

CITY OF MATLOSANA



TARIFF POLICY

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1. Definitions

In this policy, any word or expression to which a meaning has been assigned in the Act must bear the same meaning and, unless inconsistent with the context:

“ **Act** “ Municipal Systems Act No 32 of 2000.

“**community services**” means services that the Council has classified as such, and in respect of which the tariffs have been calculated with the intention that the costs of the services cannot be recovered from public service charges and are of a regulatory nature;

“**MMC - Finance**” means the member of the municipal council responsible for financial matters in the municipality;

“**Municipality**” means the City of Matlosana;

“**economic services**” means services that the Council has classified as such, in respect of which the tariffs have been calculated with the intention that the total costs of the services are recovered from users;

“**fixed costs**” means costs, which do not vary with increased or decreased consumption or volume produced;

“**flat rates**” means the unit tariffs that do not relate to individual consumers, but are calculated by dividing the total costs by volume used by all the users together;

“**total cost**” means the sum-total of all fixed and variable costs related to a service;

“**trading services**” means services that the Council has classified as trading services, in respect of which the tariffs have been calculated with the intention that the Council makes a profit on the delivery of the services;

“**two-part tariffs**” means tariffs that are determined to cover the fixed and variable costs of a service separately, where the fixed costs are calculated by dividing the total amount of fixed costs of the service by the number of customers per category,

and the variable costs are calculated by dividing the total amount of variable costs by the volume consumed;

“units consumed” means the number of units of a particular service consumed and are measured in terms of the units of measurement contemplated in section 8 of this policy;

“variable costs” means costs that vary with increased or decreased consumption or volume produced.

2. Purpose of this policy

The purpose of this policy is:

- (1) to comply with the provisions of section 75 of the Act
- (2) to prescribe procedures for calculating tariffs where the Municipality wishes to appoint service providers in terms of section 76(b) of the Act; and
- (3) to serve as guidance to the designated councilor regarding tariff proposals that must be submitted to Council annually during the budget process.

3. Tariff principles

The following tariff principles based on the tariff policy set out in section 74(2) of the Act, apply to the levying of fees for municipal services:

- (a) all users of municipal services must be treated equitably in the application of tariffs and the various categories of users must consequently pay the same charges based on the same cost structure;
- (b) the amount payable must be in proportion to usage and based on the tariff structure adopted for the approved category of users;

- (c) indigent households must have access to basic services through lifeline tariffs or direct subsidization in accordance with the Council's indigent support policy as reflected as part of its Credit Control and Debt Collection Policy;
- (d) tariffs must reflect the total cost of services;
- (e) tariffs must be set at a level that facilitates the sustainability of services; and
- (f) sustainability must be achieved by ensuring that:
 - (i) cash inflows cover cash outflows, which means that sufficient provision for working capital or bad debts must be made; and
 - (ii) access to the capital market is maintained by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services.
- (g) provision must be made in appropriate circumstances for a surcharge on a tariff if and when necessary for major breakdowns in infrastructure and periods of droughts when a restriction of usage is required;
- (h) efficient and effective use of resources must be encouraged by providing for penalties to prevent exorbitant use;
- (i) the extent of subsidisation of tariffs must be disclosed by publishing the true costs of the service and the level of subsidy as well as the source of the subsidy.

4. Categories of users

- (1) The tariff structure of the City of Matlosana must make provision for the following categories of users:
 - (a) domestic;

- (b) commercial;
- (c) industrial;
- (d) agricultural;
- (e) institutional / government
- (f) rural;

5. Classification of services and cost elements

(1) *Classification of services*

Provision for the following classification of services must be made:

(a) *Trading services*

- (i) Electricity
- (ii) Water
- (iii) Market

(b) *Economic services*

- (i) Refuse removal
- (ii) Sewerage Disposal
- (iii) Recreation Resorts

(c) *Community services*

- (i) Air pollution
- (ii) Building control
- (iii) Cemeteries
- (iv) Childcare facilities
- (v) Control of public nuisances
- (vi) Control of undertakings that sell liquor to the public
- (vii) Facilities for accommodation, care and burial of animals
- (viii) Fencing and fences
- (ix) Fire fighting services

