

# CITY OF MBOMBELA



## TARIFF POLICY AND BY-LAW

# CHAPTER 1

## GENERAL TARIFF POLICY

### 1. LEGISLATIVE COMPLIANCE

1.1 The Municipal System Act 2000 requires that Council adopt a tariff Policy.

1.2 The general financial management functions covered in Section 62(f) of the Municipal Finance Management Act includes the implementation of a tariff policy.

1.3 Specific legislation applicable to each service has to been taken into consideration when determining this policy.

### 2. SCOPE OF THE POLICY

2.1 The policy document guides the annual settings of tariffs, hence the policy does not make specific tariff proposals, nor does it deal in any detail with the implementation of the specific tariff proposals. Details pertaining to specific levels and applications of the various tariffs are published in the Schedule of Tariffs, which must be read in conjunction with this policy.

2.2 The policy is applicable to all tariffs for electricity, water, sanitation and solid waste services provided by the municipality.

2.3 This policy is also applicable to all sundry tariffs, as provided for in the Schedule of Tariffs of the municipality.

### **3. OBJECTIVE**

**The objective of the tariff policy is to ensure that:**

3.1 The tariffs approved during the Budget process by council to fund services must be consistent with this policy.

3.2 The municipal services are financially sustainable, affordable and equitable.

3.3 The needs of the poor households are taken into consideration.

3.4 There is consistency in how tariffs are applied throughout the municipality.

3.5 Tariffs are standardized, where possible, for the whole municipal area.

### **4. DEFINITIONS**

All terms used in this policy, unless the context indicates otherwise, have the meaning ascribed to them in Local Government legislation or hereunder.

4.1 **“Municipal Account”** means a postulated current account based on median bills for water, electricity, sanitation, solid waste services and rates. Sundry charges and interest on debt are excluded.

4.2 **“Provision for Free Basic Services”** means a budget provision, funded from National Government transfers and Municipal rates to subsidize basic services.

4.3 **“Rates and General Accounts”** means a budget provision used to fund other municipal services excluding electricity, water, sanitation and solid waste services.

4.4 **“Sundry Tariff”** means a tariff set as a fixed rand amount.

4.5 **“Consumption based Tariff”** means a tariff set as rand amount per measurable unit of service.

4.6 **“CPIX”** means the consumer price index excluding mortgage costs as measured by STATSSA.

## 5. PRINCIPLES

5.1 Where a service is provided primarily for the benefit of an individual user and the actual service or consumption can be accurately measured, the cost of providing the service should be recovered from the individual by means of tariffs.

5.2 When a service connection is made a sundry tariff should be used and when a metered quantity of service is consumed a consumption based tariff should be used. Both tariffs must comply with this policy.

5.3 Some services, although provided primarily for the benefit of individual users and have important community benefits, particularly where these services cannot be accurately measured, the cost of the service should be recovered by combination of tariffs and rates. The provision of solid waste collection is such a service.

5.4 Where service is provided primarily for the benefit of the community and an individual's benefit cannot be accurately measured, the cost of providing the service should be recovered by means of rates. The rates must comply with the Municipal Property Rates Policy.

5.5 Poor households should have access to free basic services in line with the municipal Indigent Policy, taking into consideration the affordability constraints of the municipality.

## **6. APPLICATION OF TARIFF PRINCIPLES**

Section 74(2) of the Municipal System Act 2000 sets out principles that must be reflected in the tariff policy. These principles are applied in the following manner:

6.1 Users will be treated equitably through differentiation for tariff purposes being limited to that set out in Section 7 of this policy.

- 6.2 Where appropriate and possible the amount individual users pay for services will generally be in proportion to their use of that service by using consumption-based tariffs as defined in section 4 of the policy. This will be dependent on the service being able to provide discernable, universal and regular metering and reading.
- 6.3 Poor households as defined in the municipal indigent relief measures as contained in the Indigent Policy, from time to time, will have access to basic services through subsidized tariffs.
- 6.4 Tariffs will reflect the cost reasonably associated with rendering the service. The budgeted income and expenditure of the service, showing the contributions to rates and general accounts, support services recharges and contributions from the provision of Free Basic Services must be provided as part of the annual report on the revision of rates and tariffs.
- 6.5 Tariffs will be set at levels that facilitate the financial sustainability of the service, taking into account subsidization from sources other than the service concerned.
- 6.6 Provision may be made in appropriate circumstances for a surcharge on the tariff for a service.
- 6.7 The economical, efficient and effective use of resources may be encouraged through the use of the incline block tariffs.

6.8 The promotion of local economic development through a special tariff for the categories of industrial users may be provided.

6.9 Where free basic services or services subsidized from the provision of free basic services to individual users, these will be shown on the monthly bill of those users. The extent of the annual subsidization to all subsidized users will be reported to council.

6.10 In addition, the amount that users pay for services, as measured through the municipal account, should generally be affordable for different categories of users and annual tariff increase should be benchmarked against inflation measure by CPIX.

