

**GOVERNMENT OF ANDHRA PRADESH
ABSTRACT**

MA & UD Dept – Guidelines on levy/fixation of floor rates (user charges) under Sewerage in Urban Local Bodies of the State – Orders – Issued.

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MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT (J1) DEPARTMENT

G.O.Ms.No.196

Dated:23.11.2020.

Read the following:-

From the Commissioner & Director of Municipal Administration, A.P., Guntur Letter Roc.No.14034/43/2020-KSec (3509553/2020), Dated 19.11.2020.

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O R D E R:

In the letter read above, the Commissioner & Director of Municipal Administration, A.P., Guntur has proposed to issue Guidelines on levy / fixation of floor rates for user charges for sewerage in Urban Local Bodies of the State of Andhra Pradesh.

2. Government, after careful examination of the matter, hereby issue Guidelines on levy / fixation of floor rates for user charges for sewerage in Urban Local Bodies of the State of Andhra Pradesh, as annexed to this order.

3. A copy of this order is available on the internet and can be accessed at the address <https://goir.ap.gov.in/>.

4. The Commissioner & Director of Municipal Administration, A.P., Guntur and the Municipal Commissioners of Urban Local Bodies in the State of Andhra Pradesh shall take further necessary action in the matter.

[BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH]

J.SYAMALA RAO
SECRETARY TO GOVERNMENT

To

The Commissioner & Director of Municipal Administration, A.P., Guntur.
All the Municipal Commissioners of ULBs in the State through the C&DMA,
AP, Guntur.

Copy to:

The PS to Additional Secretary to Hon'ble Chief Minister
The OSD to Hon'ble Minister for MA&UD Department
The PS to Secretary to Government, MA&UD Department
SF/SC.

// Forwarded :: By Order //

SECTION OFFICER

Annexure continued...

Guidelines on levy / fixation of floor rates for user charges for sewerage in Urban Local Bodies

1. Reforms on strengthening Urban Local Bodies

With rapid urbanization there is commensurate increase in demand for good quality Urban Infrastructure and Services. Cities are seen as engines of economic growth. To meet this requirement ULBs have to be equipped with sufficient resources especially finances. The Central Finance Commissions have also recommended that the Urban Services have to be ring fenced to such a degree that they are completely self-sufficient, in their operation and maintenance.

In this context, Government of India has stipulated certain reforms in the Urban Sector, some of which include notifying floor rates of user charges in respect of the Sewerage which reflect current costs and also put in place a system of periodic increase in floor rates of these sewerage charges.

2. Provisions in the Municipal Laws:

As per Section 15-A of the A.P. Municipal Corporations Act 1994, Section 7-B of Visakhapatnam Municipal Corporation Act 1979 and Vijayawada Municipal Corporation Act 1981, and Section 147-A of the AP Municipalities Act, 1965, the Government may direct the Municipal Councils/Corporations, to levy and collect user charges for Sewerage at such rate and manner or method to defray the capital and operation & maintenance costs of sewerage and sewage treatment works under taken in the Municipal Councils/Corporations.

The said Municipal Laws also stipulate that it is obligatory on the part of the owner or occupier of the premises falling in areas served, to get the premises connected to the sewerage system

Section 330 of A.P. Municipalities Act, 1965 and Section 586 of the Municipal Corporations Act, 1955, provides the power to the Councils and Corporations respectively to make byelaws not inconsistent with the provisions of the Acts.

3. Present Scenario of O&M Cost Recovery:

At present 11 ULBs are having UGD for sewerage, which are varying in the network coverage and stages of commissioning. There is no uniformity in methodology adopted by the Municipal Councils/Corporations for levy of User Charges. Some ULBs are collecting the sewerage charges on connection basis while the others are collecting the same on seat basis and some other ULBs are collecting on the basis of certain percentage on water charges.

Despite the methodology, as on date, there is a deficit in Cost Recovery under the Sewerage Sector when compared to Operation & Maintenance costs in these ULBs. To address this deficit, there is a need to revise the sewerage charges to make the ULBs self-sufficient in terms of Operation and Maintenance Costs, so as to meet the needs of the citizens for effective management of the service delivery standards.

