

SOL PLAATJE LOCAL MUNICIPALITY



**BULK SERVICES CONTRIBUTION POLICY:
WATER, SANITATION AND ELECTRICITY**

APPROVED DATE: 31 MAY 2017

RESOLUTION DATE: C60/05/17



Contents

1. Definitions.....	3
2. Objective of the Policy	4
3. Methodology	4
4. Water Service	6
5. Sanitation Service.....	8
6. Electricity Supply	9
7. Municipal Manager is the responsible and accountable officer.....	10



1. Definitions

- 1.1. "bulk infrastructure" means the public infrastructure by means of which water, sewerage and electricity are generated, collected, stored, purified, conveyed and disposed of, as the case may be, and which connects to the reticulation system which in turn distributes services to or from end users;
- 1.2. "bulk services contribution" means a monetary contribution levied by the municipality and recovered from developers as a connection fee in respect of a development;
- 1.3. "development" means any new or extended building, office complex, office park, retail centre or other commercial development, factory or industrial development or park, mine, township, subdivision, division, consolidation, rezoning, consent use or enhanced use rights of whatever nature granted on land by the municipality;
- 1.4. "peak demand" means the highest estimated or measured demand by any user during any continuous period of 24 months or such shorter period as may be determined by the municipality;
- 1.5. "unit contribution" means a bulk service contribution, expressed as a monetary amount payable in respect of a defined component of a development (such as a residential unit or a unit of usable space);
- 1.6. "present value" or "PV" means the value of an amount of money which is to be spent over an extended period expressed at its current value, after taking into account the projected change in the value of money;
- 1.7. "gross lettable area" or "GLA" means that portion of a development, intended for rental to a tenant or tenants or use by them, which is available for rental or use.



2. Objective of the Policy

- 2.1. The municipality recovers the cost to it of bulk infrastructure by providing for a portion thereof in the tariffs for the service in question as well as by means of bulk service contributions.
- 2.2. This policy provides a framework for the determination of bulk service contributions on an equitable basis thereby allowing tariffs to be set at a more affordable level and shortening the period of recovery of the capital cost of bulk infrastructure, thus reducing long-term debt, improving the municipality's balance sheet and its credit rating and further enabling the municipality to develop a capital reserve for new and replacement bulk infrastructure.
- 2.3. The municipality is entitled to levy bulk infrastructure contributions as a condition of approval of a development, in terms of section 42, Land Use Planning Ordinance (Cape) 15/1985.
- 2.4. The municipality will levy bulk service contributions when it approves a new development or grants increased use rights for an existing development to account for the projected impact the development or alterations thereto will have on the municipality's bulk infrastructure, accordingly enabling it to fulfil its constitutional mandate to provide sustainable municipal services.

3. Methodology

- 3.1. In the case of water and sanitation infrastructure systems, the municipality must plan to provide bulk infrastructure capable of delivering the peak demand thereon (in the case of water) or peak flow therein (in the case of sewerage) over a defined planning period.
- 3.2. The municipality has developed a demand model for these two services, assessing the period 2009 to 2032, and has projected the increased peak demand and flow, respectively, for that period, resulting from developments, enabling it to reflect this increase as a percentage of system capacity.



- 3.3. Bulk services contributions in the form of connection fees are calculated to recover a similar percentage of the current bulk infrastructure budget.
- 3.4. In order to ensure an equitable spread of contributions, the connection fees for residential water users will be determined by reference to connection and meter size, which define low, medium and high capacity users.

The demand model enables the expected total peak demand for each category to be determined and accordingly a proportionate connection fee to be set, thus allowing developers to contribute according to the impact each category of user in their developments will have on bulk infrastructure (and in turn to recover appropriately from end-users).

- 3.5. In similar fashion, in terms of the demand model, the expected peak flow of sewerage can be calculated for each category (this being directly proportional to water use), which are accordingly defined by reference to water connection and meter size.
- 3.6. For both the water and sewerage services, the unit contribution for typical commercial and industrial developments and residential developments which are not individually metered are calculated on the basis of a fee per set unit of gross lettable area and the policy provides for the calculation, where necessary, of a connection fee based on actual peak demand, in the case of potentially extraordinarily high capacity users.
- 3.7. With regard to electricity, again the demand model enables the increase in peak demand resulting from developments to be determined over the planning period and said increase to be reflected as a proportion of current capital spend. Contributions are calculated to recover the amount arrived at.

In order to ensure an equitable spread of contributions, individual contributions are calculated by reference to connection size (given that smaller capacity connections have a significantly lower expected maximum demand than medium and high capacity connection users).



- 3.8. As with water and sewerage, the unit contribution for typical commercial and industrial developments and residential developments which are not individually metered, is based on a fee per set unit of gross lettable area.

In the case of potentially extraordinarily high peak demand users, the policy provides for an individually calculated connection fee to be calculated based on actual peak demand.

4. Water Service

- 4.1. The municipality's demand model reveals that peak water consumption will increase from 78.3MI per day at the commencement date in 2009 to 99.2 MI per day in 2032. This equates to 21% of the bulk system capacity.
- 4.2. Applying the methodology in paragraph 3, an amount equivalent to 21% of the current budget for bulk water infrastructure must be recovered from connection fees, being an amount of R45 million (per Feasibility Study dated October 2009).

