



# Municipal Finance

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# Why focus on Municipal Finance

- National Issues –Local Priorities
- Financing services –which have multiplier effect
- High Externalities
- Non excludability-Public good financing
- New Focus- Poverty/ Environment /Climate Change , DM
- CR/CGR, CR/CGP, CP/CGP

(R=Rich, P=Poor, CG=City Government, C=City)

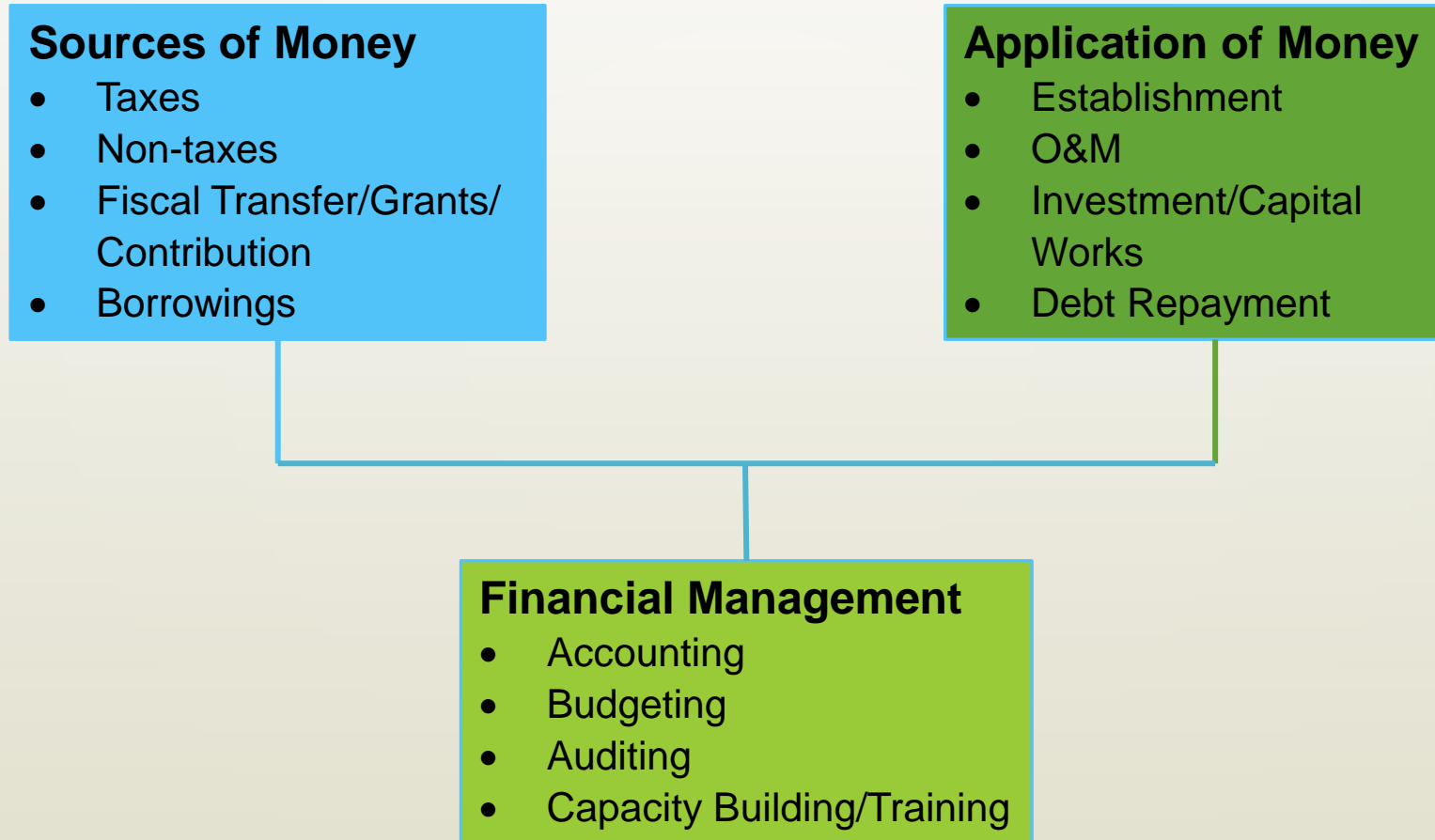
# Municipal Functions in India

## 18 SUBJECTS

-  Fire services
-  Water supply
-  Urban forestry
-  Roads and bridges
-  Slum improvement
-  Interest of weaker sections
-  Urban poverty alleviation
-  Promotion of culture, education and aesthetic aspects
-  Socioeconomic planning
-  Urban planning inc. Town Planning
-  Regulation of land use and construction of buildings
-  Registration of births and deaths
-  Registration of slaughterhouses
-  Cattle Ponds
-  Burial grounds and crematoria
-  Urban amenities inc. parks
-  Public conveniences inc street lights
-  Public health, sanitation and solid waste management



