

## **Speech by the Executive Mayor on the presentation of the 2010/2011 draft budget (29 March 2010):**

The 2010/2011 draft budget was prepared within the following context:

- 1) Firstly, whilst we are at the tail end of the economic recession it is becoming clear that South Africa will lag behind most major economies in the recovery. Economic growth for the coming year will be in the region of 2,5% but the majority of that growth will only materialize in the final quarter of the year. Whilst inflation has dipped below the 6% mark, South Africans are yet to experience the effect of high increases in electricity and fuel.
- 2) The second important feature of this budget is that it is the last one in this Council's term of office. The vast majority of capital priorities will be completed by the end of June 2010, making this draft budget somewhat smaller than the existing one. There are few government institutions that can claim a high spending rate on capital and I am therefore proud of the fact that we will not have to show many millions of rands in "roll-over" funds.

Despite the above context, the capital budget for 2010/2011 totals R31,2 million, of which R9,5 million is own funding, R2,65 million will be loan funding and the remaining R19,1 million will originate from grants – most notably the Municipal Infrastructure Grant. Some of the capital projects are:

- 1) Phase 2 of the Sicelo multi-purpose centre.
- 2) R2 million for the extension of the sewer network in the former rural areas
- 3) R1 million for an interim upgrade of the sewer purification works
- 4) R1 million to continue with the revenue protection programme aimed at reducing water losses.

In this regard I must point out Midvaal's success in reducing water losses from 31,5% to 25,7% in the previous financial year and further upgrades to our water reticulation network will ensure even more savings for our ratepayers in the future.

- 5) Almost R5,5 million is proposed for phase 3 of upgrading roads from gravel to tar and much of it will be spent in Wards 8 and 10.

On the issue of roads I want to say that we are aware of the many problems caused by the recent heavy rains. Over the past few weeks I have travelled the lengths and breadths of Midvaal with MMC's and the Engineering Department assessing the millions of rands in damage to our roads. A lot of resealing and upgrading has already taken place and by 30 June 2010 all identified priorities will be completed. The draft operational budget does make provision for a small amount of money to upgrade tar roads in the coming financial year and it is envisaged that these funds will focus mostly on the areas of Walker's Fruit Farms, Valley Settlements, Pendale and Blue Saddle Ranches. Remaining monies will be spent on the patching of potholes and I want to thank the Roads Department for their recent efforts in this regard. Pothole patching is happening at a slower pace than before as it is more important to do a proper job that will last longer than to waste thousands of rands by filling many holes that will simply re-occur again within a week.

It is also pleasing to see that the Provincial Roads Department is starting to repair some of their roads. In recent weeks Midvaal stepped in to assist the province in repairing main roads such as the R82 and the M61 but we cannot continue doing this as there are numerous municipal roads which require our attention.

- 6) R3,4 million will be spent on the building of a fire station to serve the communities of Vaal Marina and Mamello.
- 7) In the waste management department we propose to purchase two tipper trucks and one compactor totaling R2,5 million. The two existing tipper trucks have reached the end of their economic life and it is no longer feasible to rent vehicles every time there is a breakage.

R2 million will be spent on upgrading the Galloway, Klipriver and Blackwood transfer stations to bring them in line with new legislative requirements. We are currently submitting a business plan to obtain grant funding for the purchase of the Walkerville Landfill Site which is currently still owned by the Walker family. Should the business plan be approved and negotiations be successful we will submit an item to Council to consider the offer.

Councillors will notice that provision has been made for the roll-out of “Wheelie Bins” to 10 000 households. Whilst I consider this to be one of our most exciting projects, the Mayoral Committee and I still have some practical concerns which may delay implementation. However we hope to have these concerns addressed before this budget returns for final approval in May.

- 8) By now ratepayers should know about my passion for libraries, and I am pleased to propose R675 000 for the upgrade of facilities in the capital budget as well as an additional R380 000 for the purchasing of new books.
- 9) I must admit Mr Speaker that the capital budget does omit two priorities which have been recently identified and I assure ratepayers that we will try our best in the coming weeks to find ways in which these can be accommodated. These priorities are two fire carts (one for ward 5 and one for ward 7) as well as an entrance sign for the town of Klipriver similar to the ones found in other parts of Midvaal.

