

7.

LONG TERM CONTRACT FOR THE OPERATION OF THE GANSBAAI LANDFILL SITE AND THE STANFORD AND PEARLY BEACH PUBLIC DROP OFF FACILITIES FOR A CONTRACT PERIOD ENDING 30 NOVEMBER 2032**8/3/1/SC1892/2018****H Blignaut****(028) 313 5047****Gansbaai Administration****13 February 2019**

1. Executive Summary

A new long term contract for the operation of the Gansbaai Landfill Site and the Stanford and Pearly Beach Public Drop-Off facilities for a contract period ending 30 November 2032 (Contract SC1892/2018) was awarded to Enviroserv Waste Management (Pty) Ltd. on 4 December 2018 by the Accounting Officer, following a recommendation by the Bid Adjudication Committee on 30 November 2018.

The purpose of this report is to present Council with a summary of the long term contract, and to seek Council resolution to approve the contract, and to authorise the Municipal Manager to sign the contract as is required by section 33 of the Local Government: Municipal Finance Management Act, Act no. 56 of 2003 (MFMA); and

2. Service Delivery and Budget Implementation Plan - IGNITE

Directorate: Infrastructure & Planning

Department: Engineering Planning (Solid Waste Planning section)

3. Compliance with Strategic Priority/ies

Provision of democratic, accountable and ethical governance

Provision and maintenance of municipal services

Creation and maintenance of a safe and healthy environment

4. Delegated Authority

None

5. Legal Requirements

Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA)

National Environmental Management: Waste Act, 2008 (Act 59 of 2008)

Overstrand Municipality Supply Chain Management Policy

Overstrand Municipality Contract Management Policy

6. Background/Evaluation/Conclusion**Background**

The remaining useful life of the Gansbaai Landfill site is currently estimated to be approximately 14 years. The landfill site was operated for the past 8 years and 3 months by Enviroserv Waste Management (Pty) Ltd on Contract SC 878/2010. The extended contract period ends on 28 February 2019. Tenders were called during July 2018 for the purpose of appointing a new operator for the landfill site from 1 March 2019 until 30 November 2032, which is currently estimated to be the remaining useful life of the landfill site.

The Gansbaai Landfill Site is an essential component of the solid waste disposal system of Overstrand Municipality (OM). All the solid waste generated in the Greater Gansbaai, Stanford, Pearly Beach, Baardskeerdersbos and Buffeljagsbaai areas is disposed of at the Gansbaai landfill. There is also a Material Recovery Facility (MRF) at the landfill, for sorting and disposing recyclable material from these areas. The operation of the MRF forms part of the scope of work of this contract.

Evaluation

The long term contract which is the subject of this report is similar in nature to the previous contract between these same parties (the same company was awarded the new contract) since December 2010. The only additions to this long term Service Level Agreement are the duration that makes provision for the estimated remaining useful life of the facility, the incentive for increased recycling, and the six-monthly waste characterisation as required by Provincial Department of Environmental Affairs.

Section 33 of the MFMA provides as follows:

33. (1) A municipality may enter into a contract which will impose financial obligations on the municipality beyond a financial year, but if the contract will impose financial obligations on the municipality beyond the three years covered in the annual budget for that financial year, it may do so only if—

(a) the municipal manager, at least 60 days before the meeting of the municipal council at which the contract is to be approved—

(i) has, in accordance with section 21A of the Municipal Systems Act—

(aa) made public the draft contract and an information statement summarising the municipality's obligations in terms of the proposed contract; and

(bb) invited the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed contract; and

(ii) has solicited the views and recommendations of—

(aa) the National Treasury and the relevant provincial treasury;

(bb) the national department responsible for local government; and

(cc) if the contract involves the provision of water, sanitation, electricity, or any other service as may be prescribed, the responsible national department;

(b) the municipal council has taken into account—

(i) the municipality's projected financial obligations in terms of the proposed contract for each financial year covered by the contract;

