

INFORMATION STATEMENT

SECTION 33: MUNICIPAL FINANCE MANAGEMENT ACT, NO. 56 OF 2003: SERVICE LEVEL AGREEMENT: TENDER NO. GRDM/19/23-24: OPERATION AND MAINTENANCE OF THE NEW REGIONAL WASTE MANAGEMENT FACILITY FOR THE GARDEN ROUTE DISTRICT MUNICIPALITY FOR A PERIOD OF TEN (10) YEARS

1. Background

Garden Route District Municipality is establishing a Regional Waste Disposal Facility i.e. Landfill Site in accordance with its assigned functions in terms of Section 84 of the Municipal Structures Act, No. 117 of 1998. The Municipality has appointed a civil contractor to construct the disposal facility and will outsource the operations and maintenance of the facility to a reputable service provider, who will operate and maintain the facility on behalf of the Municipality.

The Municipality, after following a competitive bidding process in terms of the Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA) and Supply Chain Management Regulations, intends to enter into a Service Level Agreement with Khabokedi Waste Management (Pty) Ltd (hereafter "Khabokedi") for the operation and maintenance of the new regional waste management facility for the Garden Route District Municipality for a period of ten (10) years.

As this Service Level Agreement will impose a financial obligation to the Municipality beyond three years, a Section 33 process in terms of the Local Government: Municipal Finance Management Act, No. 56 of 2003 needs to be followed which entails a public participation process.

A copy of the draft Service Level Agreement is hereto attached as ANNEXURE A.

2. Financial Implications

The total estimated contract value is R277 177 692.73 (Two Hundred and Seventy-Seven Million One Hundred and Seventy-Seven Thousand and Six Hundred and Ninety-Two Rands and Seventy-Three Cents), VAT included and will be over a period of ten (10) years in accordance with the pricing schedule in the attached draft Service Level Agreement.

In terms of the proposed Service Level Agreement, payment will be made to Khabokedi upon receipt of a monthly invoice which will include the following:

- Fixed monthly, provisional and time related charges for the handling and disposal of General waste;
- Handling and disposal of tonnages of General waste recorded over the weighbridge;
- Fixed monthly charges for the handling and disposal of Hazardous waste;
- Handling and disposal of tonnages of Hazardous waste recorded over the weighbridge;
- Other fixed obligations;
- Provisional charges;
- Time-related charges for dayworks as and when required.

These costs will be recovered by means of cost recovering tariffs charged to the Local Municipalities making use of the Regional Waste Management Facility for general waste disposal and to other users for hazardous waste disposal. These cost recovering tariffs include the fixed and variable operational costs.

The long-term agreement will have a financial benefit as the large capital investment for the required plant, equipment and other resources to operate the facility will be recovered over a ten-year period. The fixed costs over this term also results in better financial planning and is more cost effective than regularly going out on tender for this service.

Provision for the expenditure and revenue has been made in the Operational Budget and will be made in future budgets for the duration of the agreement.

3. Relevant Legislation

Local Government: Municipal Finance Management Act, No 56 of 2003

Local Government: Municipal Finance Management Regulations: Municipal Supply Chain Management Regulations

END

**ANNEXURE A: DRAFT SERVICE LEVEL AGREEMENT BETWEEN GARDEN ROUTE DISTRICT
MUNICIPALITY AND KHABOKEDI WASTE MANAGEMENT (PTY) LTD**