# Structure of Municipal Finance in India





# Issues in Municipal Finance

- Vertical and Horizontal Imbalance
- Inadequate Fiscal Powers Taxes, Non-tax
- Discretionary Devolution (article 243)(c)
- Conventional Accounting ,Budgeting ,Auditing
- Fiscal Crisis-Income expenditure differential
- Lack of technical manpower/cadre



# Vertical Imbalance

- Declining Local Govt. Share in GDP Global 12.7%, ULB-India 1.03 (2012)
- ULB Budget 4.5% of Inter-governmental Budget: Developing countries +/- 20%
- Declining ULB Income (%GDP) 1.74 (1999) – 1.03 (2012)
- Shrinking ULB Expenditure (%GDP) 1.74 (1999) to 1.54 (2008)
- Mis-match in funds, functions (XII Schedule) and functionaries (system)



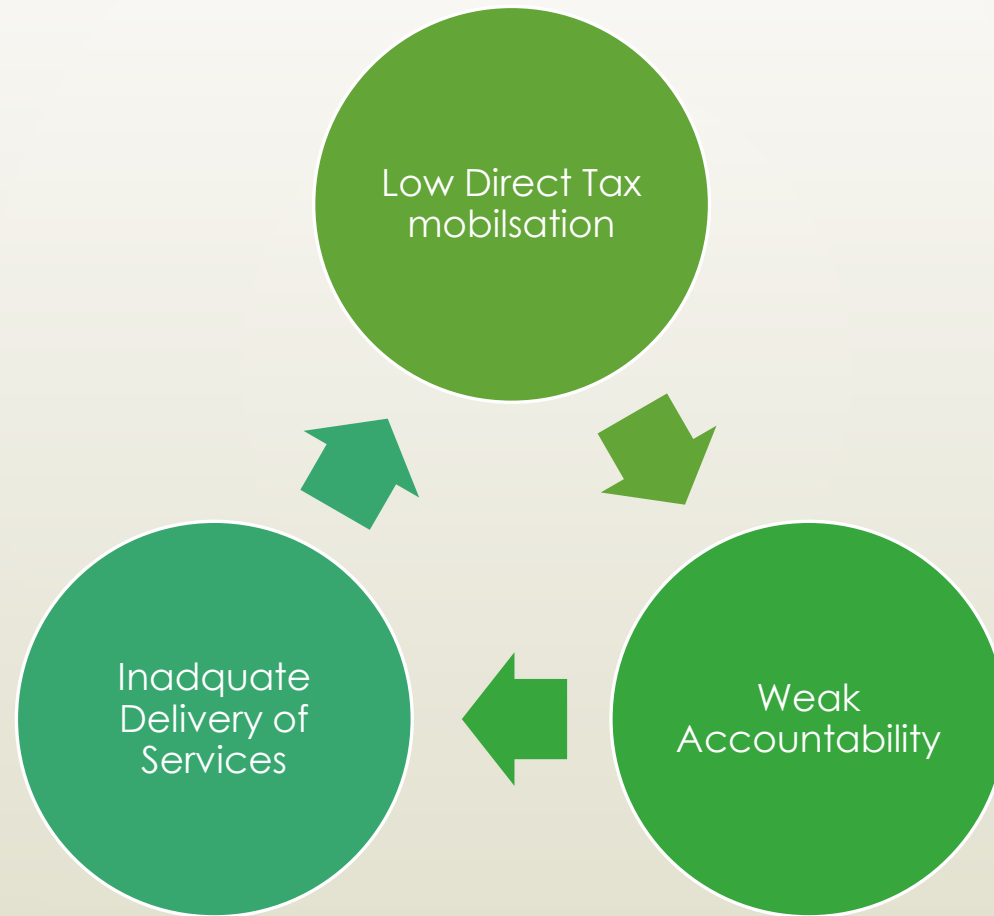


# Horizontal Imbalance

- City Size Variation – M. Corp. – (41% Population, 72% Expenditure)
- Other towns variation (59% Population, 28% Expenditure)
- Declining Own Source Mobilisation (%GDP) 0.60 (2007) to 0.53% (2012)
- Taxes (Decline) 37% (2007) to 32% (2013)
- PT Collections: 5% to 20% of potential
- PT in India (2010) point 23 Developing Countries point 60 – Global 1.04% of GD

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# Low Equilibrium Trap







# Resource Mobilisation

- Financial Management
- Own Sources
- Normative Transfers
- PPP/Innovative Resources/Out Sourcing
- Circular Economy
- Convergence (Local Elasticity)