- (x) Fixed billboards and the display of advertisements in public places
- (xi) Licensing and control of undertakings that sell food to the public
- (xii) Licensing of dogs
- (xiii) Local amenities
- (xiv) Local sport facilities
- (xv) Local tourism
- (xvi) Local Economic Development
- (xvii) Municipal parks and recreation
- (xviii) Municipal planning
- (xix) Municipal public works, only in respect of the needs of the municipality in the discharge of its responsibilities and to administer functions specially assigned to it under the Constitution or any other law
- (xx) Municipal roads
- (xxi) Noise pollution
- (xxii) Parking
- (xxiii) Pest Control
- (xxiv) Pounds
- (xxv) Public places
- (xxvi) Storm-water management system in built-up areas
- (xxvii) Street trading/street lighting
- (xxviii) Trading regulations
- (xxix) Traffic
- (xxx) Tax Clearances Certificates / Valuation Certificates
- (xxxi) Copy of Valuation Roll
- (xxxii) Conformation of Residential letters
- (xxxiii) Duplicate rates and services accounts

(d) Subsidized services

- (i) Libraries
- (ii) Primary Health Care
- (iii) Proclaimed Roads

(2) Cost elements

The following cost elements must be used to calculate the tariffs of the different services:

- (a) Fixed costs, which consist of the capital costs, interest on external loans as well as depreciation, whichever are applicable on the service and any other costs of a permanent nature as determined by the Chief Financial Officer from time to time.
- (b) Variable cost: This includes all other variable costs that have reference to the service.
- (c) Total cost is equal to the fixed cost plus variable cost.

6. Deposits

The raising of deposits is permissible where certain levies are made in arrears and payable with application for relevant service:

- (a) Electricity and Water : Two times the average monthly consumption of the past 3 months with a minimum as determined annually according to the tariff schedule.

7. Tariff types

- (1) In setting service charges the Council must:
 - (a) accurately reflect costs to achieve economic efficiency;
 - (b) ensure equity and fairness between different types and categories of consumers;
 - (c) utilize appropriate metering and supporting technology;
and
 - (d) be transparent.

- (2) In determining the type of tariff applicable to the type of service the Council must make use of the following options or a combination thereof:
- (a) Single tariff: This tariff shall consist of a fixed cost per unit consumed. All costs will therefore be recovered through unit charges at the level of breakeven consumption. Surpluses on trading services may be allowed subject to Council approval.
 - (b) Cost related two part tariff: This tariff shall consist of two parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and be recovered by a fixed charge, independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed.
 - (c) Inclining block tariff: This tariff is based on consumption levels being categorized into blocks, the tariff being determined and increased as consumption levels increase. This tariff will only be used to prohibit the exorbitant use of a commodity. The first step in the tariffs will be calculated at break-even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the commodity.
 - (d) Declining block tariff: This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase. This tariff will only be implemented during the existence of special agreements.
 - (e) Availability charges: Shall be levied for each month for each erf, stand plot or other area, with or without improvements, which is or, in the opinion of Council can be connected to the supply main, whether electricity and water is consumed or not. Basic /Availability charges levied are payable by the registered owner of the erf, stand ,lot or other area: provided that where property of the Council is leased or the registered owner

cannot be identified such basic charges shall be payable by the lessee of the particular property.

- (f) Outside Municipal Area: These tariffs shall apply to consumers who are not residing within the municipal boundaries but are making use, on application, of certain services.
- (g) Recoverable work: These tariffs shall apply to consumers who are making use, on application, of certain recoverable services. The tariff will be calculated at actual cost plus a surcharge as determined with the actual tariffs.

8. Rebates

Rebates are allowed in accordance with the tariff schedule as determined by the Council annually.

9. Unit of measurement

The following units of measurement must, where possible, be used to determine tariffs:

(1) Water

Water will be measured with a water meter, which meters will be read and consumption will be levied on a monthly basis unless the service is rendered through a pre-payment device:

- (a) Cost per unit (kilolitres consumed).
- (b) Basic cost plus cost per unit charge (kilolitres consumed)

(2) Electricity

Electricity will be measured with an electricity meter, which meters will be read and consumption will be levied on a monthly basis unless the service is rendered through a pre-payment device:

- (a) Maximum demand plus kWh consumed; or
- (b) Fixed costs plus kWh consumed; or
- (c) Cost per unit KWH consumed; or
- (d) KVA.

