

(PIKITUP JOHANNESBURG SOC LTD)

REQUEST FOR THE APPROVAL OF PROPOSED REFUSE REMOVAL TARIFFS FOR 2015/18 MTEF

1 STRATEGIC THRUST

Well governed City, well governed entity and compliance

2 PURPOSE

The purpose of this report is to obtain approval from Council to amend the current refuse removal tariffs, levies and user charges. Such an amendment will be effective from 01 July 2015.

3 BACKGROUND

This report seeks to obtain Council's approval to increase refuse removal for both domestic and business customers by 8%. The proposed increases are expected to generate sufficient revenue for Pikitup to fund its operating budget. The operating budget is critical in ensuring that Pikitup is able to sustain its current service levels as well as improve and extend services to new areas and housing developments.

The revenue would also ensure that Pikitup continues to provide Council Services as well as commercial services as stipulated on the Service Delivery Agreement (SDA) with COJ. The Council Services include:

- Business Round Collected Refuse (RCR);
- Domestic RCR;
- Business Dailies/ Putrescible waste;
- Landfill Services; (Commercial Services)
- Bulk Container Services; (Commercial Services)
- Non-billable services (Street and Lane Cleaning, Area Cleaning, Clearing of Illegal Dumping Spots, Garden Sites and clearing of animal carcasses in public areas); and
- Carcass Removal.

The provision of free basic refuse removal services, particularly to indigents, was taken into consideration in the tariff determination process in the 2012/2013 financial year. This provision of free basic refuse removal services will continue during the 2015/16 financial year, properties valued at and below R200 000, as well as indigent's households, will receive free refuse removal services.

Proposed tariff increases for domestic customers also include any building and its outbuildings registered within the City of Johannesburg's Registered Social Landlord

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Pilot Scheme. Inner City Properties, as well as those in the UDZ (Urban Development Zone), are also included as part of proposed domestic tariff increase.

Non-billable services will be funded from the COJ Service Fee, City Cleaning Levy as well as any surpluses generated from other services, particularly domestic revenue. The cost of providing these services is approximately 35% of the budget allocation.

The following table presents the proposed percentage increase in refuse removal tariffs. Proposed increase for 2015/16 are in line with indicative tariffs as approved by the City in the previous financial year.

Table 1: Proposed tariff increases

	2015/16	2016/17	2017/18
Domestic	8%	11%	13%
Business and Commercial	8%	11%	13%
Commercial City Cleaning Levy	8%	11%	13%

It is important to note that business customers will be charged a 2% surcharge over and above the applicable tariff.

4 POLICY IMPLICATIONS

Pikitup's tariff determination principles are in line with the City of Johannesburg's budget indicatives, budget related policies and Integrated Development Plans of addressing social, economic and financial imperatives.

5 FINANCIAL IMPLICATIONS

The proposed refuse removal tariffs are expected to enable Pikitup to fund its current operating expenditure budget. This will ensure that Pikitup is able to achieve its service delivery mandate.

6 ECONOMIC IMPLICATIONS

The tariff increases are expected to fund a budget that is expected to facilitate a platform for job creation through the coordination of the bin cleaning initiatives as well as the waste exchange programme.

7 COMMUNICATIONS IMPLICATIONS

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

8 CONSTITUTIONAL AND LEGAL IMPLICATIONS

This report is in compliance with all relevant Legislation. It should be noted that, in accordance to Section 28 (6) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) ("MFMA"), once the new tariffs have been determined in respect of the financial year, there 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 2015/16 financial year as well as the outer years of the MTREF.

Section 87(1) of MFMA provides that the Board of Directors of a municipal entity must for each financial year submit a proposed budget of the entity to its parent municipality not later than 150 days before the start of the entity's financial year or earlier if requested by the parent municipality. Furthermore, Section 87(5) (c) of MFMA stipulates that the budget of a municipal entity must be within any limits determined by the entity's parent municipality, including any limits on tariffs, revenue, expenditure and borrowing

9 OTHER DEPARTMENTS/BODIES CONSULTED

This report is finalised following consultation with the Board of Directors. Furthermore the proposed tariffs, as contained in this report, have been presented to the Budget Steering Committee. A comparison of market related tariffs charged by other metropolitan municipalities was also conducted.

