

City of Johannesburg Council 2014-03-26

COJ : MAYORAL COMMITTEE 2014-03-20

ENVIRONMENT INFRASTRUCTURE AND SERVICES

66 AMENDMENT OF TARIFF CHARGES FOR WATER SERVICES AND SEWERAGE AND SANITATION SERVICES: 2014/15

1 STRATEGIC THRUST

Service Delivery Excellence and Good Governance.

2 OBJECTIVE

The purpose of this report is to seek approval to amend the Tariff Charges for Water, Sewerage and Sanitation Services. Council approval is thus sought for the tariff increases proposed under Item 3 below for the 2014/15 Financial Year. It is also proposed that business customers continue to pay a 2% surcharge.

3 PROPOSED TARIFF INCREASE

The proposed tariff increase for the 2014/15 financial year applicable to the various tariff bands is as follows:

- Domestic water and prepaid water and sanitation tariffs to be increased as follows:
 - >0 to 6kl n/a
 - >6 to 10 kl 5.8%
 - >10 to 15 kl 7.5%
 - >15 to 20 kl 8.9%
 - >20 to 30 kl 9.5%
 - >30 to 40 kl 10.0%
 - >40kl 10.5%
- Institutional and Industrial/Commercial tariffs to be increased by:
 - Consumption up to 200kl 8.9%
 - Consumption exceeding 200kl 9.5%
- All other tariffs to be increased by 8.9%.

The budgeted average tariff increases for June 2016 and June 2017 are 9% and 7% respectively. The tariff increases are purely indicative as no indication has been received from Rand Water to the increase in the cost of water for the 2016 and 2017 financial years.

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4 MOTIVATION

The following are guidelines motivating the proposed tariff:

- Awareness of water as scarce resource

Recent studies indicate that the continued supply of water internationally will continue to be under threat. More particularly South Africa is considered a country in which water scarcity is a real threat. The approach to the structure of the proposed tariff is to emphasise the importance of water as a scarce resource and create a culture of controlled consumption. High consumers will continue to pay at a higher rate.

- Users of municipal services should be treated equitably in the application of tariffs.

Deemed consumption charges are currently not uniform across Johannesburg. Soweto, for example, is billed on deemed consumption of 20 kl per connection per month, whereas Alexandra is billed on a deemed consumption of 10 kl per connection per month. As part of its Soweto Infrastructure Project, JW is addressing the issues surrounding metering infrastructure rehabilitation and water consumption in the deemed consumption areas of Johannesburg. A component of the project is the installation of water meters where after consumers will be charged for actual consumption of services.

- In terms of the new extended social package effective 01/01/2009 the provision of free basic water to registered indigents will be within a range of 10 kl to 15 kl per household, depending on various criteria.
- The amount individual users pay for services should generally be in proportion to the use of that service.

For 2014/15 the tariff would continue to be based on a rising block tariff structure. The subsidised rising block tariff for ex-deemed consumption areas (introduced in 2003/4) ensure that these customers are now charged proportional to usage following the Soweto Infrastructure Project interventions.

For households benefiting from the Soweto Infrastructure Project in deemed consumption areas and new private developments such as Protea Glen Ext 4; Lehae and Cosmos City, the following applies:

- ♦ A subsidised water and sanitation rising block tariff.
- ♦ A consumption based tariff for both water and sanitation.
- ♦ Incentive based debt write-off policy.

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Customers who have prepayment meters installed, qualify for a progressive monthly write-off effective from the date of meter installation, over a three year period. Defaulting customer in terms of transgression of by-laws will have the debt written off reversed retrospectively with interest.

For households in informal settlements

- ♦ Free rudimentary Service (LOS 1) service levels
 - ♦ Free water tanker services.
 - ♦ Free vacuum tanker services.
- Tariffs must reflect the cost reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges.
The proposed price increase for 2014/15 will therefore be in alignment with the proposal above.
 - 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.
 - The economic, efficient and effective use of resources, the recycling of waste and other appropriate environmental objectives will be encouraged. The metering of previously deemed consumption areas through the Soweto Infrastructure Project, in conjunction with the favourable tariff structure, is an important step towards the objective of the economic, efficient and effective use of resources. The initiative strongly supports demand side management.

