

## ETHEKWINI MUNICIPALITY

### EXTRACT OF COUNCIL MINUTES: MEETING HELD ON 2016-05-31

#### **FIRST REPORT OF THE EXECUTIVE COMMITTEE**

(Meeting held on Tuesday, 2016-05-30)

PRESENT : Executive Committee Members Nxumalo (Mayor and Chairperson), Shabalala (Deputy Mayor), JN Cele, HU De Boer, SN Gumede, ZRT Gumede, ZM Mncwango, BR Mtshali, MS Nkosi and F Peer.

The following recommendations were adopted by Council at its meeting held on 2016-05-31:-

#### 3. BUDGETS 2016/17 – 2018/19 MTREF

(Page 172)

The eThekwini Municipality budget for 2016/17 and the indicative budgets for 2017/2018 and 2018/2019 is submitted for adoption by Council in line with the requirements of Section 16(2) of the Municipal Finance Management Act. As reported, the budget takes into account the cost containment measures issued by National Treasury as well as issues raised during the regional budget hearings. The budget has also been discussed with National Treasury as per the statutory requirement. It is pleasing to report that the budget is regarded by the National Treasury to be credible; reliable; funded and sustainable over the MTREF period.

#### COMMITTEE RECOMMENDS:

- 3.1 That the budget for 2016/2017 - 2017/18; and 2018/19 MTREF of the eThekwini Municipality and its Entities tabled in terms of Section 24 of the Municipal Finance Management Act, No.56 of 2003, be adopted.
- 3.2 That, it be noted that the details of the budget are contained in the budget document circulated separately, in accordance with the Municipal Finance Management Act No.56 of 2003.
- 3.3 Estimates of Income and Expenditure:
  - 3.3.1 That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of the municipality for the financial year 2016/17; and indicative allocations for the two projected outer years 2017/18 and 2018/19; and the multi-year and single year capital appropriations be approved as set-out in the following tables of the budget document:-
    - Budgeted Financial Performance (Revenue and Expenditure by Standard Classification) (Table A2; Page 53)
    - Budgeted Financial Performance (Revenue and Expenditure by Municipal Vote) (Table A3; Page 54)

- Budgeted Financial Performance (Revenue by Source and Expenditure by Type) (Table A4; Page 55)
- Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source (Table A5; Page 56)

3.3.2 That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be adopted, as set out in the following tables:-

- Budgeted Financial Position (Table A6; Page 58)
- Budgeted Cash Flows (Table A7; Page 60)
- Cash Backed Reserves/ Accumulated Surplus (Table A8; Page 61)
- Asset Management (Table A9; Page 62/63)
- Basic Service Delivery Measurement (Table A10; Page 64)

#### 3.4 Municipal Entities

That the Municipal Entities budget as reflected on pages 291 to 318 of the budget documentation, be approved

#### 3.5 Recapitulation: Valuation of Rateable Property:

That it be recorded that the recapitulation certificate summarising the valuations of rateable property, as certified by the City Valuer, is laid on the table.

The following resolutions, pertaining to property rates (items 3.6 to 3.11) and in conformity with the provisions of Section 14 of the Local Government: Municipal Property Rates Act 6 of 2004 and Sections 17 (3) (a) (ii) and 24 (2) (c) (i) of the Local Government: Municipal Finance Management Act 56 of 2003, be adopted.

#### 3.6 Determination of Rates:

3.6.1 In terms of the amended Rates Policy adopted by Council on 31 March 2016, the Municipality may levy different Rates for different categories of Property.

3.6.2 That the rate randage for the said financial year for the eThekweni Municipality, be and is hereby assessed and levied for the following categories at:-

Categories	2016/2017 Cents in the rand	2017/2018 Cents in the rand	2017/2018 Cents in the
Residential at	1,190	1,270	1,360
Agricultural at	0,300	0,320	0,340
Industrial at	3,490	3,730	3,990
Business and commercial at	2,700	2,890	3,090
Public service infrastructure at	0,300	0,320	0,340
Vacant land at	5,340	5,710	6,110
Unauthorised or illegal development at	6,000	6,400	6,800

Rural Residential at	1.190	1.270	1.360
Development Phasing Line at	1.760	1.890	2.020

Multiple-Use Property will be dealt with in accordance with the Rates Policy.