## **7 DIFFERENTIATION FOR TARIFF PURPOSES**

Section 74(3) of the Municipal Systems Act 2000 allows for the differentiation between different categories of users, debtors, services, service standards, geographical areas and other matters for tariff purposes as long as the differentiation does not amount to unfair discrimination. The nature and basis for differentiation for tariff purposes in City of Mbombela is set out in the categories defined, below.

### **7.1 Categories of users**

The following are categories of users as defined for this Policy:

- (a) Residential,
- (b) Business, commercial and industrial,

- (c) Agricultural,
- (d) Government,
- (e) Public service infrastructure,
- (f) Public benefit organisation,
- (g) Mining,
- (h) Rural communal land/ or state owned,
- (i) Municipal,
- (j) Places of public worship,
- (k) Vacant land,
- (l) Educational,
- (m) Other properties

**7.2** In addition to (7.1) sub-categories of residential or domestic users may be defined based on any one or more of the following criteria in a manner defined in the municipal free basic services policy.

- (a) Service consumption level
- (b) Payment levels
- (c) Household income
- (d) Type of connection or service

### **7.3 Categories for the standard of service**

Different categories for standard of service may be defined for different users or services. They may be based on:

- (a) Access



- (b) Frequency
- (c) Quantity, quality and consumption level
- (d) Type of connection or service

## CHAPTER 2

### CALCULATION OF TARIFF FOR MAJOR SERVICES

In order to determine the tariffs which must be charged for the supply of the four major services, City of Mbombela shall 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 debts and obsolescence of stock;
  - iv. 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

- (g) The intended surplus to be generated for the financial year, such surplus to be applied:
  - i. as an appropriation to capital services; and/or
  - ii. generally in relief of rates and general services
- (h) The cost of approved indigence relief measures.

The municipality shall provide at least the first 50kWh of electricity per month and the first 6kl of water and sewerage per month free of charge to consumers who have registered as indigents in terms of the municipality's indigent relief program.

The municipality shall further consider relief in respect of the tariff for refuse removal for such registered indigents to the extent that the council deemed such relief affordable in terms of each annual budget, but on the understanding that such relief shall not be less than a discount of 50% but not more than 100% on the monthly amount billed for the service concerned.

Water is a scarce national resource and this municipality is committed to the prudent conservation of such resources. The tariff levied for domestic consumption of water shall escalate according to the volume of water consumed. The implementation of this escalation will be determined and phased-in, according to affordability after consultation during the public participation process. An extra penalty can be charged by Council where it is deemed necessary to address critical water shortages. In setting the consumption levels, tariffs and penalties, consideration shall be given to the current dam levels and anticipated rainfall during the current financial year.

## CHAPTER 3

### WATER

1. The categories of water consumers shall be charged at the current applicable two-part tariffs, namely fixed charge and consumption based tariff as approved by council in each annual budget.
2. The tariff adjustment shall be effective from the 1<sup>st</sup> of July each year.
3. Water Tariff structure and charges shall be:
  - i. A fixed availability fee shall be charged to all vacant unimproved stands where such a service is available or the services can be connected to the main supply.
  - ii. All domestic water consumers on improved stands may be charged a fixed charge after receiving the first 6 (six) kl of water consumed, free of charge, per month. Thereafter a stepped tariff per kl as determined by the council from time to time shall be applicable on the metered water consumption.
  - iii. All business and industrial consumers may be charged a fixed charge and a stepped tariff per kilolitre consumed may be applied.
  - iv. Institutional consumers which include schools, institutions of higher learning, hospitals, government buildings, places of worship, sporting clubs and non-governmental organizations. These consumers may be charged a fixed charge and a stepped tariff per kilolitre consumed may be applied.

- v. Metered domestic consumers registered as indigents shall receive the first six (6) kilolitres of water consumed free of charge. A stepped tariff per kilolitre shall apply on consumption exceeding the first six (6) free kilolitres and no fixed or basic charge shall apply on this category of consumers.
  - vi. As water is a very scarce resource in City of Mbombela, consumers can be restricted during dry seasons to use water to certain levels and a penalty fee shall be imposed.
  - vii. Consumer deposits shall be determined according to the municipality's Consumer Deposit Policy.
  - viii. Departmental water consumption shall be charged at cost.
4. Termination of services is to be done by letter, e-mail, fax or standard disconnection form. If this is not done then the disconnection date of the water supply may be taken as the date of termination or date on which a new connection is registered.
5. Customers connected to their private boreholes shall be charged the fixed availability charge.

## CHAPTER 4

## SANITATION

1. The categories of users shall be charged per the applicable two part tariff, namely basic charge and consumption charge, as approved by the council in each annual budget.
2. Tariff adjustments will be effective from 1 July each year.
3. Sanitation tariff structure and charges shall be:
  - i. A basic or availability charge shall be charged per month for every serviced stand. A serviced stand implies where such a service is available and the service can be connected to the main supply.
  - ii. On a full waterborne sewerage service, all consumers may be charged on a monthly basis a variable charge based on the consumption of water.
  - iii. Should water be supplied from a borehole or other supply and such supply is not metered by a municipal water meter, a fixed charge shall be charged.
  - iv. For suction tank and septic tank system, consumers shall be charged a tariff based on the number of kilolitres of sewerage waste removed.
4. Termination of services is to be done by letter, e-mail, fax or standard disconnection form. If this is not done then the disconnection date of the water supply may be taken as the date of termination or date on which a new water connection is registered.