10 KEY PERFORMANCE AREA

This report is addressing the KPA on financial management control and sustainability

11 RECOMMENDATIONS

It is recommended that:

- 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 2015 its Tariff of Charges:**

For Refuse Removal Service as set out in Annexure A.

- 2 That, in terms of Sections 17(3)(a)(ii) and 22(a)(i) and (ii) of the Local**

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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 contemplated in Section 21 read with Section 21A of the Municipal Systems act, 2000 (Act 32 of 2000) the information contemplated in Recommendation 1 above.**
 - (3) publish a notice in the manner prescribed and invites 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 Group Chief Financial Officer in conjunction with the Group Head : Legal and Contracts, in consultation with the Council's relevant Departments and all interested parties, report on the comments received in terms of Recommendation 2 above with recommendations on the final of the Tariffs of Charges for consideration.**
- 5 That the report be submitted to a relevant Section 79 Committee for comment.**

LITSHANI MATSILA
ACTING EXECUTIVE DIRECTOR: COMMERCIAL AND CUSTOMER SERVICES
PIKITUP JOHANNESBURG SOC LTD
DATE:

CITY OF JOHANNESBURG: MAYORAL COMMITTEE
ENVIRONMENT, INFRASTRUCTURE AND SERVICES DEPARTMENT

18 MARCH 2015

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SUREN MAHARAJ
CHIEF FINANCIAL OFFICER
PIKITUP JOHANNESBURG SOC LTD
DATE:

LEIGHTON ITHOLENG
ACTING EXECUTIVE DIRECTOR: LCES
PIKITUP JOHANNESBURG SOC LTD
DATE:

AMANDA NAIR
MANAGING DIRECTOR
PIKITUP JOHANNESBURG SOC LTD
DATE:

TIAAN EHLERS
EXECUTIVE DIRECTOR:
ENVIRONMENT AND INFRASTRUCTURE SERVICES DEPARTMENT
DATE:

MATSHIDISO MFIKOE
MMC
ENVIRONMENT AND INFRASTRUCTURE SERVICES DEPARTMENT
DATE:

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ANNEXURE A

CITY OF JOHANNESBURG

AMENDMENT OF TARIFFS OR USER CHARGES FOR REFUSE REMOVAL SERVICES

In terms of Sections 17(3)(a)(ii) and 22(a)(l) and (ii) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) and Sections 21(1) and (3), 21A and 75A(3) and (4) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended, it is hereby notified that the City of Johannesburg has, in terms of Sections 11(3)(l) and 75A(1) and (2) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended, read with Section 24(2)(c)(ii) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), amended its Tariff of Charges for Refuse Removal Services with effect from 1 July 2015.

The following tariffs shall be effective from 01 July 2015:

1. Domestic Refuse Removal.

A tariff increase of 8% is being proposed for the financial year 2015/16. Standard domestic refuse removal service will comprise the removal of two 85 litre bin liners or one 240 litre wheeled bin once per week or one 85 litre bin liner twice per week

The following monthly tariffs/charges will be applicable when collected from a private dwelling (house), a single erf, or a townhouse unit or flat unit:

Property value	Collection tariff (excl. vat)
(a) R200 000 and less (<i>Including Indigent Households</i>)	Free
(b) R200 001 to R300 000	R 104.66
(c) R300 001 to R500 000	R 121.88
(d) R500 001 to R700 000	R 139.06
(e) R700 001 to R1 500 000	R 183.51
(f) Greater than R1 500 000	R 255.21

For the provision of additional services, as described in 1 above, an additional full monthly collection tariff will be levied for each additional service

2. Registered Social Landlord Pilot Scheme

A tariff increase of 8% is being proposed for the financial year 2015/16. Any building and its outbuildings registered with the City of Johannesburg as a Registered Social Landlord **R28.67 per dwelling per month (excl. vat)**

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3. Inner City Properties

A tariff increase of 8% is being proposed for the financial year 2015/16 as follows:

Non sectional title properties with multiple living units R71.68 per living unit per month (excl. vat)

This refuse collection tariff or user charge will be applicable to non-sectional title properties in the Inner City zoned as residential or business which contain living units on successful application to the City. If the application fails the commercial tariff will apply

Non sectional title properties containing living rooms R28.67 per room with shared facilities per month (excl. vat)

This refuse collection tariff or user charge is applicable to non-sectional title properties in the Inner City zoned as residential or business which contain rooms for human habitation with Shared ablution facilities on successful application to the City. If the application fails the commercial or business tariff will apply.

