

# DRAFT BUDGET 2007/08



## Major capital investments

- R500 million on electricity infrastructure for the next two years.
- R150 million over the next three years for new solid waste landfill sites and associated infrastructure, and R7 million for new specialised area cleaning vehicles.
- R34 million for the reconstruction of metro roads this year.
- R70 million over the next three years for the upgrade of Strandfontein Road and access roads for the Pelican Park development.
- R90 million for new settlements over the next three years.
- R30 million for the extension of the rail link to Khayelitsha, which includes new road over rail bridges and transport interchanges. This will be followed by another R30 million over the next two years.
- R37 million for Potsdam Wastewater Treatment Works, R13 million upgrade for Mitchells Plain Wastewater Treatment Works, R5 million for Monwabisi Pump Station and sewer, and R20 million for the Athlone Wastewater Treatment Works.
- R60 million for the Green Point Common for urban park and stadium precinct for the 2007/08 budget year.

These are only some of the 152 major infrastructure projects that will be funded from rates and tariffs. They do not cover projects funded by external grants, such as the 2010 stadium. This year National Treasury will be transferring approximately R780 million for the project, while Province will be providing R212 million. The City's contribution will remain capped at R400 million plus R100 million contingency funds.

## Major operational investments

Money from rates and tariffs will also go into service delivery areas with critical staff and capacity shortages. There is:

- R22 million more for staff in the Emergency Services, including Fire Services, bringing the total to R330 million.
- R70 million more for transport, roads and stormwater.
- R100 million more for solid waste removal, including R30 million for the cleaning of sandy areas in disadvantaged communities.
- R116 million for water and wastewater management, together with R10 million for vehicle rentals and R10 million for informal settlements servicing, R10 million for the water leaks programme in indigent households and R7 million for repairs and maintenance.
- R6 million for security personnel to manage the CCTV camera project.
- R2.5 million for repairs and maintenance at City libraries.
- R10.3 million for repairs and maintenance of sport and recreation facilities.
- R200 million to introduce pay parity.

## It's time to invest

The City of Cape Town has presented a draft budget of R20.3 billion for the coming year with substantial investment in infrastructure and service delivery capacity.

The draft budget has required this Multi-Party Government to make some difficult proposals. We have had to draft this budget to meet a statutory deadline of 31 March, at the same time as the general valuations process unfolded, which, as a result of its sheer scale, is inevitably fraught with complications.

We have also had to confront the limitations and problems created by the council's budgeting over the past few years, which has left the City ill-equipped to deliver on its basic mandates.

Local Government in 2007 is different from what it was 10 years ago. We have greater responsibilities than in the past, and we have more of them.

- We have to construct bulk road and transport infrastructure.
- We have to build wastewater treatment works and electricity substations.
- We have to provide housing opportunities for hundreds of thousands of people.

And we have to do this in a city which has the highest nett migration rate in the country, and which has undergone a period of sustained population growth by an estimated 80 000 people per year for the past 10 years, most of whom are desperately poor.

The level of service in this City is inadequate to meet these demands, and has been for some time. We inherited budgets from the old 'maintenance municipalities' focused primarily on wealthier areas, and these budgets have been projected into the future.

If we carry on with this approach, we will run into one crisis after another.

Our sewerage infrastructure will be overwhelmed, with serious consequences for public health and the environment, and already it is restricting development.

Our electricity distribution infrastructure will fail, bringing blackouts over and above those caused by Eskom's own troubles.

Our housing projects will remain nothing more than blue prints while 400 000 families wait in vain for housing opportunities on serviced land.

And our roads will go from congestion to gridlock. These outcomes would in turn cripple development along Cape Town's northern and western axes, drive investment away from our city, and increase our unemployment rate.

There is an urgent need for this municipality to invest wisely and adequately in the infrastructure and services needed for Cape Town's future.

We have to attract increased investment. There is no other way to generate sustained economic growth and job creation. And economic growth is the best way that we can improve the lives of all the people of Cape Town, especially the poor.

Our key contribution is to ensure that our City runs effectively and efficiently, with good public services.

We have formulated an IDP that sets out how we will do this. Despite our best efforts, at present, we do not have sufficient people with the right skills in the right places in our City to spend our capital budgets and provide the necessary services.

We do not want our IDP to remain an empty wish list. We need to fill key gaps in the City's capacity. And that means we have to re-adjust our operating budget to a new level if we wish to spend our capital budget effectively.