The demand model reveals the present value of the expected recovery from connection fees over the study period to be R39.7 million should the current level of recovery be maintained, and an adjustment of fees is accordingly required to ensure full recovery.

- 4.3. Current connection fees, when expressed as R/kl of peak demand, reveal that low capacity users have been charged substantially more than their proportionate contribution should be, requiring an adjustment to proportionate charges as well.
- 4.4. The unit connection fees are accordingly determined annually per the Municipality's budget , for typical, individually metered residential units, to be paid by a developer per unit in a development:



- 4.5. For typical commercial, industrial and non-individually metered residential developments, a fee of R4500, per 100m² of bulk, or 100m² GLA, whichever is most appropriate, is set where such is not provided for in the Municipality's budget and tariffs book for the particular financial year. If an amount is provided for in the annual Municipal budget and tariffs book, such amounts shall be applicable.
- 4.6. The Municipal Manager shall be entitled to negotiate a discount to a maximum of 30% on connection fees payable on developments in a category or area determined by the Council from time to time, to facilitate development.
- 4.7. Notwithstanding the above, if the municipality receives an application for approval of a development which, because of its size or the water intensive nature of the activities to be conducted therein, is likely to achieve a peak demand in excess of the expected levels in the demand model, the municipality is entitled as a condition of approval to require the developer to pay a bulk contribution calculated on the basis of the expected peak demand for that development over the planning period.

In this regard, the Municipal Manager shall consider any reports commissioned by him, consult with the developer and determine a contribution.

The provisions of section 62, Local Government: Municipal Systems Act 32/2000 shall apply with regard to any such determination.

- 4.8. The Council will annually consider a report from the Municipal Manager on actual recoveries from connection fees against expected fees as reflected in the demand model as well as the calculated impact of any approved developments and adjust the connection fees in accordance with the methodology in 3 above to ensure adequate recovery over the study period or any adjustment thereof from time to time.



5. Sanitation Service

5.1. The municipality's demand model predicts an increase in peak flow between 2009 and 2032 from 59 MI per day to 74.6MI per day, an increase of 26.4% which will represent 17.5% of future total capacity.

5.2. That proportionate increase equates to an amount of R 85 million. The present value of the expected recovery based on the current connection fees is only R 15.9 million, which represents a substantial under recovery.

An adjustment to the connection fees is necessary to fully recover the cost of the necessary increase in the capacity of bulk infrastructure.

5.3. Historic unit connection fees, recovered at a flat rate for all dwelling types, irrespective of expected peak sewage flow, expressed as R/kl illustrates a substantial reverse subsidy by low capacity residential units.

Accordingly, an adjustment to the proportionate fees amongst residential categories is necessary to achieve an equitable contribution.

5.4. Expected peak sewage flow per residential type is directly proportional to peak water consumption.

Accordingly, a more equitable division of unit contributions is achieved by categorising residential types by reference to the size of the water supply connections to a unit, rather than the standardised size of sewerage connection.

5.5. The unit connection fees are accordingly determined annually per the Municipality's budget, for typical residential units, individually metered for water (to be paid by a developer per unit in a development).

5.6. For typical commercial, industrial and non-individually metered residential developments, a unit connection fee of R9920 per 100m² of bulk or 100 m² of GLA, whichever is most appropriate, is set where such is not provided for in the Municipality's budget and tariffs book for the particular financial



year. If an amount is provided for in the annual Municipal budget and tariffs book, such amounts shall be applicable.

- 5.7. The provisions of paragraph 4.6 and 4.8 shall mutatis mutandis apply in respect of the sewerage service.
- 5.8. The provisions of paragraph 4.7 shall mutatis mutandis apply in respect of the capital contribution to bulk sewerage infrastructure by a developer in relation to a development referred to therein.

6. Electricity Supply

- 6.1. The mean historic recoveries from connection fees for electricity meet the increase in electricity demand over the planning period, and accordingly, no adjustment is required to increase total recoveries.
- 6.2. However, the historic recoveries per capacity category reveal substantial reverse subsidies by low capacity users, with a uniform unit connection fee across all categories. Accordingly, adjustments to the proportionate unit connection fees are necessary to achieve equity in this regard.
- 6.3. The most accurate predictor of expected maximum demand is the size of connections to residential developments.
- 6.4. The unit connection fees are accordingly determined annually per the Municipality's budget, for typical residential units, individually metered for electricity (to be paid by a developer per unit in a development).
- 6.5. For typical commercial, industrial and non-individually metered residential developments a fee of R8000 per 100 m² of bulk or 100 m² of GLA, whichever is the most appropriate, is set where such is not provided for in the Municipality's budget and tariffs book for the particular financial year. If an amount is provided for in the annual Municipal budget and tariffs book, such amounts shall be applicable.



- 6.6. The provisions of paragraph 4.6 and 4.8 shall mutatis mutandis apply in respect of the electricity service.
- 6.7. The provisions of paragraph 4.7 shall mutatis mutandis apply in respect of a development as referred to therein.

7. Municipal Manager is the responsible and accountable officer

- 7.1. The Municipal Manager is responsible and accountable for the implementation of this policy and shall report annually to the Council on the applicability of the fees set herein and the extent to which the policy is achieving its objectives.
- 7.2. The Municipal Manager is hereby delegated all the necessary power and authority to fulfil the obligation in 7.1, with authority to sub-delegate to the appropriate level.