PROPOSED TARIFFS FOR THE 2014/15 to 2016/17 FINANCIAL YEARS

The 2014/15 water tariffs listed below reflect the various rate increases proposed above:

Proposed Domestic Water Tariff – Metered Areas

Kilolitres per connection per month	2013/14 Tariff (R/kl)	2014/15 Tariff (R/kl) *	2015/16 Tariff (R/kl) *	2016/17 Tariff (R/kl) *
0-6	Free	Free	Free	Free
> 6-10	R5.84	R6.18	R6.53	R6.89
> 10-15	R9.27	R9.97	R10.73	R11.37
> 15-20	R12.91	R14.06	R15.33	R16.40
> 20-30	R16.86	R18.46	R20.23	R21.75
> 30-40	R17.88	R19.67	R21.66	R23.39
> 40	R21.91	R24.21	R26.78	R29.06

* Indicative only as cost of bulk water has not been confirmed by Rand Water and may change once confirmed.

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Proposed Domestic Water Tariff – Pre-paid Meters

Kilolitres per connection per month	2013/14 Tariff (R/kl)	2014/15 Tariff (R/kl) *	2015/16 Tariff (R/kl) *	2016/17 Tariff (R/kl) *
0-6	Free	Free	Free	Free
> 6-10	R4.52	R4.78	R5.05	R5.33
> 10-15	R5.91	R6.35	R6.83	R7.24
> 15-20	R10.70	R11.65	R12.70	R13.59
> 20-30	R16.14	R17.67	R19.37	R20.82
> 30-40	R17.13	R18.84	R20.74	R22.40
> 40	R21.73	R24.01	R26.56	R28.82

* Indicative only as cost of bulk water has not been confirmed by Rand Water and may change once confirmed.

Proposed water tariffs for indigents as part of the Expanded Social Package

Indigent Category	Score on Prevailing COJ Poverty Index	Allocation of additional free water per person per day (litres)	Monthly allocation cap of free water per household in which at least 50% of registered social package recipients qualify for the band in question (Kilo-litres)
Band 1	1-34	25l.	10kl.
Band 2	35-70	35l.	12kl.
Band 3	71-100	50l.	15kl

Note:

- a. Band 3 refers to individuals/ households with no formal income from either grants or employment, or incomes below the individual survival level of R787.68 per month
- b. Band 2 refers to individuals/ households with some formal income that nonetheless falls below the survival range threshold set by the approved index.
- c. Band 1 refers to individuals / households within the vulnerability range defined by the approved index

Note: These benefits are applicable to the 2013/14 financial year. This report has not incorporated any proposed changes to the current Expanded Social Package

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Proposed Institutional Water Tariffs

Kilolitres per connection per month	2013/14 Tariff (R/kl)	2014/15 Tariff (R/kl) *	2015/16 Tariff (R/kl) *	2016/17 Tariff (R/kl) *
Consumption up to 200 kl	R15.17	R16.52	R18.01	R19.27
Consumption exceeding 200 kl	R15.71	R17.20	R18.85	R20.26

* Indicative only as cost of bulk water has not been confirmed by Rand Water and may change once confirmed.

Proposed Industrial/Commercial Water Tariffs

Kilolitres per connection per month	2013/14 Tariff (R/kl)	2014/15 Tariff (R/kl) *	2015/16 Tariff (R/kl) *	2016/17 Tariff (R/kl) *
Consumption up to 200 kl	R20.96	R22.83	R24.88	R26.62
Consumption exceeding 200 kl	R21.72	R23.78	R26.06	R28.01

* Indicative only as cost of bulk water has not been confirmed by Rand Water and may change once confirmed.

Proposed Private Dwelling Domestic Sanitation Tariffs

ERF Size (m ²)	2013/14 Tariff (R/erf/month)	2014/15 Tariff (R/erf/month)	2015/16 Tariff (R/erf/month) *	2016/17 Tariff (R/erf/month) *
Up to and including 300 m ²	R108.39	R118.04	R128.66	R137.67
Larger than 300 m ² to 1 000 m ²	R211.00	R229.78	R250.46	R267.99
Larger than 1 000 m ² to 2 000 m ²	R319.21	R347.62	R378.91	R405.43
Larger than 2 000 m ²	R459.94	R500.87	R545.95	R584.17

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Proposed sanitation tariffs for indigents as part of the Expanded Social Package

Indigent Category	Score on Prevailing COJ Poverty Index	Reduction in sewerage tariff charge for applicable indigent band
Band 1	1-34	70%
Band 2	35-70	100%
Band 3	70-100	100%

Note:

- d. Band 3 refers to individuals/ households with no formal income from either grants or employment, or incomes below the individual survival level of R787.68 per month
- e. Band 2 refers to individuals/ households with some formal income that nonetheless falls below the survival range threshold set by the approved index.
- f. Band 1 refers to individuals / households within the vulnerability range defined by the approved index