(ii) the impact of those financial obligations on the municipality's future municipal tariffs and revenue;

(iii) any comments or representations on the proposed contract received from the local community and other interested persons; and

(iv) any written views and recommendations on the proposed contract by the National Treasury, the relevant provincial treasury, the national department responsible for local government and any national department referred to in paragraph (a)(ii)(cc); and

(c) the municipal council has adopted a resolution in which—

(i) it determines that the municipality will secure a significant capital investment or will derive a significant financial economic or financial benefit from the contract;

(ii) it approves the entire contract exactly as it is to be executed; and

(iii) it authorises the municipal manager to sign the contract on behalf of the municipality.

(2) The process set out in subsection (1) does not apply to—

(a) contracts for long-term debt regulated in terms of section 46(3);

(b) employment contracts; or

(c) contracts—

(i) for categories of goods as may be prescribed; or

(ii) in terms of which the financial obligation on the municipality is below—

(aa) a prescribed value; or

(bb) a prescribed percentage of the municipality's approved budget for the year in which the contract is concluded.

(3) (a) All contracts referred to in subsection (1) and all other contracts that impose a financial obligation on a municipality—

(i) must be made available in their entirety to the municipal council; and

(ii) may not be withheld from public scrutiny except as provided for in terms of the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000).

(b) Paragraph (a)(i) does not apply to contracts in respect of which the financial obligation on the municipality is below a prescribed value.

(4) This section may not be read as exempting the municipality from the provisions of Chapter 11 to the extent that those provisions are applicable in a particular case.

The procedures prescribed by section 33 of the MFMA have been duly followed. This report to Council concludes the 33 process, and includes the

projected financial obligations for each financial year and the impact of those financial obligations on the tariffs of OM.

The following activities were completed, in accordance with section 33 of the MFMA:

- An advertisement (refer to Annexure B), inviting comments from the local community and other interested persons was published in the local media and on the municipal web site on 6 December 2018 (i.e. more than 60 days before the Council meeting of 27 February 2019). No comment, input or inquiry was received before the closing date.
- An Information Statement (refer to Annexure A), summarising the proposed long term contract, was made available to the public from 6 December 2018 on the Overstrand web site.
- The views and recommendations of the following stakeholders have been solicited for more than 3 weeks from 3 December 2018 (refer to Annexure C): National Treasury, Provincial Treasury, the Department of Co-operative Governance and Traditional Affairs, Department of Environmental Affairs, and the Provincial Department of Environmental Affairs and Development Planning (DEADP), and the National Department of Environmental Affairs. No comment or input was received to date.

It is envisaged that the long term contract will have the following financial and economic benefits for the Overstrand Municipality:

- The disposal of waste generated in the Greater Gansbaai area can be safely disposed of at the Gansbaai Landfill, thereby eliminating the need to transport and dispose the waste at high cost to an alternative landfill (Karwyderskraal being the closest alternative).
- Value for money. Despite the addition of haulage items to the scope of works of this contract, the estimated expenditure still falls within the available budget in the current Medium Term Expenditure Framework (MTREF);
- An estimated 30% of the contract value will be sub-contracted to EME's and QSE's over the 14 year contract period;

The projected financial implications of the long term contract are illustrated in Annexure D. No adverse effects on future budgets and therefore tariffs are envisaged. The annual cost of this long term contract is estimated at approximately 6.5% of the total annual Solid Waste expenditure budget.

Conclusion

The financial calculations indicate that there is no significant annual increase in the Refuse Removal Tariffs of OM specifically as a result of this contract. The anticipated annual increases in tariffs are within acceptable limits.

The conclusion of the long term contract is in the interest of OM and its residents and will secure for OM a significant economic financial benefit.

7. Financial Implications

Source of Funding: Operating Budget Provision

The estimated financial implications of the long term contract over the estimated remaining useful life of 14 years of the Gansbaai Landfill Site are illustrated in Annexure D.