# Strategic Fiscal Gap

- Low Equilibrium Trap
- Front line cities (20% urban population) – salary issues
- Gap= Rs. 51 Lakh to 91 Lakh Crore (HPEC/MGI) (2012)
- Non-discretionary/Discretionary Expenditure
- Liquidity and Solvency Issues
- O&M and Investment
- Resource Mobilisation



# Financial Management

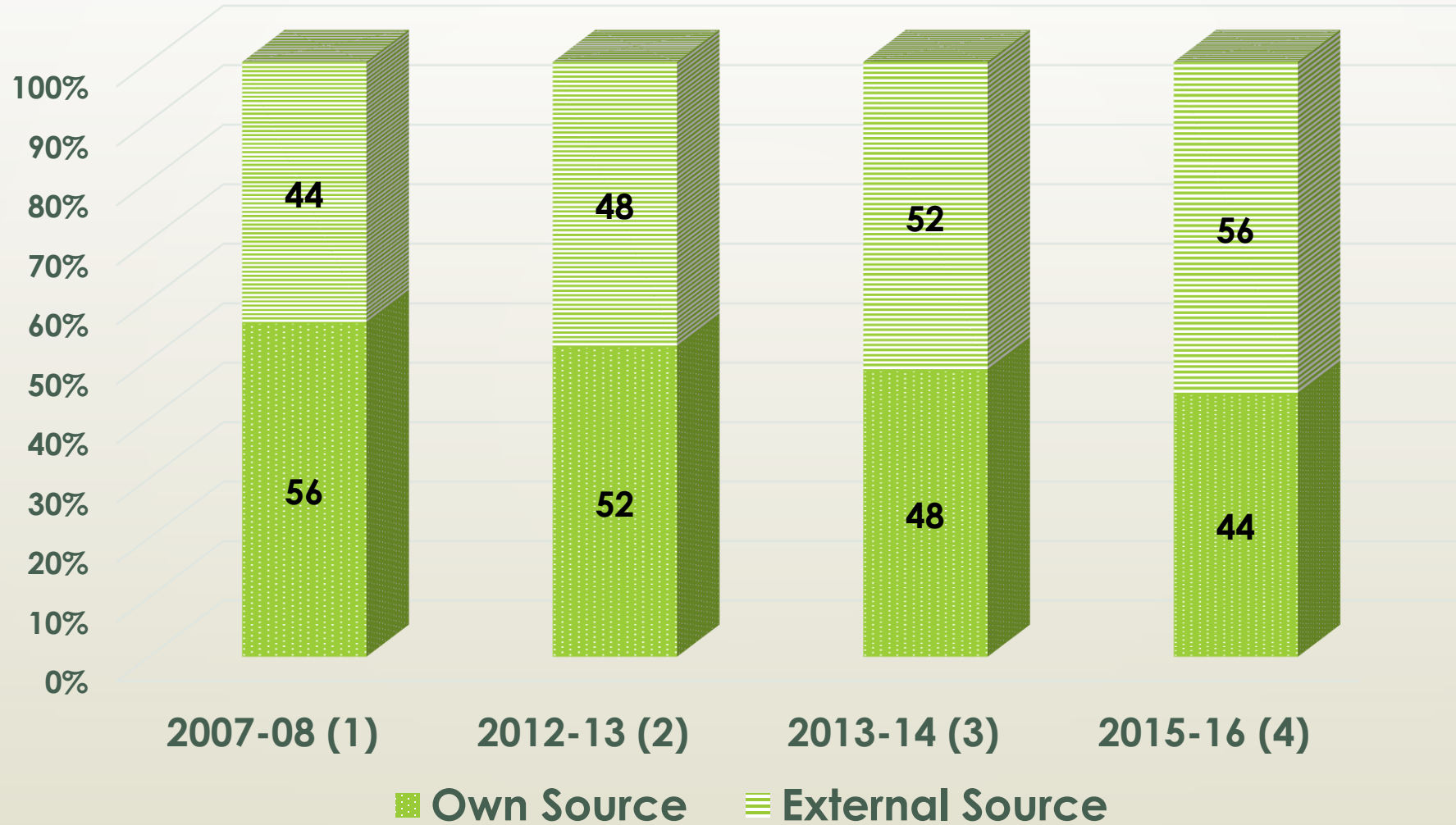
- Accounting-DEA, Ratio Analysis, ABC Analysis
- Budgeting-Realistic
- Asset Management
- Auditing
- Cadre development
- Capacity building



# Own Sources

- PT Innovations – Coverage, Assessment Collections
- GIS mapping, Unit Area/Capital Value, Online Collection, In-built rebate, Incentives and Penalties: Ahmedabad, Hyderabad, Delhi, Gurugram
- Advertisement Potential - Mapping: Bengaluru (Three time jump)
- Building License Fee – Rate, coverage

# Own Source in Municipal Finance in India





# Role of Municipal Taxes

- Low Equilibrium Trap-Low/No Direct Recovery
- Taxes-Transfer of Purchasing Power(Equity)
- Taxes on Income and Expenditure/,Benefit Tax
- Taxes-Property Tax, Tax on services
- Other land based tools –Exactions/Impact fee ,Valorisation ,Betterment Levy
- Municipal Fees-Building License , Shops/Est.