## CHAPTER 5

### SOLID WASTE REMOVAL

- 1 The categories of solid waste consumers shall be charged at the current applicable fixed charge or volume-based charge as approved by council in each annual budget.
- 2 Tariff adjustments shall be effective from 1 July each year.
- 3 The solid waste removal tariff structure shall be:
  - i. A fixed monthly charge or volume base charge.

## CHAPTER 6

### ELECTRICITY

1. The various categories of electricity consumers shall be charged at the applicable tariffs, and under such conditions as approved by the National Energy Regulator of South Africa (NERSA).
2. Tariff adjustments shall be effective from 1 July each year or as soon as possible thereafter.
3. The electricity tariff structure charges shall be:

i. City of Mbombela shall apply the following three standard tariff structures as recommended by the National Electricity Regulator.

(a) Domestic

This tariff is applicable for residential customers with a single phase connection of 60Amps or less with 230Volt supply or a three phase with 400Volt supply.

(b) Business and Commercial

Business and commercial customers with a connection of 80Amp or less, either single phase connection with 230Volts supply or three phase connection with 400Volts supply, may be charged a fixed and an energy charge. This includes domestic customers requiring a larger than 60Amp connection.

(c) Low tension/ High tension

This tariff is where the circuit breaker is more than 80Amps with three phase supply. The tariff shall consist of a fixed, energy, demand and network charge.

Where the customer uses more than 30 MWh per month, a time of use (TOU) tariff may be applied. This tariff shall consist of a fixed, multi energy, reactive energy, demand, and network charge, per Eskom's determined time periods and seasons.

ii. 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.

iii. All domestic electricity consumers of the City of Mbombela who are registered as indigents with the municipality shall receive at least the first 50 (fifty) kWh electricity consumed, free per month.

- iv. All vacant unimproved properties that can be connected to the main supply shall be billed a basic charge per month.
  - v. The consumer deposits shall be determined according the municipality's Consumer Deposit Policy.
  - vi. Departmental electricity consumption shall be charged at cost. The cost is based on the cost of the previous financial year divided by the number of units sold.
4. Termination of services is to be done by letter, e-mail, fax or standard disconnection form. If this is not done, then the disconnection date of the water supply may be taken as the date of termination or date on which a new connection is registered.

## CHAPTER 7

### SUNDRY TARIFF

1. All sundry tariffs shall be approved by the council in each annual budget, and shall, when deemed appropriate by the council, be subsidized 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.
2. The following services shall be considered as **subsidized services** and an applicable tariff shall be paid for their intended use.



- i. burials and cemeteries
  - ii. rentals for the use of municipal sports facilities
  - iii. municipal swimming pool
  - iv. municipal lending library
  
3. The following services shall be considered as **community services**, and no tariffs shall be levied for their use:
  - i. municipal art gallery
  - ii. disposal of garden refuse at the municipal dump site
  - iii. municipal reference library
  - iv. municipal botanical garden, and all other parks and open spaces.
  
4. The following services shall be considered as **economic services**, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned:
  - i. maintenance of graves and garden of remembrance (cremations)
  - ii. housing rentals
  - iii. rentals for the use of municipal halls and other premises (subject to the proviso set out below)
  - iv. building plan fees
  - v. sales of plastic refuse bags
  - vi. sales of refuse bins
  - vii. cleaning of stands
  - viii. electricity, water, sewerage: new connection fees
  - ix. sales of livestock and plants
  - x. photocopies and fees
  - xi. clearance certificates.

- xii. valuation certificates
- xiii. tender documents
- xiv. stadium events fees.

5. The following charges and tariffs shall be considered as **regulatory or punitive**, and shall be determined as appropriate in each annual budget:

- i. fines for lost or overdue library books
- ii. advertising sign fees
- iii. pound fees
- iv. electricity, water: disconnection and reconnection fees
- v. penalty and other charges imposed in terms of the approved policy on credit control and debt collection
- vi. penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques and unpaid debit orders.
- vii. An introduction of a Special Penalty Rate to be levied on all illegal land uses and be applicable until the illegal land use is terminated permanently and/or legalized through an approved formal application to Council in terms of the provisions of the SPLUM By-law.

6. Market-related rentals shall be levied for the lease of municipal properties.

7. In the case of rentals for the use of municipal halls and premises, if the municipal manager is satisfied that the halls or premises are required for non-profit making purposes and for the provision of a service to the community, the municipal manager may waive 50% of the applicable rental.

8. The municipal manager shall determine whether an indemnity or guarantee must in each instance be lodged for the rental of municipal halls, premises and sports fields and in so determining shall be guided by the likelihood of the City of Mbombela sustaining damages as a result of the use of the facilities concerned.