The estimated Medium Term Expenditure Framework financial implications are summarised in the following table:

	2018/19	2019/20	2020/21
mSCOA Description	OutsrcdServ:Mini Dumping Sites	OutsrcdServ:Mini Dumping Sites	OutsrcdServ:Mini Dumping Sites
mSCOA Cost Account	13640200440000	13640200440000	13640200440000
mSCOA Business Key	20170525078506	20170525078506	20170525078506
Budget Provision (excluding VAT)	R 8 341 890	R 10 751 870	R 11 878 017
Total Estimated Expenditure (excluding VAT)	R 1 340 196 (3 months only)	R 4 905 762	R 5 219 058

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

- Annexure A: MFMA Section 33 Information Statement
- Annexure B: MFMA Section 33 Public Notice
- Annexure C: MFMA Section 33 Letter to Stakeholders
- Annexure D: Projected financial implications of the long term contract

RECOMMENDATION TO THE COUNCIL:

1. that Council **take cognisance** of the fact that no response was received from the public or any other stakeholder following the invitation for comments, representations, views and recommendations in respect of the proposed long term contract between Overstrand Municipality and Enviroserv Waste Management (Pty) Ltd for the operation of the Gansbaai Landfill Site, in terms of the enabling provisions of Section 33 of the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003);

2. that the significant economic financial benefit from the long term contract for the municipality **be noted**;
3. that the long term contract for the Operation of the Gansbaai Landfill Site and Public Drop-Off Facilities at Stanford and Pearly Beach **be approved**; and
4. that the Municipal Manager be authorised to sign the long term contract on behalf of Overstrand Municipality.

RESPONSIBLE OFFICIALS :

**H BLIGNAUT
J VAN TAAK**

TARGET DATE FOR IMPLEMENTATION :

1 MARCH 2019



MFMA INFORMATION STATEMENT

LONG TERM SERVICE LEVEL AGREEMENT W.R.T. THE OPERATION OF GANSBAAI LANDFILL, PEARLY BEACH AND STANFORD PUBLIC DROP-OFFS, THE CHIPPING OF GARDEN WASTE AND THE TRANSPORT OF CONTAINERISED WASTE FROM THE PUBLIC DROP-OFFS TO THE GANSBAAI LANDFILL

1. OBJECTIVE

Overstrand Municipality has made public its proposed long term Service Level Agreement with Enviroserv Waste Management Ltd, to whom the tender has been awarded following a competitive bidding process, with respect to the operation of the Gansbaai Landfill and Material Recovery Facility, the Pearly Beach and Stanford Public Drop-offs, the chipping of garden waste, and the transport of containerized waste from these Drop-offs to the Gansbaai Landfill, subject to approval by the Municipal Council in terms of Section 33 of the Municipal Finance Management Act, Act no 56 of 2003 (MFMA).

Because the actual period of the long term Service Level Agreement is the estimated remaining lifespan of the landfill, currently being estimated to be fourteen (14) years, which is more than three (3) years, the Municipality has to comply with Section 33 of the MFMA.

The objective of this Information Statement is to inform the community and other interested parties of the long term Service Level Agreement.

2. INVITATION

The local community and other interested parties are invited to submit comments or representations in respect of the long term Service Level Agreement to the Municipality.

3. PROCEDURE FOR SUBMISSION OF COMMENTS

Members of the local community and other interested parties are invited to submit comments or representations in respect of the long term Service Level Agreement to:

Overstrand Municipality before 12:00 on Thursday, 27 December 2018, in a sealed envelope clearly endorsed "Operation of the Gansbaai Landfill and Material Recovery Facility, and Pearly Beach and Stanford Public Drop-offs" and addressed to: Municipal Manager, Overstrand Municipality, Magnolia Avenue, Hermanus, 7200 and to be deposited in Tender Box no. 7.