# Property Tax-The Mainstay

- Historically most dependable municipal tax
- Value capture cum Income Tax
- Benefit Tax, Land Value Gains
- Highly under utilized Tax to 10 time potential
- Historical limitations , Discretion /Exemptions
- Unit Area Method /Revision Bottlenecks



## Relative Weight of PT in India

- Point fifteen per cent of GDP in India
- Global average is one point zero four
- developing Eco. average point sixty percent
- One seventh of global Efficiency
- One fourth of Developing, Eco. Efficiency
- Inadequacies –Base, Rate, and collection



# Frozen Base

- Incomplete data Base /listing of properties
- Size ,location and use information is frozen
- Exemptions to different pressure groups
- Owner occupation ,Religious /Low income Areas
- Government Properties/Educational Instt.
- Delays in jurisdiction revision



# Static Rates

- Periodic revision of rates is not done
- UAM rates not revised -Stagnating
- Unwillingness at Policy level-Delhi example
- Mutations are not covered in real time
- No political agenda of recovery of expenditure
- No state level institution to monitor revision



# Poor Collection Efficiency

- Ad-hoc assessment of Demand
- Demand(D) locked up in litigation
- Absence of Collectable(arrears/Current D
- Poor mix of incentives and penalties
- Willingness to collect is low
- Legal impediments on big wigs



# Emerging Concerns -XV FC Focus

- Meeting with MoHUA on 17 July
- Relevant data,
- Valuation/assessment,
- Periodic revision of rates and
- Efficient collection of PT.
- Tripartite synergy & political economy





# PT Innovations

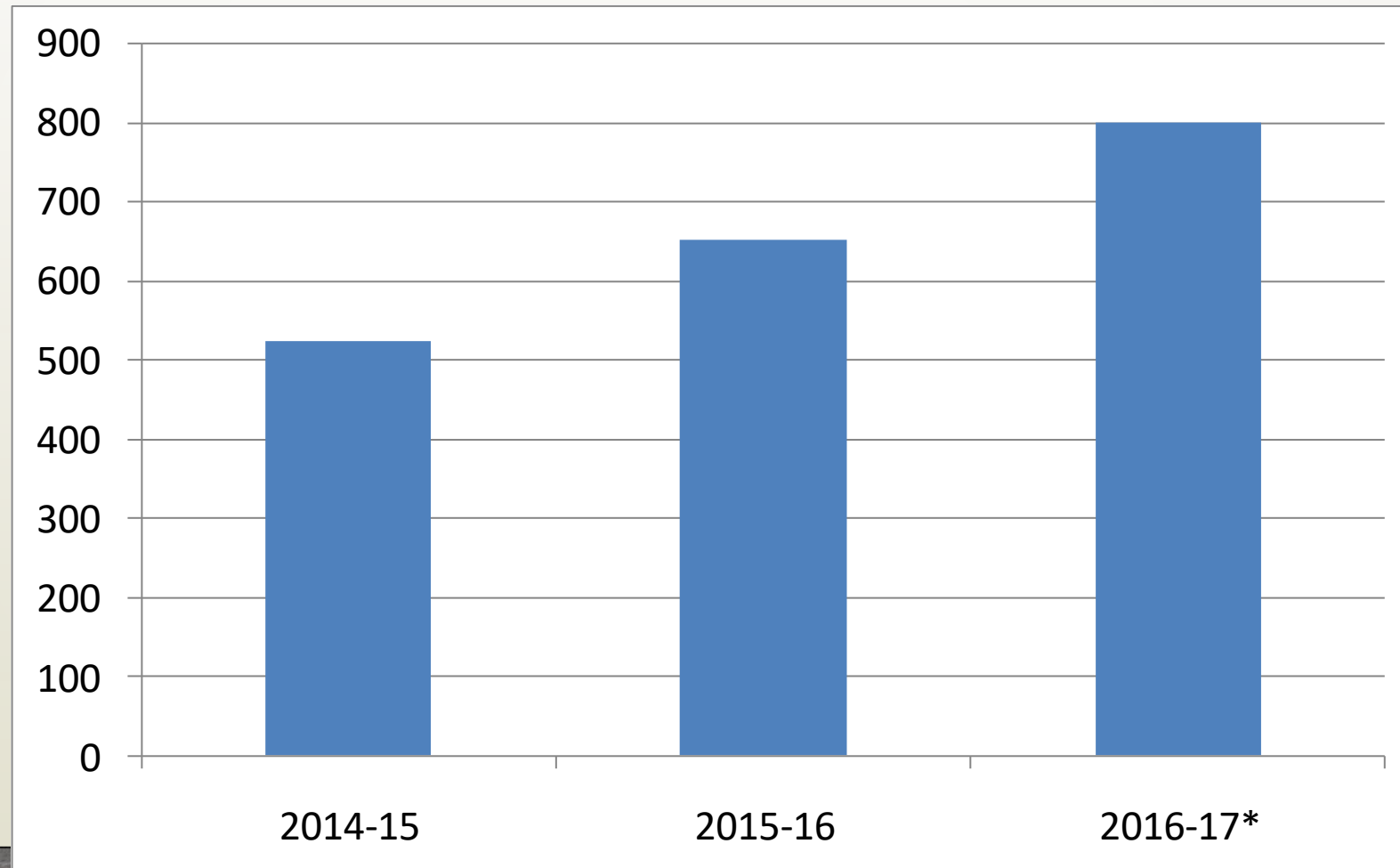
- Rate is Politically sensitive
- Base and Collection –used potentially
- **Delhi**-South Delhi Municipal Corporation
- **Ahmedabad Municipal Corporation**
- **Gurugram** Municipal Corporation
- **Hyderabad** Municipal Corporation