We have proposed an increase in the total budget for the 2007/8 financial year to R20.3 billion, up from the current year's R16.4 billion budget. The proposed operating budget is R16.5bn and the proposed capital budget is R3.8bn in 2007/08. These figures comprise all income streams, including

grants from central government, and the transfers for 2010 from central government.

But to raise the budget will also require a collective contribution from all residents of Cape Town who can afford it.

The below inflation increases in rates and tariffs of the past four years have not been adequate to keep up with the growing costs of delivery. The City has invested less and less while more and more people have come to Cape Town.

The Multi-Party Government believes we need to take the hard decision to implement a substantial increase in rates and tariffs to ensure that we do not fall further behind in service delivery than we already have. We need to invest enough to prepare for demands in the future. We are proposing an average increase of 15% in rates and service charges. This is of course far below the 320% average increase in property values.

I must stress again that this is a draft budget. The public will be able to comment on it, and all of the Council's portfolio committees will assess it in detail over the weeks to come. These inputs will be used to finalise the budget for the 2007/08 financial year (starting 1 July 2007) in Council at the end of May.

**Executive Mayor Helen Zille**



## Supporting low-income households and those who cannot afford to pay their municipal accounts

The City of Cape Town has done its best to balance the need for service delivery with keeping the total municipal account as affordable as possible.

There is also meaningful support to those who need it most. For example, about 85 000 households living in properties valued at R88 000 or less, will pay no rates, have free refuse collection and a basket of free basic services, including 50 kWh of electricity, 6 kl of water and 4,2 kl for sanitation. In addition, all households in properties valued at R199 000 or less will receive an extra R20 a month from Council to assist with payment of their municipal account.

### Apply now for extra help

- Property owners who are over 60 and retired or who receive a state pension or disability grant and whose total household income is less than R4 500 per month can apply for a rates rebate. They need to apply before 30 September 2007 to benefit.
- People who cannot afford to pay their municipal bills, and those whose total household income is less than R1 740 per month should apply to be included on the City of Cape Town's Indigent Register. Once on the register they will benefit from a 100% rates rebate, and will receive R20 a month towards their municipal account.

Application for a rates rebate or for indigent assistance can be made at your nearest municipal office.

# What consumers will contribute

## Property rates

The City of Cape Town is the first metropolitan municipality to levy rates in terms of the new Municipal Property Rates Act, following the recent General Valuation. This will have an impact on the rates individual property owners will pay from 1 July 2007, depending on whether their properties have risen by more or less than the average increase in values of about 3 times since the last valuation in 2000.

The cent in the rand has been adjusted substantially downwards to compensate for the higher values. Many homeowners will pay about the same from 1 July 2007, but those with substantial gains in property value will pay more than average increases.

There has been a major shift in the total value of residential property compared with commercial property, and to compensate for this the residential rebate has been increased from 30% to 46%. There is also an 80% rebate on agricultural property used for *bona fide* farming purposes.

The new rate is 0.459 cents in the rand (down from 1.242 cents) for residential properties and 0.851 cents in the rand (down from 1.774 cents) for non-residential properties.

### How the City helps

- The first R88 000 of value of all residential properties is exempted from rates, up from R50 000 at present. This means that properties valued at R88 000 and below will pay no rates – about 85 000 property owners will benefit.
- Homeowners over 60 and retired or who are in receipt of a state pension or disability grant may apply for a rates rebate if their total income (including income of spouse) is less than R4 500 a month. This is an increase from R3 000 previously. People who have successfully applied to be included on the City's Indigent Register will also benefit from this rates rebate.

Monthly household income	% Rebate
Up to R1 740 (up from R1 500)	100% (up from 88%)
R1 741 to R2 130 (up from R1 650)	88%
R2 131 to R2 520 (up from R1 750)	75%
R2 521 to R2 910 (up from R1 850)	62%
R2 911 to R3 300 (up from R2 100)	49%
R3 301 to R3 690 (up from R2 300)	36%
R3 691 to R4 080 (up from R2 600)	23%
R4 081 to R4 500 (up from R3 000)	11%

## Water

Cape Town is an area facing a long-term water shortage, with enormous capital backlogs and serious operational challenges facing its Water Services. Historically, it has had some of the cheapest water in the country. It is now necessary to both invest in providing better quality water services and infrastructure, with a major drive to curtail water wastage through leaks, and to encourage people to use less water. The water tariff will increase by an average of 19.2%, according to the stepped tariffs below.