Written enquiries for clarification can be directed to Mr Hanre Blignaut at e-mail address: hblignaut@overstrand.gov.za.

Any person who wishes to submit comments or representations in respect of the long term Service Level Agreement and who cannot write will be assisted by the Director: Infrastructure and Planning or a person designated by him at the Overstrand Civic Centre, Hermanus up to 12:00 on Thursday, 27 December 2018.

4. PROJECT BACKGROUND

The Overstrand Municipality obtained an operating permit in terms of the Environment Conservation Act (Act 73 of 1989) and developed the Gansbaai Landfill site to serve as a waste disposal facility for the municipal solid waste generated in the Greater Gansbaai area. The site has a long term capacity up to approximately 2032, and the disposal area has been fully developed. The Municipality has also developed a Material Recovery Facility (MRF) near the entrance of the landfill to further separate the source separated recyclables collected by the Municipality in the Greater Gansbaai area. Chipping of bush waste off-loaded at the landfill also takes place in order to divert this material from landfilling.

The Overstrand Municipality has also developed Public Drop-offs at Stanford and Pearly Beach, where the public can off-load their ad hoc wastes, over and above the waste that is being collected weekly by the Municipality from door-to-door. These ad hoc wastes include garden waste, recyclables, small loads of builder's rubble, and other general waste. Chipping of bush waste takes place at Stanford drop-off and not at Pearly Beach Drop-off. All off-loaded waste, including the chipped bush waste at Stanford, are placed in containers and transported to the Gansbaai Landfill.

The duration of the long term Service Level Agreement will be from the commencement date, which will be 1 March 2019, until 30 November 2032, which is currently estimated to be the last day of the useful life of the Gansbaai Landfill, given current waste volumes disposed there.

5. LONG TERM SERVICE LEVEL AGREEMENT

The long term Service Level Agreement which is the subject of this public and other stakeholders' participation process is similar in nature than the current Public-Private-Partnership between these same parties since December 2010. The original termination date of the current Public-Private-Partnership was set for 30 November 2018, but due to a delay in the evaluation of the new tender, it was extended to 28 February 2019, after due process has been followed in terms of section 116(3) of the MFMA.

The only additions to this long term Service Level Agreement are the duration that makes provision for the estimated remaining useful life of the facility, the incentive for increased recycling, and the six-monthly waste characterization as required by Province.

6. NEXT STEPS

Members of the local community and other interested persons are invited to submit to the Municipality their comments or representations in respect of the long term Service Level Agreement as set out above.

The Municipality will also solicit the views and recommendations of stakeholders, including the National and Provincial Treasuries and the national department responsible for Local Government.

The long term Service Level Agreements and all comments and views received will be presented to the Municipal Council for final approval on 27 February 2019.



NOTICE/KENNISGEWING/ISAZISO

Proposed long term contract for the Operation of the Gansbaai landfill site, Stanford public drop-off facility and Pearly Beach public drop-off facility, giving effect to the Local Government: Municipal Finance Management Act (MFMA), Act No. 56 of 2003: Section 33.

The Overstrand Local Municipality, in terms of the provisions of Section 33 of the MFMA, hereby makes public that it proposes to enter into a 14 (fourteen) year contract with a service provider for the operation of the Gansbaai landfill site, Stanford public drop-off facility and Pearly Beach public drop-off facility, for a contract period ending 30 November 2032, subject to the approval of Council in terms of Section 33 of the MFMA.

The draft contract and an information statement summarising the Municipality's obligations in terms of the proposed contract can be inspected at the Municipality's head and satellite offices and libraries during the official office hours of operation of these offices and libraries or accessed on the Municipality's official web-site www.overstrand.gov.za, from 7 December 2018.

The proposed contract will be considered by the Municipal Council of the Overstrand Local Municipality at its Council meeting to be held on 27 February 2019 at the Municipal Offices in Hermanus.