# SDMC Initiatives

- Constant Improvement
- Expansion of Base –Information
- Big Properties , UPI Card ,X-check
- Collection Drive –Media,On -line ,Govt. Prop.
- Implications
- Improvement in Services

# SDMC Property Tax Collection 23 (in Rupees in Crores)





## Base Expansion

- Issued 4 lac Unique Property Identification Code
- X-Check                      Electricity                      Conn./Satellite  
images,registrations/Conversions
- Approximately 2.00 Lacs potential tax payers identified
- 10% increase in the tax payer net
- Special drive /Field Survey schools, hospitals, farm houses, malls
- Bringing 1 100 such properties under the tax net.



## Collection Drive

- Extensive Media campaign - print media, SMSs and FM Radio etc.
- Notices were issued to more than 200 Govt., Semi-Govt. Deptts, PSUs and other defaulter organizations
- 30,000 tax payers added in the tax net
- One time settlement scheme
- On line returns /payment -banking, debit/credit card / e-wallets

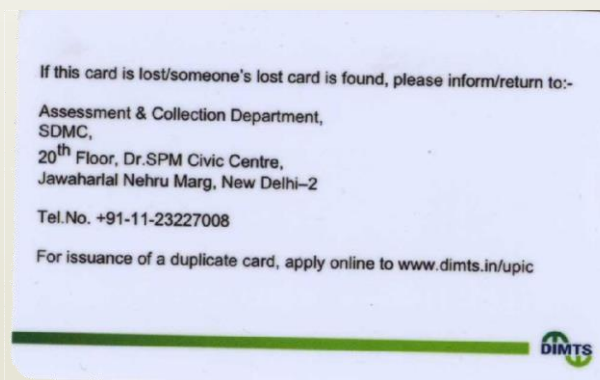


## Collection Drive

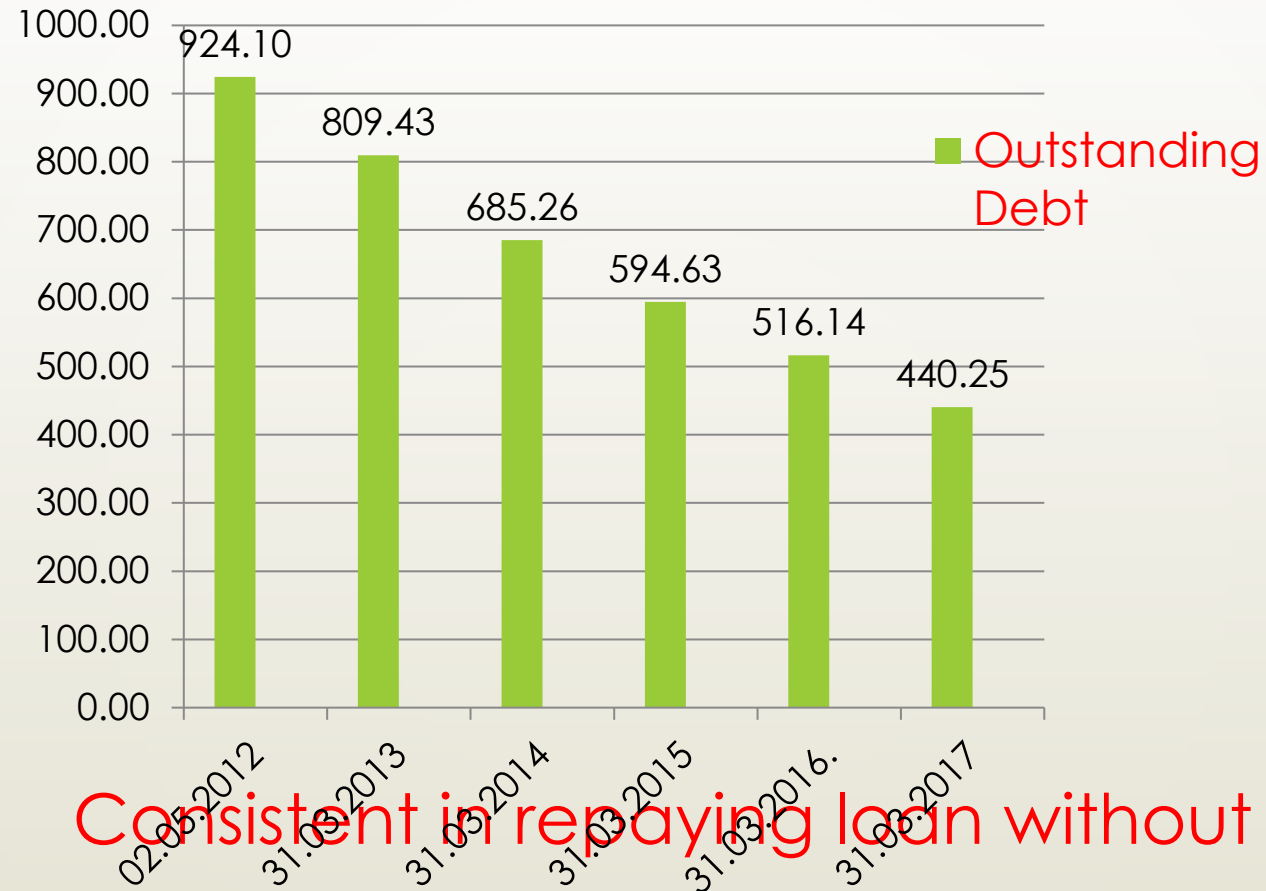
- Attachment of Bank Account
- A time limit of 7 days for redressal of the tax payer's grievances
- Online e-passbook and Arrear demand and collection register
- Linking of UPI code with property record held by them.
- Software for online mutation



# UPIC CARD



# Reduction of debt (Rs.Cr)



Consistent in repaying loan without default



# Other Land Based Tools

- Impact Fee
- Betterment Levy /Valorisation
- Exactions
- Capture land Value gains
- Caused by Infrastructure Upgradation
- Essential for Public Good Nature of Infrastructure



# Impact Fee

- Impact of Housing on Infrastructure
- Existing and Future Infrastructure
- Augmentation /Replacement
- One time charge