Mr Speaker, the operational budget was an extremely difficult balancing act to achieve. We are mindful of the fact that many residents are struggling to pay their municipal accounts and any increases in tariffs would only make their burden heavier to bear. On the other hand, costs such as salaries, water, electricity and fuel will all increase by more than the inflation rate. You can only spend what you have and you can only get the level of service that you pay for. With the current economic climate it is irresponsible to spend money on “nice-to-have” projects and we will therefore continue to focus on getting the basics right and at the lowest possible cost.

In this regard I want to commend Midvaal’s administration for the manner in which we have implemented cost-cutting measures. The vast majority of our staff have taken this challenge seriously and I am pleased to see that we continue to find innovative ways to do more with less. Government will always be compared negatively with the private sector because of the absence of the “profit motive”, but I am proud to head up an institution that has emerged from a major economic crisis in a better shape than most municipalities and indeed many businesses. We certainly must thank our staff for their efforts in achieving a leaner and more efficient administration.

The operational budget for 2010/2011 totals R475 million. After adjusting for non-cash expenditure such as depreciation, inter-departmental charges and provision for bad debts the salary budget is about 31% of total expenditure which is in line with accepted norms. We have provided for an 8% increase in salaries which is in line with the agreement reached between SALGA and unions on a national level.

Remuneration for Councillors increases by 30%, but not because we are allowing for large increases. After the local government elections set to take place early next year Midvaal will have an additional 8 Councillors and provision must be made for their allowances.

In keeping with our mission to cut costs we are proposing a real decrease in entertainment, conferences, telecommunications, public functions, fuel, legal fees, marketing and similar expenses - taking into account the adjustment for inflation.

We have provided R1,1 million as project management costs for the initial phase of Savannah City (Doornkuil), which will see about 14 000 housing units built over the next 8 years, however we will enter into negotiations with the developer to cover this cost as we remain passionate about the principle that existing ratepayers should never subsidise new developments.

The Municipal Public Accounts Committee will see its budget increase by 25% in recognition of the training which members need to receive.

We propose to spend more than R9,3 million on the maintenance of bulk services. This is a 37% increase and underlies our commitment to maintain and improve public infrastructure. More than R15,7 million is provided for the maintenance of gravel and tar roads which is a 16,3% increase. This will ensure that the existing gravel road maintenance programme will continue at the same standard, and as previously mentioned, there will be a specific focus in many of the rural areas as far as maintenance of tarred roads is concerned.

Maintenance of sewerage pump stations will increase by 26% to R570 000. We will continue to make use of an external contractor with specialist skills to assist with the operation of the purification works. Over the past few months we have seen our effluent compliance improve dramatically and the sewerage system as a whole is currently operating at very commendable levels, especially when compared with the horror-stories emerging from other municipalities. I must warn the next Council, as well as the Department of Housing, that interim upgrades to the Meyerton Water Care Works will have to be a top priority if we wish to see a continuation of economic growth and housing provision in the area.

Within the Department of Development and Planning we have provided money for our much needed Land Use Management System which will rely heavily on community participation to design detailed spatial development frameworks for each area.

The Protection Services Department has received adequate funds for the painting of roads and replacement of street signs – especially in wards 4, 5, 6 & 7 which have not yet been attended to.

After a difficult period in January, the Parks Department has shown a tremendous improvement in work output. I also wish to thank them for their passion in implementing the adopt-a-tree programme. The draft budget will not allow any extension of services for the department but does provide for the current level of service to continue – namely that identified areas will be cut with tractors and bush cutters every four weeks.

Waste Management will continue to receive additional funds for the picking up of litter and ever since the new programme was implemented about 4 months ago there has been a marked improvement in that regard.

The electrical department will not only benefit from much needed new vehicles but will also see an increase in its staff complement. One of the effects of the recession is an increase in the number of electricity meters that have been bypassed. Electricity theft is costing Midvaal's ratepayers millions of rands and with additional staff and equipment we are committed to identifying offenders and recovering losses from them. This department has also done well in completing the upgrade of the M1 substation together with officials from Eskom. Whilst the upgrade has had challenges and caused a few subsequent power outages these were to be expected. The result is that supply capacity in the Meyerton area has doubled to 60MVA and places Midvaal in a highly competitive and unique position to attract future investment.