Notice is hereby further given in terms of Section 21 and 21A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) that the local community and affected parties are invited to submit comments or representations on the proposed long term contract. Such comments or representations must be submitted by not later than Thursday, 27 December 2018 at 12:00.

Comments or representations must be submitted in a sealed envelope clearly endorsed "Contract SC1892/2018: Long term operation of the Gansbaai landfill site, Stanford public drop-off facility and Pearly Beach public drop-off facility" and be deposited in tender box no.7.

All submissions must be addressed to:

The Municipal Manager
Tender box no. 7
Overstrand Municipality
Magnolia Avenue
Hermanus
7200

Enquiries can be directed to Mr. H Blygnaut, Tel: 028 313 5047 or e-mail: hblygnaut@overstrand.gov.za.

Persons who are physically disabled or who cannot read or write but wish to participate in the process, may come during office hours to the Municipal Offices, Magnolia Avenue, Hermanus where that person will be assisted by the Director: Infrastructure and Planning or a person designated by him to transcribe that person's comments or representations.

**C.Groenewald
Municipal Manager**

Voorgenome Langtermyn Kontrak vir die bedryf van die Gansbaai Vaste Afval Stortingssterrein, en die Stanford en Pearly Beach Publieke Vaste Afval Afhaal Fasiliteite, ter voldoening aan die vereistes van die Wet op Plaaslike Regering: Munisipale Finansiële Bestuur, Wet No. 56 van 2003: Artikel 33.

Ooreenkomstig die bepaling van artikel 33 van die Wet op Plaaslike Regering: Munisipale Finansiële Bestuur, Nr 56 van 2003 gee die Overstrand Munisipaliteit hiermee kennis dat dit van voorneme is om met 'n diensverskaffer 'n kontrak vir 'n termyn van 14 (veertien) jaar vir die bedryf van die Gansbaai Vaste Afval Stortingssterrein, en die Stanford en Pearly Beach Publieke Vaste Afval Afhaal Fasiliteite aan te gaan.

Die konsep kontrak en 'n inligtingsstuk wat die Munisipaliteit se verpligtinge ten opsigte van die voorgename kontrak vervat kan by die Munisipaliteit se hoof- en satelietkantore en biblioteke gedurende amptelike kantoorure geïnspekteer word. Die kontrak en inligtingsstuk is ook verkrygbaar op die amptelike webblad van die Munisipaliteit by www.overstrand.gov.za vanaf 7 Desember 2018.

Die voorgename kontrak sal vir oorweging voor die Munisipale Raad van die Overstrand Plaaslike Munisipaliteit dien tydens die Raadsvergadering geskeduleer vir 27 Februarie 2019 by die Munisipale Kantore in Hermanus.

Kennis geskied verder ingevolge artikel 21 en 21A van die Wet op Plaaslike Regering: Munisipale Stelsels, 2000 (Wet 32 van 2000), dat die plaaslike gemeenskap en geïnteresseerde partye genooi word om kommentaar of vertoë oor die voorgename langtermyn kontrak te lewer. Hierdie kommentaar of vertoë moet teen nie later nie as Donderdag, 27 Desember 2018 om 12:00 ingedien word.

Kommentare of vertoë moet ingedien word in 'n verseëde kovert, duidelik gemerk "Kontrak SC1892/2018: Langtermyn kontrak vir die bedryf van die Gansbaai Vaste Afval Stortingssterrein, en die Stanford en Pearly Beach Publieke Vaste Afval Afhaal Fasiliteite" en geplaas word in tenderbus nr. 7.

Alle voorleggings moet geadresseer word aan:

Die Munisipale Bestuurder
Tenderbus nr. 7
Overstrand Munisipaliteit
Magnolielaan
Hermanus
7200

Navrae kan gerig word aan Mnr H Blygnaut, Tel: 028 313 5047 of e-pos: hblygnaut@overstrand.gov.za.

