The various categories of electricity consumers, as set out in subparagraph (c), are charged at the applicable tariffs, as approved by the municipality in each annual budget;

(b) Tariff adjustments are effective in respect of July accounts each year;

(c) Categories of consumers and charges are as follows:

(1) With the exception of a registered indigent, a consumer must be billed for all the electricity consumed at the tariff applicable per category in which the particular consumer falls;

(2) The tariff for domestic consumption of electricity may not exceed such percentage, per kilowatt-hours, as determined by the municipality, of the tariff applicable to other consumers, and all other consumers, including businesses, industries and institutional consumers, must pay the same tariff per kilowatt-hour;

(3) A domestic electricity consumer of the municipality who is registered as an indigent with the municipality must receive free the amount of kilowatt-hours of electricity as determined in terms of paragraph 4(a)(i);

(4) A domestic electricity consumer other than a registered indigent and sub-economic (Government Subsidised Housing) consumer must, additionally, be billed an availability charge per meter installed;

(5) A commercial, industrial and other non-domestic property must, additionally, be billed a monthly availability charge per meter installed and, where applicable, a demand charge appropriate to its respective levels of consumption.

4.2 Water tariffs

(a) The categories of water consumers as set out in subparagraph (e), are charged at the applicable tariffs, as approved by the municipality in each annual budget;

(b) Tariff adjustments are effective in respect of July accounts each year;

(c) The tariff levied for domestic consumption of water escalates according to the volume of water consumed and will be based on a monthly consumption as determined by the municipality;

(d) The tariff for non-domestic water consumption is based on a single tariff per kilolitre consumed, irrespective of the volume of consumption concerned;

(e) Categories of consumers and charges are as follows:

(1) A domestic water consumer registered as an indigent with the municipality must receive free the first six kilolitre of water consumed per month. Thereafter, a tariff as determined by the municipality is applicable on metered water consumption;

(2) All other domestic consumers are charged for actual water consumption at a stepped tariff per kilolitre as determined by the municipality;

(3) The tariff applicable to domestic consumption of water may not exceed such percentage per kilolitre as determined by the municipality, of the tariff applicable to other consumers and all other consumers, including businesses, industries and institutional consumers, must pay the tariff as contemplated in subparagraph (d);

(4) An availability charge per water meter, as determined by the municipality, is charged on a water consumer.

4.3 Refuse removal tariff

(a) The categories of refuse removal users as set out in subparagraph (c) are charged at the applicable tariffs, as approved by the municipality's annual budget;

(b) Tariff adjustments are effective in respect of July accounts each year;

(c) A separate fixed monthly refuse removal charge applies to each of the following categories of users, based on the costs of the service concerned:

(1) Domestic and other users, where refuse is removed by the municipality once weekly, and

(2) Business and other users, where refuse is removed by the municipality twice weekly;

(3) Business and other users, where refuse is removed by the municipality thrice weekly, and

(4) Business and other bulk consumers;

(d) A registered indigent may receive a discount on the charge referred to in this paragraph in a percentage as the municipality deems affordable when approving each annual budget, provided such discount is not be less than billed as a refuse removal charge.

4.4 Sewerage tariff

(a) The categories of sewerage users as set out in subparagraph (c) are charged per month at the applicable tariff as approved by the municipality in each annual budget;

(b) Tariff adjustments are effective in respect of July accounts each year

(c) Categories of users and charges are:

(1) An availability charge is charged per month or annually for an undeveloped erf, irrespective of its permitted or intended use;

(2) A fixed monthly charge based on the costs of the service, is charged for bucket removal for a domestic user. A registered indigent may, however, receive such discount on this charge as the municipality deems affordable when approving each annual budget, which discount may not be less than the percentage, as determined by the municipality, of the monthly amount billed for this service;

(3) A fixed monthly charge based on the costs of the service is charged for a domestic user. A registered indigent may, however, receive such discount on this charge as the municipality deems affordable when approving each annual budget. Such discount may, however not be less than the

percentage, as determined by the municipality, of the monthly amount billed for this service;

(4) A fixed monthly charge is based on the costs of the service per sewerage point or toilet is charged to all businesses, industries and institutional users;

(5) A charge, based on the costs of the service to empty a septic tank, will be levied for each visit to empty a septic tank on the premises of a person requiring such service.