(3) *Billing of estimated consumptions*

3.1 *The need to estimate consumption*

Notwithstanding all City's attempts to take monthly meter readings of all water/electricity supplied, should it not be possible to take a reading on the appropriate date, the City reserves the right to calculate an estimated consumption from the previous actual reading to the billing date. The estimates are normally based on the seasonal historical average consumption at the property, but may be adjusted by the City to reflect its best estimate of what the consumption may have been.

3.2 *Adjustment to estimated account*

As soon as a new actual reading has been taken; the previously estimated consumption will be recalculated and an adjustment, either positive or negative, to the next account issued.

3.3 *Failure of meter*

During the period from identification of a meter having ceased reading, to when it is replaced and a reading can be taken, an estimated consumption will be applied.

Should a consumer have been billed a zero consumption for any period of time and it is subsequently found to have been due to a ceased water/electricity meter and the property was not vacant at the time or the usage pattern had not changed, the City shall bill retrospectively from the time that the meter had ceased until the time it has been replaced. Should the property have been vacant or where the usage pattern had

changed, a signed and sworn affidavit needs to be provided for *consideration*.

3.4 *No account received*

In the event that an owner or occupier has consumed water or electricity but has never received an account, the onus will be on the owner to make representations to the City to request that an account be sent. Should the City not be able to verify that an account was indeed issued to either the owner or occupier, the City may bill for a period not greater than three years the consumer may make arrangements with the City to pay off the amount.

Any person, who has stopped receiving an account that has previously been received, should immediately request the City in writing via registered post to remedy the omission.

(4) *Water leakages subject to the rebate system*

Rebates will be granted for repaired undetected water leakages for a period not exceeding three months.

That it be accepted as policy that in cases of undetected water leakages on private property the consumer pay for the normal water consumption as calculated by using the average consumption for three months prior to the leak, at the applicable sliding scale and that the “over-consumption” or “leak” to be paid at a fixed charge based on the second category of the sliding scale of the water tariffs for the months in question. or at the tariff as calculated by the Chief Financial Officer at the time, subject to the provision of proof by the resident regarding:

- (a) The date on which the leak was first detected.
- (b) Steps taken by the resident to stop the leak
- (c) That the leak has actually stopped – investigation and confirmation by the council’s official.

And the following proof of the above should fall within the perimeters of:

1. The leak being repaired within five working days of detection.
2. Leak did not last for longer than 3 months from start to end.

(5) Refuse removal

Refuse removal will be levied monthly. The levy is payable by the registered owner and recoverable with clearance certificate:

- (a) Plastic bags per week/day (volume).
- (b) Containers per week (volume).
- (c) Truck load per volume or removal.

(6) Sewerage

Sewerage/ Drainage Services will be levied monthly. The levy is payable by the registered owner and recoverable with clearance certificate:

- (a) Percentage of water consumption.
- (b) Percentage of water consumption plus costs for strength of disposal.
- (c) Basic charge: based on the number of properties within those categories of customers and fixed cost associated with the service.
- (d) Additional charge:
 - (i) based on the area and variable costs of the services.
 - (ii) based on the number of properties within those categories of customers and variable costs of the service.
- (e) When the number of properties is not available, a flat rate, based on the average consumption per categories of consumers, will be applicable.

(7) Property Rates

- (a) Property rates is calculated taking into account the total net expenditure from the other services less the revenue envisaged based on the total rateable valuations. The rates must be calculated in such a manner that the Council realizes a net surplus when adopting its tariffs.
- (b) Property rates are calculated according to valuation of property. Council calculate tare on market value as per Council valuation. On written request the amount may be raised monthly. The levy is payable by the registered owner and recoverable with clearance certificate.

(8) *Social benefits*

- (a) The Council, in order to measure social benefits enjoyed by the community, has approved of the standards as set out in the tables below to achieve cost recovery and to measure service delivery, where possible.
- (b) Measures indicated should be calculated annually and used as a guideline to ensure meaningful reporting. Actual unit costs must be compared with budgeted costs.