Persones wat liggaamlik gestremd is of nie kan lees of skryf nie, maar aan die proses wil deelneem, kan gedurende kantoorure na die Munisipale Kantore, Magnolielaan, Hermanus kom, waar die Direkteur: Infrastruktuur en Beplanning of 'n persoon soos deur hom aangewys daardie persoon sal help om die kommentaar of vertoë neer te skryf.

**C.Groenewald
Munisipale Bestuurder**

Isivumelwano esi Phakanyiswayo soku Sebenza se Xesha elide soku Lawula Nokugcina Indawo Yamanzi kunye Namanzi Amdaka ku- Masipala wase Overstrand Ngokwemimiselo yama Candelo 33 lomthetho iLocal Government: Municipal Finance Management Act, No.56 wango-2003.

UMasipala weNgingqi yase-Overstrand, wazisa ukuba ujonge ukungena kwisivumelwano seminyaka elishumi elina ntlanu (14) normiki-nkonzo malunga Nolawula Nokugcina Indawo yamanzi kunye namanzi amdaka ku- Masipala wase Overstrand, oko kusenziwa ngokwe mimiselo yamaCandelo 33 lomthetho iLocal Government: Municipal Finance Management Act, No.56 wango-2003.

Esi sivumelwano siphakanyiswayo kunye ne nkukacha ezishwankathela imimiselo ka Masipala ngo kwesi sivumelwano siphakanyiswayo sokusebenza ekulideleke ukuba sishiwe yintloko kaMasipala nakwi iofisi ezizingamasetyena kwakunye namathala eencwadi ngeeyure zokusebenza zezi ofisi nala mathala eencwadi.Esi sivumelwano siphakanyiswayo kunye neenkukacha siyatumaneka kwi website esemthethweni yakwa Masipala engu- www.overstrand.gov.za nge 7 kaDecember 2018 kokufuna ukusiqwalasele.Esi sivumelwano siya kuqwalasela iIbhunga likaMasipala elikuMasipala weNgingqi iOverstrand ngexesha lentlanganiso yeBhunga eya kube iqhutyelwa e Hermanus ngomhla we 27 February 2019 kwiOfisi zikaMasipala eHermanus.

Abantu abasuka ekuhlaleni nabantu abantu abanomdla bayamenywa ukuba bathumele izimvo zabo okanye izinto abazibhalileyo kuMasipala ngokumayela nesi sivumelwano siphakanyiswayo, oko kwenziwa phambi ko 12:00, 27 December 2018, oko kusenziwa ngokwe candelo 84(3) lomthetho iLocal Government: Municipal Systems Act, 32 wowama-2000.

Izimvo ezibhalileyo zibhalwe ngokucacileyo kwimvuloophu etywininiyo kwabhalwa "SC1892/2018: Isivumelwano sexesha elide soku Lawula Nokugcina Indawo Yamanzi kunye Namanzi Amdaka ku- Masipala wase Overstrand" mayifakwe kwi Bhokisi ye Ziniki-maxabiso no. 7.

Zonke izibhalo zithunyelwe ku:

Umphathi kaMasipala
Bhokisi yeZiniki-maxabiso no. 7.
UMasipala weNgingqi yase-Overstrand
Magnolia Avenue
Hermanus
7200

Imibuzo ingathunyelwa ku Mnu H Blygnaut Umnxeba: 028 313 5047 ne-imeyili: hblygnaut@overstrand.gov.za.

Nawuphi na umntu onqwenela ukuthumela izimvo zakhe okanye izinto abazibhalileyo, abangakwaziyo ukubhalala baya kuncedwa nguMlawuli wezoLwakhiwo noCwangciso okanye ngumntu omiselwe nguye kwiZiko loLuntu iOverstrand, eHermanus.