Note: These benefits are applicable to the 2013/14 financial year. This report has not incorporated any proposed changes to the current Expanded Social Package

Proposed Domestic Sanitation Tariffs – Pre-paid Meters

Kilolitres per connection per month	2013/14 Tariff Subsidised measured (R/kl)	2014/15 Tariff Subsidised measured (R/kl)	2015/16 Tariff Subsidised measured (R/kl) *	2016/17 Tariff Subsidised measured (R/kl) *
0-6	Free	Free	Free	Free
> 6-10	R2.52	R2.67	R2.82	R2.98
> 10-15	R3.24	R3.48	R3.74	R3.96
> 15-20	R6.04	R6.58	R7.17	R7.67
> 20-30	R9.30	R10.18	R11.16	R12.00
> 30-40	R9.86	R10.85	R11.95	R12.91
> 40-50	R12.31	R13.60	R15.04	R16.32
> 50	R16.30	R18.01	R19.92	R21.61

* Indicative only as cost of bulk water has not been confirmed by Rand Water and may change once confirmed

NB: Business customers continue to pay a 2% surcharge

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5 POLICY IMPLICATIONS

The proposed increases are in line with the City of Johannesburg's guiding principles on the determination of tariffs in that tariffs should be equitable and affordable.

6 LEGAL AND CONSTITUTIONAL IMPLICATIONS

This report has been finalized in conjunction with Legal and Compliance to ensure compliance with all relevant Legislation. It should though be kept in mind that by virtue of Section 28 (6) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), once the new tariffs have been determined in respect of the 2014/15 Financial Year, it may not be further increased during that financial year, except when required in terms of a financial recovery plan as contemplated in the Act. For that reason it is essential to ensure that the proposed increases comply with the budgeted needs of the Council in respect of 2014/15 Financial Year.

7 FINANCIAL IMPLICATIONS

The proposed tariff structure does allow Johannesburg Water to comply with its commitments of financial sustainability and the pursuance of the upgrading and enhancement of the water and sanitation infrastructure and other efficiency initiatives.

8 ECONOMIC IMPLICATIONS

The economic implications of the proposed tariff are to ensure that the increases in the various tariff bands are maintained at reasonable levels, but having regard to the principle of higher increases for the high level consumption customers.

9 COMMUNICATION IMPLICATIONS

The relevant information regarding the amended tariffs will be communicated to all role players in the manner prescribed by law.

10 OTHER DEPARTMENTS/BODIES CONSULTED

The following bodies have been consulted prior to submission of this proposal:

- (1) Environmental, Infrastructure and Services department.
- (2) Legal and Compliance.

11 KEY PERFORMANCE INDICATOR

The report relates to the Johannesburg Water Revenue key performance indicator.

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IT IS RECOMMENDED

- 1 That, in terms of Sections 11(3)(i) and 75A (1) of the Local Government : Municipal Systems Act 2000, (Act 32 of 2000) as amended, read with Section 16(2) of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003), the City of Johannesburg declares its intention to amend with effect from 1 July 2014 its Tariff of Charges:**

For:

- (1) Water Services as set out in Annexure A and**
 - (2) Sewerage and Sanitary Services as set out in Annexure B.**
- 2 That, in terms of Sections 17(3)(a)(ii) and 22(a)(i) and (ii) of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) and Sections 21, 21A(1) and 2 of the Local Government : Municipal Systems Act, 2000 (Act 32 of 2000) as amended, the City of Johannesburg:**
- (1) display the notice and the documents and notice in the manner prescribed;**
 - (2) seek to convey to the local community by means of radio broadcasts covering the area of the City, the information contemplated in Section 21A(c) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended; and**
 - (3) publish a notice in the manner prescribed and invite the local community to submit written comments or representations in respect of the City's declared intention to amend or determine Tariffs of Charges.**
- 3 That in terms of Section 22(b)(i) and (ii) of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) a copy of the notice and documents be sent forthwith to the National and Provincial Treasury; MEC for local government; as well any other organ of state or municipality affected by the budget to solicit their views.**
- 4 That the Executive Director : Finance in conjunction with Director : Legal and Compliance, in consultation with the Council's relevant Departments and all interested parties, report on the comments received in terms of Paragraph 2 above with recommendations on the final draft of the Tariffs of Charges for approval.**

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5 That the report be submitted to a relevant Section 79 Committee for comment.

(ENVIRONMENT INFRASTRUCTURE AND SERVICES)

(Johan Koekemoer)

(Tel. (011) 688-6693)

(tc)

ANNEXURES TO THIS ITEM IS ATTACHED ON THE ACCOMPANIED CD