Water tariffs for domestic users Excludes VAT	
0 – 6 kl	FREE
6 – 12 kl	R3.05 per kl
12 – 20 kl	R6.50 per kl
20 – 40 kl	R9.63 per kl
40 – 50 kl	R11.90 per kl
Above 50 kl	R15.70 per kl

### How the City helps

All householders will receive their first 6 kl per month free. Those who are careful with their water consumption and use less will not be faced with large increases in their water bills.

## Sanitation

As has been reported widely, a major investment in sanitation and sewerage systems needs to be made urgently if Cape Town is to continue to grow and service its population, while avoiding negative impacts on the environment.

Previously, there have been two charges for sanitation – one is a levy based on property value and the other a tariff based on 70% of domestic water consumption. From 1 July 2007, the levy based on property value has been scrapped to comply with new legislation, and payment for sanitation has been consolidated in one new tariff.

### Sanitation tariffs for domestic users

Excludes VAT

0 – 4.2 kl	FREE
4.2 kl – 8.4 kl	R3.78 per kl
8.4 – 28 kl	R9.23 per kl

*Did you know that because this tariff is based on water consumption, the more you can save water, the less your household will pay for sanitation? Educate all family members about the value of water.*

### How the City helps

- The first 4.2 kl per month is free (equates to 70% of the free basic water allowance).
- To avoid seasonal variations, the maximum amount of water charged for sanitation is 28 kl.

## Electricity

The good news for residents is that the average increase is 5.6%. Consumers who purchase 400 kWh or less per month will receive an additional free 50 kWh.

### How the City helps

Recognising the importance of access to basic electricity to poor households, the City supplies low-energy users with 50 kWh of free basic electricity per month and supports extending access to electricity.

## Solid waste

To improve service delivery and the quality of life of residents, the City of Cape Town needs to invest more in its cleansing and solid waste management services. This includes making provision for closing aging landfills, which are reaching the end of their life spans, and developing more sites, as well as reducing waste through modern and innovative approaches.

Previously, solid waste was paid for in two ways – with a levy linked to property value and a refuse collection charge. From 1 July 2007, the separate levy on property value has been scrapped to comply with new legislation and property owners will now only pay a collection charge, which increases by an average of 11%.

### Table of Refuse Removal Charges

Excludes VAT

240l container (wheelie bin)	R54.06
85l bin/bag (1 bin = 3 bags)	R47.06
240l baboon-proof bin	R60.72

### How the City helps

Because cleansing is a major factor affecting quality of life in low-income areas, the City of Cape Town subsidises refuse collection to households living in properties of low value. Properties valued at R88 000 or less, pay nothing for refuse collection and properties up to R199 000 benefit through rebates.

### Refuse Collection Subsidy for Domestic Users

Property value R88 000 or less	No charge
Property value between R88 000 and R125 000	75% rebate
Property value between R125 000 and R150 000	50% rebate
Property value between R150 000 and R199 000	25% rebate

## HAVE YOUR SAY

Residents are invited to study the draft budget and submit their comments prior to the finalisation of the City's 2007/08 budget.

Copies of the budget are available at all municipal administrative buildings, Subcouncil offices and libraries. The budget will also be on the website [www.capetown.gov.za](http://www.capetown.gov.za) (click on budget) from 4 April 2007.

Comments can be submitted in writing by 7 May 2007 to the City Manager, Private Bag x9181, Cape Town 8000 or by fax to 021 400 1332.

Feedback boxes and forms will also be available at all Subcouncil offices, libraries and municipal administrative buildings. Verbal presentations on the budget can also be made by contacting the Subcouncil offices and booking a time slot. Staff will be available to assist those unable to write.



## How to calculate your municipal bill

### A. RATES

Work out your rates bill using the new value in the Valuation Notice sent to you:

Total improved value	R.....
less R88 000 rebate	= R.....
Net value	= R..... x 0,00459
Annual rates	= R..... divided by 12 months
Monthly rate	= R.....

### B. TARIFFS

Note: These tariffs will incur VAT

Refer to the tables above and work out the cost based on your household's consumption of these services:

• Refuse	
• Water	
• Sanitation	
• Electricity	
Total monthly cost	R.....

### TOTAL MUNICIPAL ACCOUNT

Add A and B to work out what you will pay on a monthly basis.  
R.....



CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

THIS CITY WORKS FOR YOU