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MTHONJANENI LOCAL MUNICIPALITY

TARIFFS POLICY

Date Approved:	29 September 2004
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1. INTRODUCTION

A tariff policy must be compiled, adopted and implemented in terms of Section 74 of the Local Government: Municipal Systems Act 2000, such policy to cover, among other things, the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.

The rates and tariffs policy has been compiled taking into account, where applicable, the guidelines set out in Section 74.

In setting its annual tariffs the Council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

2. PRINCIPLES

Service tariffs imposed by the local municipality shall not be viewed as taxes, and therefore the ability of the relevant consumer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigency relief measures approved by the municipality from time to time).

The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.

Tariffs for the two major services rendered by the municipality, namely:

- electricity
- refuse removal (solid waste),

shall as far as possible recover the expenses associated with the rendering of each service concerned. The tariff which a particular consumer or user pays shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.

The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services further generate an operating surplus each financial year of 10% or such lesser percentage as the council of the municipality may determine at the time that the annual operating budget is approved. Such surpluses shall be applied in relief of property rates and for the partial financing of general services or for the future capital expansion of the service concerned, or both. The modesty of such surplus shall prevent the service tariffs concerned from being viewed as concealed taxes.

The municipality shall develop, approve and at least annually review an indigency support programme for the municipal area. This programme shall set out clearly the municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and consumers in the municipal region.

In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.

The municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidisation between categories of consumers or users shall be evident to all consumers or users of the service in question.

The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers affected by the tariff policy concerned.

The municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.

In the case of the directly measurable service, namely electricity, the consumption of such service shall be properly metered by the municipality, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on

consumers shall be proportionate to the quantity of the service which they consume. In addition, the municipality shall levy monthly basic charges for the service concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies set out below. Generally, consumers of electricity shall therefore pay two charges: one, relatively minor, which is unrelated to the volume of consumption and is levied because of the availability of the service concerned; and another directly related to the consumption of the service in question.

In considering the costing of its electricity service, the municipality shall take due cognisance of the high capital cost of establishing and expanding such service, and of the resultant high fixed costs, as opposed to variable costs of operating the service. The municipality therefore undertakes to plan the management and expansion of the service carefully in order to ensure that both current and reasonably expected future demands are adequately catered for, and that demand levels which fluctuate significantly over shorter periods are also met. This may mean that the services operate at less than full capacity at various periods, and the costs of such surplus capacity must also be covered in the tariffs which are annually levied.

In adopting what is fundamentally a two-part tariff structure, namely a fixed basic charge coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.

It is therefore accepted that part of the municipality's tariff policy for electricity services will be to ensure that those consumers who are mainly responsible for peak demand, and therefore for the incurring by the municipality of the associated demand charges from Eskom, will have to bear the costs associated with these charges. Such consumers shall therefore 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 determine the tariffs which must be charged for the supply of the two major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:-

- Cost of bulk purchases in the case of electricity.
- Distribution costs, including distribution losses in the case of electricity.
- Depreciation and finance charges.
- Maintenance of infrastructure and other fixed assets.

- Administration and service costs, including:-
 - service charges levied by other departments such as finance, human resources and legal services;
 - reasonable general overheads, such as the costs associated with the office of the municipal manager;
 - adequate contributions to the provisions for bad debts and leave of staff;
 - all other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of providing street lighting in the municipal area (note: the costs of the democratic process in the municipality – that is, all expenses associated with the political structures of the municipality – shall form part of the expenses to be financed from property rates and general revenues, and shall not be included in the costing of the major services of the municipality).
- The intended surplus to be generated for the financial year, such surplus to be applied:-
 - as an appropriation to capital reserves; and/or

The municipality shall provide the first 50kWh (fifty) of electricity per month free of charge to consumers who have registered as indigents in terms of the municipality's indigency relief programme. The municipality shall further consider relief in respect of the tariffs for refuse removal for such registered indigents to the extent that the Council deems such relief affordable in terms of each annual budget, but on the understanding that such relief shall be 100% of the amount billed for the service concerned.

Tariffs for pre-paid meters shall be higher than the ordinary consumption tariffs levied on the category of consumer concerned, but no availability charge shall be levied on properties where pre-paid meters have been installed.

4. ELECTRICITY

The various categories of electricity consumers, as set out below, shall be charged at the applicable tariffs, as approved by the council in each annual budget.

Tariff adjustments shall be effective from 1 July each year.

Categories of consumption and charges shall be as follows:-

- With the single exception of registered indigents, all electricity consumers shall be billed for their electricity consumption at the tariff applicable to the category in which the particular consumer falls.
- All electricity consumers of the municipality who are registered as indigents with the municipality shall receive free the first 50kWh (fifty) of electricity consumed per month; subject to sufficient provision being made on the budget.
- All domestic electricity consumers other than registered indigents and consumers using prepaid meters per month shall additionally be billed a basic charge per meter installed.
- The local municipality's electricity consumption shall be charged at cost.

5. REFUSE REMOVAL

The categories of refuse removal users as set out below shall be charged at the applicable tariffs, as approved by the council in each annual budget.

A separate fixed monthly refuse removal charge shall apply to each of the following categories of users, based on the costs of the service concerned:-

- Domestic and other users (once weekly removal)
- Business and other users (twice weekly removal)
- Business and other users (thrice weekly removal)
- Business and other (bulk consumers).

Registered indigents may receive such discount on this charge as the council deems affordable when approving each annual budget, 50% of the monthly amount billed as a refuse removal charge.

Tariff adjustments shall be effective from 1 July each year.

A fixed monthly charge shall be charged to the local municipality's departments equal to the lowest (domestic) tariff.

6. MINOR TARIFFS

All minor tariffs shall be standardised within the municipal region.

All minor tariffs shall be approved by the council in each annual budget, and shall, when deemed appropriate by the council, be subsidised by property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot accurately be determined, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

All minor tariffs over which the municipality has full control shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.

Minor tariffs shall include the following:-

- ❖ Cemetery fees
- ❖ Housing rentals
- ❖ Library fees (e.g. membership fees, fines, lost books, lost membership cards)
- ❖ Rentals for the use of municipal premises
- ❖ Rentals for the use of municipal sports grounds
- ❖ Rentals for the lease of municipal property
- ❖ Building plan fees
- ❖ Advertising sign fees
- ❖ Plastic bag sales
- ❖ Refuse bin sales
- ❖ Cleaning of stands
- ❖ Photostat copies and faxes
- ❖ Clearance certificates
- ❖ Electricity: disconnection and reconnection fees
- ❖ Electricity: new connection fees
- ❖ Penalty and other charges in terms of paragraph 6 of the credit control and debt collection policy
- ❖ Supply of information
- ❖ Garden refuse removal
- ❖ Licence fees (drivers, learner licence and roadworthy).