FUNCTION/UNIT OR OUTPUT CLASSIFICATION BY COUNCIL

Airfields Number of landings Subsidized
 Art Gallery and Museum
 Number of attendance Community
 Engineering
 Administration
 Population
 Percentage of Municipal expenditure
 Community
 Building Section Number of plans submitted
 Value of buildings
 Municipal value of buildings Subsidized
 Caravan Park Number of bookings

Number of sites Subsidized
Cemeteries Number of burials
Number of graves Subsidized
Civic and other halls
Number of bookings Subsidized
Cleansing, refuse removal and disposal
Number of removals
Population
Number of properties
Economic
Corporate Services Population
Percentage of total expenditure
Community (Charged out)
Council General Population
Percentage of total expenditure
Community (Charged out)
Electricity Number of units purchased
Number of units sold
Number of connections
Trading
Estates Number of properties Economic
Financial Services Percentage of municipal expenditure
Population
Community (Charged out)
Fire Number of call-outs
Number of properties
Population
Subsidized
Grant-in-aid Percentage of rates income Community Health
— Clinics
— Other
Number of attendance
Population
Subsidized
Housing (Selling and letting schemes)
Number of dwellings Economic
Libraries Number of members

Number of books in stock
Population
Community
Licensing Number of licenses Subsidized
Marketing Number of industrial properties
Number of industries
Community
Municipal Manager Percentage of municipal expenditure
Population
Community (Charged out)
Parking Number of bays Community Parks and recreation Number of
properties
Population
Community
administration
Number of municipal staff
Population
Community (Charged out)
Recreation resorts Number of users
Population
Economic
Roads and Storm water (including sidewalks)
Length of roads
Population
Community
Security and Civil Defense
Number of installations Community Sewerage reticulation (Disposal)
Number of connections
Sewerage purified
Population
Economic
Street lighting Number of street lighting Community
Swimming pools Number of attendance
Population
Subsidized
Stores Number of stock items held
Value of stock

Number of orders
Economic (fully charge out)
Town Planning Number of properties
Population
Community
Traffic Number of registered vehicles
Population
Subsidized
Valuations Number of properties
Value of municipal valuations
Community
Water Number of units sold
Cost per unit supplied
Length of mains
Kilolitres purified
Cost per kilolitre purified
Trading

9. *Determination, notice of tariffs, fees and levies and objections*

The council may—

- (1) by resolution, supported by a majority of the members of the council, levy and recover levies, fees, taxes and tariffs, in respect of any function or service of the municipality;
- (2) by resolution, amend or withdraw such determination and determine a date, not earlier than 30 days from date of the resolution, on which such determination, amendment or withdrawal shall come into operation; and

recover any charges so determined or amended, including interest on any outstanding amount;

- (3) by resolution , if a water or electricity meter has not being read due to accessibility or being tampered with, Council has the right to bill a consumer for the past year (1)

(4) After a resolution as contemplated in subsection (2) has been passed, the municipal manager of the municipality shall forthwith cause to be conspicuously displayed, at a place installed for this purpose at the offices of the municipality, as well as at such other places within the area of jurisdiction of the municipality as may be determined by the municipal manager, a notice stating—

- (a) the general purport of the resolution;
- (b) the date on which the determination or amendment shall come into operation;
- (c) the date on which the notice is first displayed; and
- (d) that any person who desires to object to such determination or amendment shall do so in writing within 14 days after the date on which the notice is first displayed.

(5) Where—

- (a) no objection is lodged within the period referred to in subsection (4)(d) the determination or amendment shall come into operation as contemplated in subsection
- (b) an objection is lodged within the period referred to in subsection (4)(d), the municipality shall consider every objection and may amend or withdraw the determination or amendment and may determine a date other than the date contemplated in subsection (2) on which the determination or amendment shall come into operation, whereupon subsection (4)(b) shall with the necessary changes apply.

10. *Phasing in of tariffs, fees and levies*

(1) The council must annually consider the methods by which tariffs, fees and levies will be calculated and by resolution amend its tariff policy.

- (2) Where the newly calculated tariffs, fees and levies differ substantially from the current tariffs council may resolve to phase in the differences over a period of time.

11. *Conflict of law*

- (1) When interpreting any provision of this policy, any interpretation which is reasonable and consistent with the objectives of the amended Municipal System Act 32 of 2000 as set out in Chapter 8, Part 1, on service tariffs, must be preferred over any alternative interpretation which is inconsistent with these objectives.
- (2) If there is any conflict between this policy and any other policy of the Council relating to tariffs, this policy shall prevail.

13. *Short title and commencement*

This policy is called the Tariff Policy of the **City of Matlosana** and shall come into operation on the date of adoption by Council