3.7 Exemptions, Rebates and Reductions:

That the following reductions on the market value of the property and rebates on the rates payable, be and are hereby granted in accordance with the Rates Policy.

3.7.1 Residential Property:

That in addition to the statutory reduction of R15 000, a further reduction of R105 000 be and is hereby approved for property values exceeding R185 000. The conversion of the aforementioned residential reduction into an application driven rebate is hereby extended by one year to the 2017/2018 financial year.

3.7.2 Public Benefit Organisations:

That on application and approval, only Public Benefit Organisations listed in Clause 7.5 of the Municipality's Rates Policy 2016/2017 shall receive an exemption from rates.

3.7.3 Senior Citizens, Disability Grantees / Medically Boarded Persons and Child Headed Households:

3.7.3.1 That in addition to the reduction in 3.7.1 above, a rebate not exceeding R4035 or such lesser amount as may otherwise be payable, be and is hereby approved for qualifying pensioners, disability grantees / medically boarded persons and child headed households as defined in the rates policy.

3.7.3.2 That it be and is hereby resolved to place a maximum limit of R3 million on the value of the property, in order to qualify for the senior citizens rebate in (3.7.3.1) above.

3.7.4 Life Rights Schemes and Retirement Villages:

That on application and approval, a 25% rebate be granted to Life Rights Schemes and Retirement Villages registered in terms of the Housing Development Scheme for Retired Persons Act 65 of 1988.

3.7.5 Schools Not For Gain:

That a rebate of 50% be and is hereby granted to qualifying schools not for gain.

3.7.6 Bed and Breakfast Undertakings:

That on application and approval a rebate of 50% be granted to all Bed and Breakfast establishments, that have a valid Registration Certificate issued by eThekweni Municipality.

3.7.7 Guest House Undertakings:

That on application and approval a rebate of 25% be granted to all Guest House undertakings, that have a valid Registration Certificate issued by eThekweni Municipality.

3.7.8 Back-Packer Lodges, Holiday Accommodation and Student Accommodation:

3.7.8.1 That on application and approval, the following rebates shall apply to Back-packer establishments that have a valid Registration Certificate issued by eThekweni Municipality:-

- a) Where up to 40 beds are available to guests, a rebate not exceeding 50% will apply;
- b) Where up to 80 beds are available to guests, a rebate not exceeding 25% will apply;

3.7.8.2 That on application and approval, property let out for the purposes of Holiday Accommodation, be granted a rebate of 64%

3.7.8.3 That on application, property let out for the purposes of Student Accommodation, be granted a rebate of 25%.

3.7.9 Natural and Other Disasters:

3.7.9.1 That on application and approval a temporary rebate of 75% be granted in respect of property damaged by disaster for a period of six months or a portion thereof.

3.7.9.2 That on application and approval, that a further temporary rebate of 75% be granted thereafter for a period not exceeding six months.

3.7.9.3 That the rebate is granted on the category of property prior to damage.

3.7.10 Vacant Land:

That the reduction of R30 000 on the market value of Vacant Land outside the Development Phasing Line be granted.

3.7.11 Municipal Properties:

All municipal owned properties are exempted from property rates, except for trading services.

3.7.12 Nature Reserves and Conservation Areas:

That on application and approval, nature reserves and conservation areas shall be excluded from rates.

3.7.13 Economic Development:

Developments which falls within the City, as indicated in the Incentive Policy of Council and as defined in the rates policy shall receive a rebate as approved by Council on application and will be limited to:-

- (i) Green Field Development as defined in policy; and
- (ii) Brown Field Development as defined in the policy;

will receive a rebate as per the table below:-

VALUE OF DEVELOPMENT R (MILLIONS)	REBATE ON TAX PAYABLE IN PERCENTAGE
0 - 50	15%
51 - 150	25%
151 - 300	50%
301 and above	65%

3.7.14 Special Rating Areas:

3.7.14.1 That the Special Rating Areas as indicated in Annexure A be and are hereby established.

3.7.14.2 That in respect of the Special Rating Areas additional rates, as indicated in Annexure A hereto, be approved and levied in respect of each category of property within the boundaries of the Special Rating Area.