- Wider scope on post development scenario
- Hyderabad Municipal Corporation is Levying



# Impact Fee Modalities

- GHMC and Andhra/Telangana
- Imputed cost on Development
- Eligible Roads –commercial purpose
- Rs. 300-400 per sq.ft.
- One time charges-Real estate Impact
- Relaxation -6 instalments/completion
- Ground/first /second floor mortgage



# Exactions

- Contribution for Social Facilities,
- Development Commercial complexes
- Open spaces, Circulation, parks etc.
- Advance Land from Developer
- Used in Land Pooling
- Delhi Land Pooling is attempting





# Betterment Levy/Valorisation

- Charging the cost of betterment of area to be developed
- Widely used in Latin America
- Applied in Gujarat and Maharashtra TP Schemes
- Use land value gain potential
- Recover the entire cost
- Effective in small size schemes



# Betterment Levy/Valorisation

- Betterment Levy 30-40 percent of Land Value
- Gujrat 31% in one case in Ahmedabad
- Valorisation –Recover partial cost
- Flyover, Overbridges,High way
- Other infrastructure improvement –Water,Sewage etc.
- Till the cost is recovered



# Fiscal Transfer

- Post 74th CAA Reforms: Article 280 – insertion of clause (c) (80% General and 20% Performance)
- Normative Base
- Quantum Jump in CFC Allocation (1995 to 2015) (X-Rs. 1000 Crore to XIV Rs. 87000 Crore)
- SFC 243(Y) Variation in Constitution (only five: all 5 SFC)
- State Reluctance and Go-slow on SFC recommendations
- Yet, predictability and access to united funds
- Potential for prioritisation



# PPP

- Efficiency, Productivity, Resources & Equity
- Water, Sewage, Toll Road, Electricity
- Delhi, Pune, Bengaluru, Ahmedabad
- Hybrid Annuity Model -Project – Mathura 20MLD: Water Purchase Rs. 8.375KL 15 year for Fixed Cost + O&M