4. City Cleaning Levy

The following monthly levy will be applicable to business properties, based on a proposed tariff increase of 8%

Property value	City Cleaning Levy (excl. vat)
(a) Less than R2 000 000	R 143.33
(b) R2 000 001 to R5 000 000	R 207.65
(c) R5 000 001 to R10 000 000	R 329.04
(d) R10 000 001 to R30 000 000	R 438.72
(e) Greater than R30 000 000	R 555.70

5. Institutions

A tariff increase of 8% is being proposed for the financial year 2015/16. A tariff or user charge of **R 85.24 per bin per month (excl. vat)** will be charged for the provision of a refuse removal service to other types of domestic buildings such as hostels, tertiary educational institutions, schools, orphanages or other similar premises operated by a registered welfare organisation or old age homes, retirement villages, sport clubs or premises used for public worship, including halls or other buildings used for religious purposes.

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6. Sale of 240 litre bins (Additions and Replacements)

The Bin replacement levy for the replacement of a 240L bin that was lost or stolen prior to the end of their useful lifespan of 5 years is rescinded.

7. Business Refuse Removal

The charge for business refuse services shall be as follows, based on a proposed increase of 8%.

Type of bin	Collection tariff (excl. vat)
(a) 85 litre bin (per bin per month collected once per week)	R 134.16
(b) 240 litre bin (per bin per month collected once per week)	R 286.34
(c) 1 100 litre bin (per lift)	R 382.85

8. Putrescible Waste (Dailies)

A standard putrescible (dailies) removal service will comprise of bins collected at least 5 times per week from all food handling premises. The tariff below is based on a proposed increase of 8% and it is for servicing one bin at the below frequency per month.

5 times per week Type of bin	Collection tariff (excl. vat)
(a) 85 litre bin	R 670.79
(b) 120 litre bin	R 913.69
(c) 240 litre bin	R 1 816.12

6 times per week Type of bin	Collection tariff (excl. vat)
(a) 85 litre bin	R 804.96
(b) 120 litre bin	R 1 096.44
(c) 240 litre bin	R 2 179.38

7 times per week Type of bin	Collection tariff (excl. vat)
(a) 85 litre bin	R 939.11
(b) 120 litre bin	R 1 279.18
(c) 240 litre bin	R 2 542.60

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9. Animal Carcass Removals

The standard charge for an animal carcass removal service for residents when required is as follows, based on a proposed tariff increase of 8%:

- (a) Small animals (e.g. dogs and cats) **R 77.91 per carcass (excl. vat)**
- (b) Medium animals (e.g. sheep) **R 167.21 per carcass (excl. vat)**
- (c) Large animals (e.g. horses etc.) **R 2115.24 per carcass (excl. vat)**
- (d) Transport charges for the removal of Carcasses **R 15.40 per km (excl. vat)**

10. Disposal of refuse at landfill site

A tariff increase of 8% is being proposed for the financial year 2015/16. The following user charges shall be payable in respect of tipping at the City's refuse disposal sites.