3.7.15 Consulates:

That where a Consulate claims exemption from rates, such rates shall be payable by the Department of International Relations and Co-operation.

3.8 Phasing in of Rates:

That the following phasing in of rates be and are hereby approved subject to Section 21 of The Local Government: Municipal Property Rates Act 6 of 2004:-

3.8.1 A rate levied on newly rateable property must be phased in over a period of three financial years.

3.8.2 A rate levied on property belonging to a Land Reform Beneficiary or his or her heirs must, after ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds, be phased in over a period of three financial years.

The phasing in discount on properties referred to in (3.8.1) and (3.8.2) above will apply as follows:-

- a) 75% in the first year
- b) 50% in the second year
- c) 25% in the third year

3.8.3 A rate levied on newly rateable property owned and used by organizations conducting specified public benefit activities and registered in terms of the Income Tax Act for those activities must be phased in over a period of four financial years, with the following phasing in discounts:-

- a) 100% in the first year
- b) 75% in the second year
- c) 50% in the third year
- d) 25% in the fourth year

3.9 Date of Operation of Determination of Rates:

That this determination comes into operation on 1 July 2016.

3.10 Final Date for Payment of Rates:

3.10.1 Where rates are payable in monthly instalments, such payments shall be in twelve (12) equal or near equal instalments payable 21 days from the date of account.

3.10.2 Where rates are payable annually the final date for payment shall be 31 October 2016, provided that where this date falls on a Sunday or public holiday payment shall occur on the last working day prior to such Sunday or public holiday.

3.11 Administration Charge on Arrear Rates:

That the prescribed rate of interest administration charge on arrear rates as referred to in Section 10.7 of the Credit Control and Debt Collection Policy is determined at 10%. Collection of arrear rates is in accordance with the Credit Control and Debt Collection Policy.

3.11.1 Interest on Arrears:

That the interest rate to be applied to arrear accounts, shall be the interest rate as prescribed by Regulation 9 of the Municipal Property Rates Regulations, 2006.

3.12.1 Other Tariffs and Charges:

3.12.1.1 That other tariffs and charges as circulated with the budget document in terms of section 24(2)(c)(i) and (ii) be approved for the financial year commencing 01 July 2016.

3.12.1.2 That NERSA'S proposed municipal Electricity Tariff guideline increase of 7.64%, be hereby approved by Council, it being recorded that the application supporting this tariff increase is yet to be processed by NERSA. Any changes to NERSA's proposed tariff increase will need to be considered by the Council.

3.12.1.3 That the average Water tariff increases of 12.5% for residential properties and 15.9% for commercial properties be hereby approved by Council.

3.12.2 Surcharge on Water Consumption and Sewer User Charge:

That in order to accommodate the water challenges pertaining to the prevailing drought conditions, the Tariffs for Water Consumption and sewer user charge contain a provision for a drought tariff surcharge of 15% to apply in the event of the Municipality determining that water conservation measures must be introduced, or being obliged to introduce such measures in terms of legislation.

3.13 Domestic Water Debt Relief Program:

That it be and is hereby resolved to place a maximum limit of R250 000 on the rateable value of the property in order to qualify for the Water Debt Relief Program.

3.14 Debt Recovery Using The 50/50% Prepayment System:

That it be and is hereby resolved to place a maximum limit of R250 000 on the rateable value of the property and R 460 00 in the case of the property owned by a Senior Citizen, in order for a private residential property to qualify for the electricity 50/50% prepayment debt recovery facility.

3.15 Budget Related Policies:

3.15.1 Rates Policy:

The Rates Policy has been reviewed, amended and adopted by Council on 31 March 2016

3.15.2 Credit Control and Debt Collection Policy:

The Credit Control and Debt Collection Policy has been reviewed, amended and adopted by Council on 31 March 2016.

3.15.3 Tariff Policy:

That the Tariff Policy adopted by Council on 14 May 2013 remains unchanged.

3.15.4 Funding and Reserves Policy:

That the Funding and Reserves Policy adopted by Council on 03 May 2010 remains unchanged.

3.15.5 Budget Policy:

That the Budget Policy adopted by Council on 23 February 2011 remains unchanged.