The Support Services Cluster, namely Corporate Services, HR & Finance have also been hard-hit by cost-cutting measures, particularly as their duties are internal and administrative in nature. I really want to commend the staff for their positive "can-do" attitude and their attempts to learn new skills so that we do not have to outsource tasks. It's the small things like using less stationery, paper, electricity, water, cleaning materials etc that have made a big difference.

The most difficult part of any budget is proposing tariff increases, and as previously mentioned, this is even more difficult at a time when households are cash-strapped. We have thus attempted to keep overall increases in line with inflation however in the case of water and electricity consumption this was obviously not possible:

Water consumption tariffs will increase by between 15 and 16%, in line with increases by Rand Water.

Electricity consumption tariffs will increase by 28,6%. Whilst NERSA has indicated that Municipalities should not increase tariffs by more than 22%, National Treasury issued a circular containing a formula which allows Municipalities to allow for a previous under-recovery of income if it can be motivated and proven. The details are very technical but essentially Eskom increases tariffs as of 1 July 2010 but backdates it to 1 April.

Therefore the municipality must increase tariffs by more than 22% if it is to recover the back-dated amounts for the months prior to 1 July. When applying Midvaal's information to the formula by National Treasury it is clear that the municipality must increase its tariffs by 28,6% to ensure the future viability of the service.

Basic electricity tariffs will increase by 15%, whilst basic water will increase by 3,5%.

Residential, Agricultural & Farm Assessment Rates will increase by 9%

Residential and Agricultural refuse tariffs will increase by 6,5% and those of sewerage by an average of 8,5%

It is difficult to calculate the average increase per household as it will be different for each area depending on whether or not municipal water and electricity is consumed, however households which do make use of those services can prepare themselves for an increase of approximately 17% in the total account. It is unfortunate that the municipality will bear the brunt of increases applied by Eskom and Rand Water and that such increases will severely impact on the growth of our local economy. If we remove the water and electricity consumption charges from the equation then the remaining charges only increase by a total of 8,5% which we believe is in line with inflation expectations and shows our commitment to keeping municipal accounts as affordable as possible.

Mr Speaker, I wish to thank everyone who assisted in the preparation of this draft budget. Particularly the Municipal Manager, HODS, and staff in the finance department. Councillors will note that the budget has taken on a new format according to National Treasury Regulations and I appreciate the mammoth effort made in ensuring Midvaal's compliance.

I also wish to thank yourself Speaker, and the MMC's - not only in assisting with this difficult task but for your valued support of my management style and your enthusiasm for a more hands-on approach.

I invite Councillors and members of the public to obtain a copy of this draft budget, to study it in detail and indeed to give us your comments during the upcoming public participation process. This budget impacts on your pockets, your roads, your streetlights, your infrastructure and, above all, your lifestyle and it is therefore important that you make this document your own.

It is therefore clear that the 2010/2011 budget focuses on the basics. Maintain water, electricity, sewerage, roads and other infrastructure. Make sure refuse is removed weekly, and processed responsibly. Ensure that accounts are sent out on time, that cash flow is positive, that assets are protected and that those who can afford to pay their accounts – do so!

Cut grass once a month in the summer period, pick up litter and clean flowerbeds. Monitor development according to a Land Use Management Plan designed in consultation with the community. Clean storm water drains, fix street lights, provide quality services at clinics and libraries. Protect lives and quality of life from fire and traffic accidents as well as environmental hazards. Mark the roads, manage informal trading, market the area and the Midvaal brand.

Ensure that Councillors receive the necessary administrative support and that the community can participate in local government affairs. Ensure that your workforce is trained, healthy and productive. And of course, strive to do this at the lowest possible cost whilst maintaining the highest possible quality...and by realizing that you can never please every ratepayer but must always treat each one equally.

Not a simple task - but it is one that the ruling Democratic Alliance will continue to execute so that by the end of our term of office we will look back proudly on having delivered the excellent quality of services that Midvaal's Ratepayers deserve!

I thank you.