4. Methodology for fixation of sewerage charges:

4.1 User categories and Tariff of User Charges:

To arrive at a break-even tariff for realizing the O&M expenditure, 'a **connection to seat base user charge levy mechanism**' is prescribed under which, basic connection charges shall be levied up-to a prescribed number of seats and for every seat over and above the prescribed number, there shall be additional connection charges in each category.

User Categories and Tariff of User Charges:

User Category		Tariff per month (in Rs.) p.m.		Additional Tariff (per seat) p.m.
		Min.	Max.	
Domestic	Buildings/Flats up to 375 Sft (upto 2 seats)	30	35	5.00
	Buildings/Flats with more than 375 Sft (upto 3 seats)	60	80	10.00
* Commercial (upto 3 seats) Premises used for Business/Mercantile/ Commercial activities such as Shopping Complexes and Retail stores Markets, Theatres, Private Offices, Food Parlors, Function Halls, Restaurants, Malls, Hotels, Manufacturing Units etc.,		150	250	25.00
** Institutional (upto 10 seats) Schools, Colleges, Hospitals, Hostels, Public Offices, Nursing Homes, Railway and Bus Terminals, other public buildings etc.,		300	600	15.00

Note: For inclusion of buildings (except domestic category) under Commercial and Institutional Categories, see the relevant definitions in the Andhra Pradesh Building Rules, 2017 and classify the relevant buildings under these 2 categories for the purpose of this G.O.

The Municipal Councils/Corporations are required to fix Self Sufficiency rate within the category wise tariff ranges given above and such self sufficiency rate shall be increased every year by 5% to recover the increased O&M Costs, by passing resolution. After the increase the same shall be treated as self sufficiency rate for that year.

4.2 Fixation of Self Sufficiency Rate based on the above tariff range:

The ULB shall arrive at the Self Sufficiency Rate, category wise, within the Minimum and Maximum range as specified in para-4.1 above, by following the below steps:

Step No.1:

To arrive the category wise UGD connections that can be given considering the existing sewerage network coverage (Domestic, Commercial and Institutions) i.e. existing connections and balance connections in the sewerage network that can be given (total connections). Data shall be firmed up during actual calculations.

Illustration: ULB name: XXXXX

User Category		Underground Drainage Connections		
		Existing	Balance	Coverage (Total Connections that can be given)
Domestic	Buildings/Flats up to 375 Sft	6504	13620	20124
	Buildings/Flats with more than 375 Sft	13205	27656	40861
Commercial		1523	3191	4714
Institutional		3098	6488	9586
Total		24330	50955	75285

Step No.2:

To arrive the O&M cost per annum considering the total connections that can be given i.e. 75285 as arrived in the above table

Illustration: ULB name: XXXXX

SI. No.	Item of the Expenditure	Amount (Rs.in.Lakhs)
1	Salaries of all categories of employees in sewage section	199.00
2	Electrical consumption charges	154.6
3	Consumables	134.6
4	Cost of maintenance/replacement of pipelines and other material	100.65
5	Repair to pump sets, motors and other sewerage and electrical installations	235.7
6	Loan annuities (of borrowings taken for sewerage installation)	Nil
7	Total Expenditure (per annum)	623.25

Step No.3:

To arrive the category wise (Domestic, Commercial and Institutions) revenue that can be realized per annum based on existing monthly user charges from the total connections that can be given (Number of total connections as arrived at Step No.1).

Illustration: ULB name: XXXXX

User Category		Number of Connections	Existing Tariff (in Rupees)	Revenue Generated (per annum) (Rs. In Lakhs)
Domestic	Buildings/Flats up to 375 Sft (upto 2 seats)	20124	30	72.45
	Buildings/Flats with more than 375 Sft (upto 3 seats)	40861	30	147.1
Commercial		4714	30	16.97
Institutional		9586	30	34.51
Total		75285		271.03

Step No.4:

To calculate the basic user charges that can be fixed to each category for achieving self-sufficiency (to meet 100% O&M cost arrived at Step no.3), by adopting the floor rates prescribed at para 4.1.

To achieve this, different trails have to be made using minimum rates in the first instance, to see if the O&M is being met with the number of connections in each category. The category wise collectable demand arrived at Step No.3 will also help in getting a rough idea of deficits and increases to be made during the trail calculations.