3.15.6 Investment Framework Policy and Borrowing Policy:

That the Investment Framework Policy and the Borrowing Policy adopted by Council on 28 August 2013 remains unchanged.

3.15.7 Supply Chain Management Policy:

That the Supply Chain Management Policy has been reviewed and amended be adopted with the current budget.

3.15.8 Other Budget Related Policies:

That in terms of Section 24(2)(c)(v) of the Municipal Finance Management Act, 56 of 2003, there are no proposed amendments to any other budget related policies.

3.16 Capital Expenditure Estimate:

3.16.1 That in those instances where information has been provided in terms of Section 19(2)(b) of the Municipal Finance Management Act No. 56 of 2003, together with project procurement scheduling, the approval of the capital budget constitutes project approval for the specific projects as reflected in the detailed capital budget. It being noted that project budgets will be re-prioritised if departments fail to submit their project procurement schedules.

3.16.2 Where information in terms of Section 19(2)(b) is not provided, specific project approval is to be sought from Council during the course of the year and that approval by Council be given only if the report seeking approval is accompanied by the specific project procurement schedule.

3.16.3 That the capital budget procurement process commences with the approval of the tabled budget.

3.16.4 The spend on the capital budget for the first 6 months of the financial year is targeted at not less than 35%.

3.17 Borrowings to Finance the Capital Budget:

That authority be sought from Council for the raising of appropriate long term debt in terms of Section 46 of the Municipal Finance Management Act No 56 of 2003, to finance in part the municipality's capital budget over the MTREF period.

3.18 Housing/Hostels Deficit:

3.18.1 That the estimated Formal Housing Deficit of R 30m for the 2016/2017 financial year be met from the Rate Fund.

3.18.2 That the estimated New Development Housing and Hostels deficit of R457.4m be met from the Rate Fund.

3.18.3 That appropriate interventions be escalated by the Executive Committee including, inter alia, the phased introduction of economic rentals, the constructive engagement of the Provincial State Authorities to secure additional funding and strategies to reduce electricity and water consumption.

3.19 New Functions/ Services:

That no new functions or service be introduced without specific approval thereto by the Council after full consideration of the effect thereof on the Council's Budget.

3.20 Measurable Performance Objectives:

That in terms of Section 24(2)(c)(iii) of the Municipal Finance Management Act No. 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in **Table SA7 ( Page 129 )** be approved.

3.21 Integrated Development Plan (IDP):

That the reviewed Municipality's Integrated Development Plan (IDP) tabled with the budget in terms of Section 17(3)(d) of the Municipal Finance Management Act No.56 of 2003, be adopted.

3.22 Particulars of Investments:

That in terms of Section 17 (3) (f) of the Municipal Finance Management Act No. 56 of 2003, particulars of the Councils investments are reflected in **Tables SA15 - SA16 (Pages 140 - 141)**.

3.23 Remuneration of Councillors and Senior Officials:

That in terms of Section 17(3)(k) of the Municipal Finance Management Act No.56 of 2003 that the proposed cost to Council of the salary, allowances and benefits of each political office bearer, councillor and senior official of the municipality and its entities, is reflected in **Tables SA22 – SA23 (Pages 149 - 150)**.

3.24 Unfunded Mandates:

That the Council make representation to the Provincial and National Government regarding unfunded mandates presently undertaken by the Municipality with a view to securing funding for those services. The cost of unfunded mandates is set out hereunder:-

	<u>R' m</u>
Libraries	161.6
Health – other than municipal health services	374.5
Museums	59.2
Housing: New Development and Hostels	457.4
Formal Housing	30.0
	<u>1082.7</u>

3.25 Impact of Housing Expenditure on the Cash Reserves:

3.25.1 That Council make representation to the Premier of the KwaZulu-Natal Province regarding expenditure incurred in previous years by the municipality amounting to R3.2 billion for the construction and provision of housing done on an agency basis on behalf of the KZN Department of Human Settlements (KZN DOHS) in order to secure funding.

3.25.2 In addition, in order to avoid the cash reserves dropping below prudent levels that could negatively impact our good credit rating, the municipality only implement KZN DOHS approved housing projects and implementation (incl. invoicing and submission of claims to KZN DOHS) of these approved projects to be in line with the approved KZN DOHS budget and cash flows.