5. Minor tariffs

(a) All minor tariffs are standardised within the municipal region.

(b) All minor tariffs are approved by the municipality in each annual budget and are, when deemed appropriate by the municipality, subsidised by property rates and general revenues, particularly when the –

(1) Tariffs prove uneconomical when charged to cover the cost of the service concerned;

(2) Costs cannot be determined accurately; or

(3) Such tariff is designed purely to regulate rather than finance the use of the particular service or amenity;

(c) Unless there are compelling reasons why such adjustment should not be effected, all minor tariffs over which the municipality has full control, and which are not directly related to the cost of a particular services are adjusted annually at least in accordance with the prevailing consumer price index;

(d) The following services are subsidised services, and the tariffs levied cover 50%, or as near as possible to 50%, of the annual operating expenses budgeted for the service concerned:

(1) Burial services and the provision of cemeteries; and

(2) The provision of municipal sports facilities for use against a fee;

(e) The following services are considered as being community services, and no tariffs are levied for their use:

(1) A municipal swimming pool;

(2) A municipal museum and art gallery;

(3) The disposal of garden refuse at the municipal disposal site;

(4) A municipal reference library;

(5) A municipal lending library, except for fines determined;

(6) A municipal botanical garden, other park or open space;

(f) The following services are considered as being economic services, and the tariffs levied cover 100%, or as near as possible to 100%, of the budgeted annual operating expenses of the service concerned:

(1) The maintenance of graves, gardens of remembrance and crematoria against payment of a fee;

(2) The availability of a house against payment of a housing rental;

(3) Subject to paragraph (6), the use of a municipal hall and municipal premises against payment of a fee;

(4) The approval of a building plan against payment of a fee;

(5) The selling of-

(1) Plastic refuse bags;

(2) The selling of refuse bins, or

(3) Livestock and plants

(4) The cleaning of stands against payment of a fee;

(5) The connection of electricity, water and sewerage against payment of a connection fee;

(6) The making of photo copies against payment of a fee; and

(7) The issuing of a clearance certificate against payment of a fee.

(g) The following charges and tariffs are considered as regulatory or punitive, and are determined as appropriate in each annual budget:

(1) Fines for lost or overdue library books;

(2) Advertising sign fees;

(3) Pound fees;

(4) Disconnection and reconnection fees of electricity and water;

(5) Penalty and other charges imposed in terms of the municipality's credit control and debt collection policy, and

(6) Penalty charges for the submission of dishonoured, stale, post dated or otherwise unacceptable cheques.

6. Lease of municipal premises

(a) The lease of a municipal property must be dealt with in terms of the Municipality's Supply Chain Management Policy or Regulations;

(b) If the Municipal Manager is satisfied, in the case of a rental for the use of a municipal hall and premises, that the hall or premises is required for

non-profit making purposes and for the provision of a service to the community, the Municipal Manager may waive the applicable rental;

(c) The Municipal Manager must determine whether an indemnity or guarantee is to be lodged, or whether a deposit has to be paid, for the lease of a municipal hall, premises or sports field, and in so determining, must be guided by the likelihood of the municipality sustaining damages as a result of the use of the facilities concerned.

7. Costs of democratic process

The costs of the democratic process in the municipality such as, but not limited to, all expenses associated with the political structures of the municipality, form part of the expenses to be financed from property rates and general revenues, and are not included in the costing of the major services of the municipality.

8. Budget-related policy

This policy constitutes a budget-related policy and must be reviewed annually by the municipality as part of the budgeting process prescribed under the Municipal Finance Management Act, 2003.

APPROVED BY COUNCIL ON 31 JULY 2018

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MAYOR