Illustration: ULB name: XXXXX

User Category		No. of Connections	Proposed Tariff (in Rupees)	Revenue Generated (per annum) (Rs. In Lakhs)
Domestic upto 2 seats)	Buildings/Flats up to 375 Sft (upto 2 seats)	20124	30	72.45
	Buildings/Flats with more than 375 Sft (upto 3 seats)	40861	60	294.2
Commercial (upto 3 seats)		4714	150	84.85
Institutional (upto 10 seats)		9586	300	345.10
Total		75285		796.59

In the above example, by adopting the minimum floor rates for each category as given in para 4.1 the ULB is achieving self-sufficiency. This might vary during calculations after collaborating the ground level data.

However, during the trail runs of calculations, if minimum rates are not sufficient for arriving at 100% O&M cost recovery, the ULB has to increase the minimum rates for Institutional and Commercial categories first.

To the extent possible, the charges for Domestic Category have to be retained at the minimum rates in the proposed range, and shall be increased only if there is a gap in the O&M cost recovery, even after the floor rate ranges under the Institutional and Commercial categories are exhausted, so as to ensure lesser burden on the Domestic Users.

4.3 For Donation charges, it is suggested that the users can be broadly categorized with the prescribed floor rates as given in the table below: (the floor rates do not include other costs such as supervision charges, material, road cutting etc which will be fixed by the ULB based on local requirement during grounding of the connection):

Donations		Proposed
Domestic	Buildings/Flats up to 375 Sft	Rs.1000/-
	Buildings/Flats with more than 375 Sft	Rs.3500/-
Commercial		Rs.10000/-
Institutional		Rs.20000/-

The users in all the categories are given concession for payment of donations and other additional costs for grounding the connection on installment basis. The donation charges can be collected in 8 half yearly installments.

4.4 In case of ULBs with FSTPs, the following floor rates have to be notified for adoption once the FSTPs are brought into operation

Capacity (in Liters)	Tariff per Trip (in Rs.)	
	User to Operator	Operator to ULB
Up to 3000	2500 - 3500	375 - 525
3000 - 5000	3500 - 4000	525 - 600
Above 5000	4000 - 5000	600 - 750

5. Transitional Provisions:

5.1 Fixation of tariff during the transitional period i.e., for the 1st year;

- (a) When the existing rate is less than the self-sufficiency rate arrived and –
 - i. the existing rate is required to be increased by 15% or more to reach the self-sufficiency rate, the increase shall be limited to 15%.
 - ii. the existing rate is required to be increased by less than 15%, to reach the self-sufficiency rate, the percentage of increase shall be the actual gap percentage.

- (b) When the existing rate is more than or equal to the self-sufficiency rate arrived, there shall not be any reduction in the existing rate and the existing rate will be increased by a nominal increase of 2%.

5.2 Calculation of Rates for the subsequent Years;

- (a) When the existing rate (i.e., the rate fixed for the previous year) is less than the self-sufficiency rate for the current year and –
- i. the existing rate is required to be increased by more than 15% to reach the current year's self-sufficiency rate, the increase shall be limited to 15%.
 - ii. the existing rate is required to be increased by less than 15% to reach the current year's self-sufficiency rate, the percentage of increase shall be the actual gap percentage.
- (b) When the existing rate (i.e., the rate fixed for the previous year) is more than or equal to the self-sufficiency rate for the current year, there shall not be any reduction in the existing rate. The current year rate shall be fixed at a nominal increase of 2%.

6. Roll Out Mechanism:

The Municipal Commissioners shall submit detailed proposals to the following Committee, showing the existing and the proposed monthly tariff arrived at, duly following the above procedure, along with bye-laws and the Council Resolution, to this effect.

1.	Commissioner & Director of Municipal Administration, A.P., Guntur	Chairman
2.	Engineer-in-Chief (Public Health)	Member
3.	Superintending Engineer, Public Health concerned	Member- Convenor

Upon receipt of the said proposal, the Committee shall study the proposals of the Municipal Commissioners and recommend the proposed sewerage tariff to be adopted by the Municipal Councils/Corporations. After due consideration of the recommendations of the Committee, the Municipal Councils/Corporations shall follow the procedure prescribed for publication of Draft and Final Notifications of the Bye-laws and Tariff in the ULBs for effecting the same from 01.04.2021.

J.SYAMALA RAO
SECRETARY TO GOVERNMENT