	Disposal tariff (excl. vat)
(a) Refuse Disposal for each 500kg - Except Special Industrial Waste	R 90.09
(b) Refuse Disposal for each 250kg - Special Industrial Waste	R 90.09
(c) Refuse Disposal - Except Special Industrial Waste done after 12:00pm on Saturday, the whole day on Sunday and Public Holidays	R 109.38
(d) Refuse Disposal - organic (garden) waste (Free at Garden Sites)	R 96.51
(e) Refuse Disposal - Soil and Other Material Suitable for Covering Landfills	R 0.00
(f) Refuse Disposal Outside of COJ- Soil and Other Material Suitable for Covering Landfills	R 135.13

11. Bulk Containers: Compactable Waste

A tariff increase of 8% is being proposed for the financial year 2015/16. The following user charges shall be payable in respect of the bulk containers services for compactable waste. It is important to note that if bulk container is with customer for the whole month a minimum charge of two lifts per month will apply. Furthermore if container is requested on ad hoc basis, the following charges will apply for three days only. Any extra day will be charged at an additional R64.80 per day

Type and size of container	Tariff per lift (excl. vat)
(a) Refuse Removal Un-Compact Container - 1,75m ³	R 298.14
(b) Refuse Removal Un-Compact Container - 2,5 / 3m ³	R 598.17
(c) Refuse Removal Compactable waste - 5m ³	R 687.42
(d) Refuse Removal Compactable waste - 5,5m ³	R 687.42
(e) Refuse Removal Compactable waste - 6m ³	R 687.42
(f) Refuse Removal Un-Compact Container – 8m ³	R 1 815.37
(g) Refuse Removal Un-Compact Container – 9m ³	R 1 860.95

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(h)	Refuse Removal Un-Compact Container – 11m ³	R 1 953.99
(l)	Refuse Removal Un-Compact Container – 18m ³	R 2 252.13
(j)	Refuse Removal Un-Compact Container – 30m ³	R 3 446.55
(k)	Refuse Removal Un-Compact Container – 6m ³ Northern Works	R 2 666.09

12. Bulk Containers: Un-Compactable Waste

A tariff increase of 8% is being proposed for the financial year 2015/16. The following user charges shall be payable in respect of the bulk containers services for un-compactable waste.

Type and size of container	Tariff per lift (excl. vat)
(a) Refuse Removal Un-compact Container - 5M ³	R 1 658.07
(b) Refuse Removal Un-compact Container - 5.5M ³	R 1 658.07
(c) Refuse Removal Un-compact Container - 6M ³	R 1 658.07

13. General

The charge in respect of any refuse removal service rendered and not provided for elsewhere in this tariff of charges shall be negotiated with Pikitup.

The City reserves the right to refuse the rendering of any service if the rendering thereof is impractical.

The City will not refund any monies unless the user gives notification in writing. Rebates will only be backdated to a maximum of three months from the date of written notification.

Business customers will be charged a 2% surcharge as indicated in the body of the report. Business customers are as defined in the Waste Management By-laws

14. Value Added Tax

All the above charges are exclusive of VAT

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Annexure A1

TARIFFS PROPOSAL FOR FINANCIAL YEAR 2015/16

What are the major benefits to the Communities of Johannesburg?

Domestic customers with properties valued at R200 000 or less, as well as Indigent households would continue to receive free basic refuse removal services.

Which Communities will primarily benefit (if relevant state the region, ward, suburb, or socio economic group etc.)?

The tariff increases are aimed at cushioning Indigent or less affluent households throughout the City of Johannesburg.

If relevant, when will implementation start?

Tariff increases for the 2015/16 financial year will be effective from 1 July 2015. The tariffs would be published during the months of April/May 2015 to afford the citizens of Johannesburg to provide input before they are be gazetted.

If relevant, when will work be completed?

Pending approval of proposed tariff increases by the Mayoral Committee, tariffs would be published for public participation and implemented effective from 1st of July 2015.

What is the total cost of implementation?

Nil

How will communities be informed of the contents of this report?

This tariff report would be published at the COJ Walk-in-Centres, People Centres, COJ Buildings and the website for public scrutiny and comments. A Stakeholder Summit would also be convened in this regard (date to be announced).

How can communities be involved in the implementation of this report?

Communities could participate in the implementation of this report through Ward Committee Meetings, General Community/Civic Meetings, Stakeholder Summit and other community based forums.

Who can be contacted to provide additional information and/or clarity?

Litshani Matsila
Acting ED: Commercial and Customer Services
087 357 1066

What other information can be given to assist Councillors to communicate the contents of this report to communities?

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Annexure A to this report details the proposed tariff increases for solid waste services.