3.26 Free Basic Services:

That the Basic Services Package as set out on page 77 is approved for the budget year 2016/2017

3.27 Off Balance Sheet Financing:

That approval in principle be granted for alternate financing options/models to be considered, incorporating but not limited to Sect 33 (Contracts having future budgetary implications) of the MFMA type arrangements, to finance major infrastructure works requiring significant capital sums over several years where risks and rewards are equitably shared between the municipality and its chosen partner/s. Each specific project will be submitted to Council for consideration.

3.28 Catalytic Projects:

3.28.1 In keeping with National Treasury's directive to stimulate the economy, grow the rates base and create jobs, the city is considering the implementation of several catalytic projects, subject to these projects having a favourable Return on Investment (ROI).

3.28.2 That Council supports these projects in principle and that whilst initial funding has been provided for feasibility studies, further funding be sourced during the year as and when the projects are ready for implementation.

**ANNEXURE A – 2016/17**

**ADDITIONAL RATES LEVIED ON SPECIAL RATING AREAS (3.7.14 Refers)**

Special Rating Areas	Residential	Business and		Vacant	Agriculture
		Industrial	Commercial		
a) Precincts bordered by Monty Naicker, Dorothy Nyembe, Anton Lembede and Dr Yusuf Dadoo Streets. (CBD Precinct)	0,001256	0,003767	0	0	0
b) Precinct bordered by Soldiers Way, Dr AB Xuma Road, Florence Nzama Street and Bram Fischer Road. (North East Business Precinct)	0	0,000564	0,000658	0,000940	0
c) Precinct bordered by Dorothy Nyembe Street, Margaret Mncadi Avenue, Beach Walk and Anton Lembede Street. (North East Business Precinct)	0	0,000564	0,000658	0,000940	0
d) Precinct bordered by Soldiers Way, Bram Fischer Road, Sylvester Ntuli, KE Masinga and Archie Gumede (Place) Roads. (North East Business Precinct)	0	0,000564	0,000658	0,000940	0
e) Precinct bordered by OR Tambo Parade, Dr Pixley KaSeme Street Mall, Rutherford and Gillespie Streets (South Beach Precinct).	0,001710	0,005129	0	0,008549	0
f) Umhlanga Promenade Precinct bordered by Ocean Way (South), Lot 430 (North), Lagoon Drive (West) and the Indian Ocean (East).	0,000925	0,002776	0	0,004627	0
g) Precinct bordered by Burlington Road, Burlington Drive, Nagel Road, Windsor Road, Midmar Road and Henley Road.	0,002745	0,008236	0	0,013726	0

Special Rating Areas	Residential	Business and Industrial	Vacant	Agriculture
h) Umhlanga Village Precinct bordered by Flamingo Lane, Ocean Way, Lagoon Drive, McCauland Crescent, Weaver Crescent and the Ruth First Highway.	0	0,002250	0	0
i) Giba Gorge bordered by N3 Highway (South), Reservoir Road, Jan Smuts Avenue, Galloway Lane, Mountbatten Place, Alexander Drive, King Cetshwayo Highway (East), Portion 157 of Clifton (North) to Saint Helier Road (West)	0,000509	0	0	0,000509
j) Maytime Community bordered by M13 Highway, Woodside Avenue, Haygarth Road, Abrey Road, Msonti, Quilhall Lane, Alexander Avenue, Mtonbi and Victory Road.	0,004583	0,004583	0,004583	0
k) Area consisting of the length of Florida Road, from Lillian Road to Mitchell's Park, including properties on both sides of Florida Road.	0	0,007280	0,007280	0

**ADOPTED**, by the majority vote.

Certified a true extract of the Council Minutes for meeting held on 2016-05-31.

^ CITY MANAGER

*K.R. Ramsunder*

DATE

*2016-06-06*

**COMMISSIONER OF OATHS**  
**K.R. RAMSUNDER**  
 CHIEF COMMITTEE OFFICER  
 OF THE ETHEKWINI MUNICIPALITY  
 EX OFFICIO DISTRICT OF DURBAN IN TERMS OF  
 SECTION 6 OF ACT 15 OF 1993 (AS AMENDED)  
 C/O CITY HALL, BASEMENT, ROOM 12  
 WEST STREET, DURBAN 4001