# Innovative Financing/Investment


- Community Contribution – Alandur
- Municipal Bonds (Including Refinancing) 22 by 1997 for Rs. 12 Billion
- 13 years gap - Pune (2017), Hyderabad (2018) Rs. 200 Crore each and Rs. 100 Crore Indore (2018)
- Financial Management Reforms
- 91 SPV under Smart Cities – opening potential
- Three types of Bonds-project, refinance, pool finance



# Case Studies

- SDMC Delhi
- Thiruananthapuram
- Ahmedabad
- Bengaluru
- Circular Economy
- Convergence



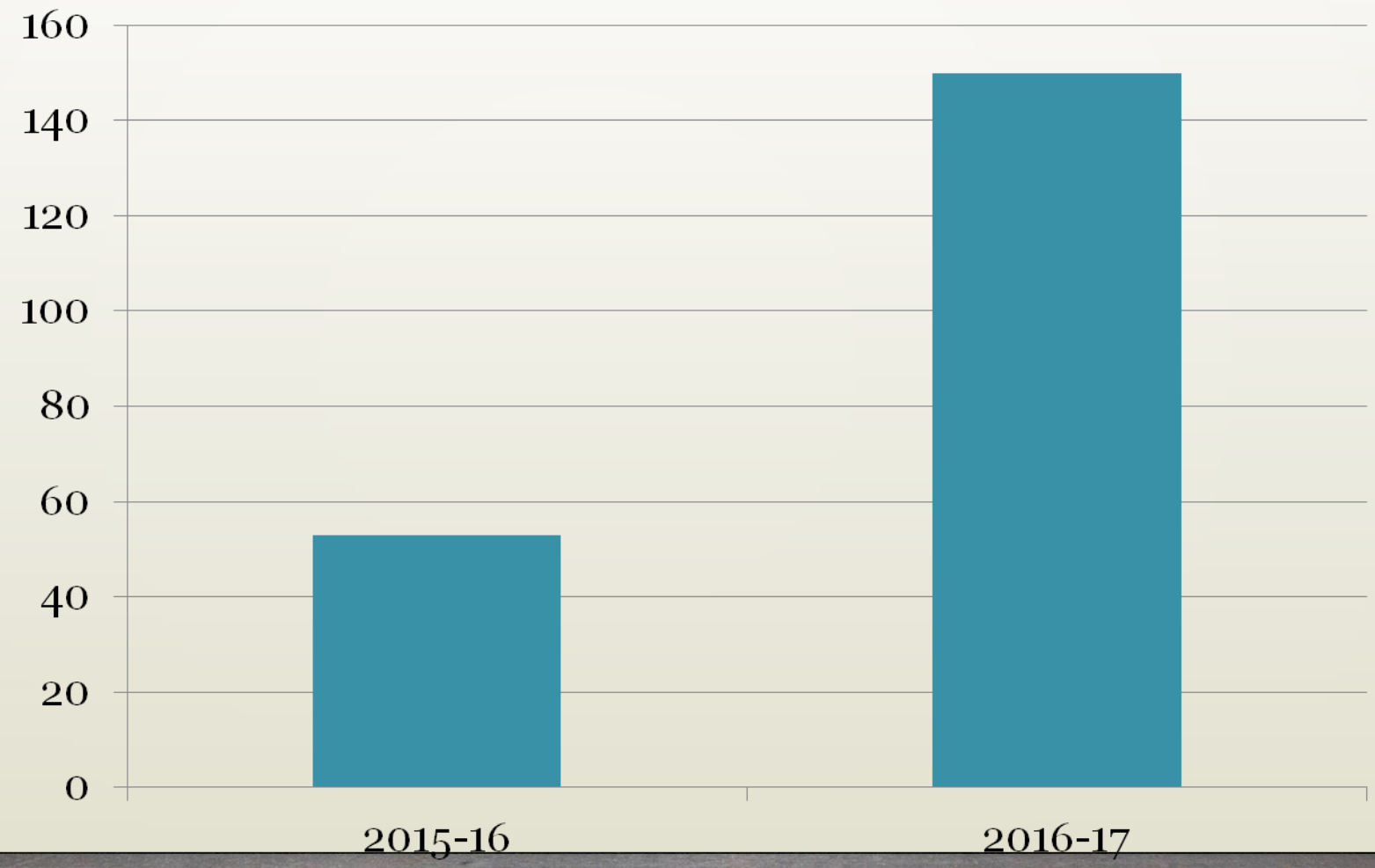


# Internal Resource – SDMC Case Studies

- Advertisement Fee in
- Parking fee
- Trade Licence fee
- Maintenance of Parks
- Other Innovations
- Fiscal Implications