**C.Groenewald
UManejela kaMasipala**

Navrae:
Enquiries: H Blignaut

Annexure C 1/1

Tel. No: 028 313 5047

Verwysing:
Reference: SC 1892/2018

Datum:
Date: 3 December 2018

KANTOOR VAN DIE MUNISIPALE BESTUURDER
OFFICE OF THE MUNICIPAL MANAGER

To: National Treasury – Mr S Mkhwanazi (GTAC) & Mr W McComans (MFMA Implementation)
Provincial Treasury Western Cape – Mr Z Hoosain
Department of Co-operative Governance and Traditional Affairs (COGTA) – Mr T Lebohang
Department of Environmental Affairs & Development Planning – Mr E Hanekom
Department of Environmental Affairs – Mr M Mogotsi & Mr O Baloyi

PROPOSED LONG TERM CONTRACT FOR THE OPERATION OF THE GANSBAAI LANDFILL SITE, THE STANFORD PUBLIC WASTE DROP-OFF FACILITY, AND THE PEARLY BEACH PUBLIC WASTE DROP-OFF FACILITY: NOTICE IN TERMS OF SECTION 33 OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT NO. 56 OF 2003)

In terms of Section 33(1)(a)(ii) of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) (MFMA), you are hereby notified of the Overstrand Municipality's intention to enter into a contract which will impose a financial obligation beyond the three years covered in the budgets for the 2018/2019 to 2020/21 financial years.

As is required in terms of the MFMA, we hereby solicit your views and recommendations on the proposed long term contract between Overstrand Local Municipality and EnviroServ Waste Management (Pty) Ltd, with regard to the operation of the Gansbaai Landfill and Public Waste Drop-Off Facilities at Stanford and Pearly Beach. The contract is planned to come into effect on 1 March 2019, for a contract period of nearly 14 years, until 30 November 2032. Please find attached the following:

1. Annexure A: Information Statement
2. Annexure B: Draft Contract
3. Annexure C: Advertisement inviting the local community and interested stakeholders to submit representations on the draft long term contract.

Please express your views and recommendation(s), if any, to the undersigned on or before 27 December 2018, in order for my Council to take all representations into account for decision making, thereby giving effect to the provision of Section 33(1)(b)(i-iv) of the MFMA.

Yours sincerely

**CC GROENEWALD
MUNICIPAL MANAGER**



FINANCIAL IMPACT STATEMENT

LONG TERM SERVICE LEVEL AGREEMENT W.R.T. THE OPERATION OF GANSBAAI LANDFILL, PEARLY BEACH AND STANFORD PUBLIC DROP-OFFS, THE CHIPPING OF GARDEN WASTE, AND THE TRANSPORT OF CONTAINERISED WASTE FROM THE PUBLIC DROP-OFFS TO THE GANSBAAI LANDFILL

1. OBJECTIVE

Overstrand Municipality has made public its long term Service Level Agreement with Enviroserv Waste Management Ltd, to whom the tender has been awarded following a competitive bidding process, with respect to the operation of the Gansbaai Landfill and Material Recovery Facility, Pearly Beach and Stanford Public Drop-offs, the chipping of garden waste, and the transport of containerized waste from these Drop-offs to the Gansbaai Landfill, subject to approval by the Municipal Council in terms of Section 33 of the Municipal Finance Management Act, Act no 56 of 2003 (MFMA).

Because the actual period of the long term Service Level Agreement would be the estimated remaining lifespan of the landfill, currently being estimated to be fourteen (14) years, which are more than three (3) years, the Municipality has to comply with Section 33 of the MFMA.

The objective of this Financial Impact Statement is to quantify the financial implications on Overstrand Municipality over the full duration of the Service Level Agreement.

2. ASSUMPTIONS

The following assumptions have been made to inform the financial calculations, and any deviations from these assumptions may influence the financial implications.

- The remaining life of Gansbaai Landfill is estimated at 14 years.
- The annual growth in waste volumes to be disposed is 3%.
- The annual growth in number of households is 2%.
- The escalation of construction cost is 6% per annum.
- The escalation of operating tariffs is 6% per annum.
- The escalation of the municipal refuse removal tariff (excluding the disposal portion thereof) is 6% per annum.

3. FINANCIAL IMPLICATIONS

Based on the tender tariffs and the anticipated waste volumes to be chipped, or transported, and/or disposed, the following estimations were made of the annual costs to be incurred for every year of this long term Service Level Agreement:

Financial Year	Value of Work Done plus Escalation	15% VAT	Total
1/3/2019 -2019	1,340,195.64	201,029.35	1,541,224.99
2019 -2020	4,905,762.41	735,864.36	5,641,626.78
2020 -2021	5,219,058.32	782,858.75	6,001,917.07

2021 -2022	5,553,303.63	832,995.54	6,386,299.17
2022 -2023	5,909,944.01	886,491.60	6,796,435.61
2023 -2024	6,305,310.68	945,796.60	7,251,107.28
2024 -2025	6,699,543.91	1,004,931.59	7,704,475.50
2025 -2026	7,139,469.60	1,070,920.44	8,210,390.04
2026 -2027	7,618,444.20	1,142,766.63	8,761,210.83
2027 -2028	8,115,007.02	1,217,251.05	9,332,258.07
2028 -2029	8,645,328.80	1,296,799.32	9,942,128.12
2029 -2030	9,124,592.93	1,368,688.94	10,493,281.87
2030 -2031	9,564,592.54	1,434,688.88	10,999,281.42
2031 -2032	10,062,905.13	1,509,435.77	11,572,340.90
2032 -30/11/2032	4,262,714.16	639,407.12	4,902,121.29

The impact of this long term Service Level Agreement on the future Refuse Removal Tariffs were calculated by escalating the "other" costs in the tariff by 6% per annum and adding the disposal cost at Gansbaai.

The table below indicate that the annual increases in the Refuse Removal Tariff are within acceptable limits:

Financial Implication for Overstrand Municipality						
Financial Year	Estimated Annual Disposal Cost at Gansbaai Landfill (Current Contract)	Estimated Annual Disposal Cost at Gansbaai landfill (New Contract commences 1/3/2019)	Total Disposal cost at GB per Tonne (Opex plus Capex)	Estimated Monthly Refuse Removal Tariff inclusive of Disposal at KWK and GB	% Increase in Refuse Removal Tariff	
	2017/2018	3,117,582.68	252.94	155.04	n/a	
Year 1	2018/2019	2,220,075.05	1,340,195.91	280.45	164.35	n/a
Year 2	2019/2020		4,905,762.41	375.18	184.21	12.1%
Year 3	2020/2021		5,219,058.32	387.51	196.23	6.5%
Year 4	2021/2022		5,553,303.63	400.32	206.89	5.4%
Year 5	2022/2023		5,909,944.01	413.62	218.10	5.4%
Year 6	2023/2024		6,305,310.68	428.44	230.15	5.5%
Year 7	2024/2025		6,699,543.91	441.96	242.77	5.5%
Year 8	2025/2026		7,139,469.60	457.27	256.43	5.6%
Year 9	2026/2027		7,618,444.20	473.73	275.22	7.3%
Year 10	2027/2028		8,115,007.02	489.91	290.68	5.6%
Year 11	2028/2029		8,645,328.80	506.73	307.08	5.6%
Year 12	2029/2030		9,124,592.93	519.24	324.35	5.6%
Year 13	2030/2031		9,564,592.54	528.43	342.57	5.6%
Year 14	2031/2032		10,062,905.13	539.77	361.96	5.7%
Year 15	2032/2033		4,262,714.16	221.99	372.44	2.9%

Note: Figures in bold are actual figures.

Year 15 is from 1 July 2032 to 30 November 2032

4. CONCLUSION

The financial calculations indicate that the impact of the long term Service Level Agreement would not result in significant annual increases in the Refuse Removal Tariffs of Overstrand Municipality. The anticipated annual increases in the monthly tariff are within acceptable limits.