# SDMC Revenue from Advertisements (in Rupees in Crores)





# SDMC-Revenue from Advertisement

<https://www.media4growth.com/ooh-news/sdmc-announces-revised-rates-for-mall-wrap-signages-3127> as on August 2020

- Advertisement/hoardings business was the fiefdom of the mafia in Delhi.
- Initiated strictest action for removal of illegal hoardings.
- South Delhi area was regrouped into 20 clusters against earlier 15.
- Condition of prior registration of the bidder was removed for better competition
- Rationlised terms and conditions of the tenders for advertisement rights
- Rates vary –Zone /location wise from Rs.100 to Rs 800 psq.ft.
- No illegal hoardings are allowed-3 time jump in revenue
- Online permissions-Cell tower on wheels /Cluster Advertisements

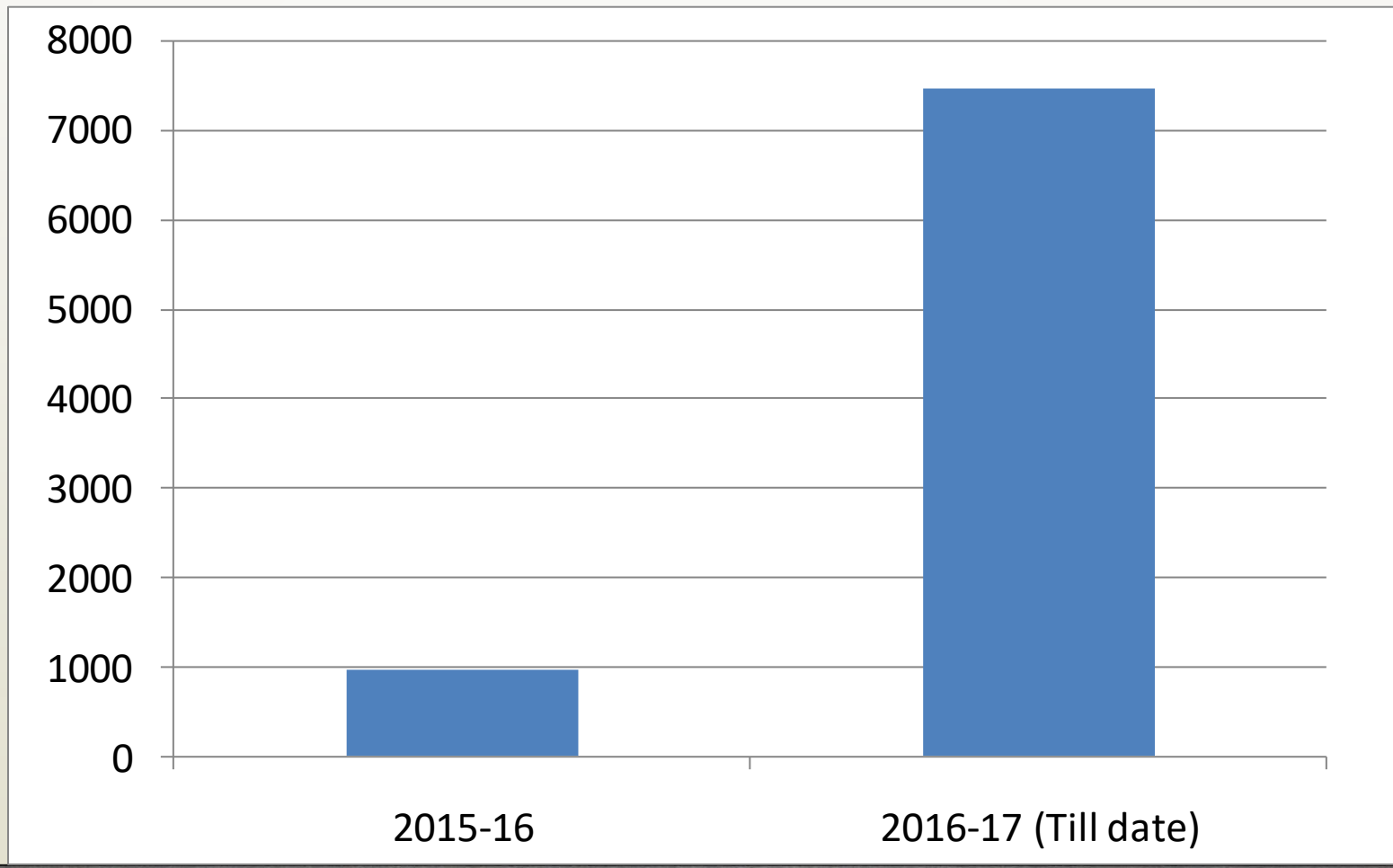


## SDMC Parking Management

- SDMC initiated strict action against parking mafia.
- No prior registration of parking contractors
- General public/entity allowed to submit their bid in two bid system
- Relaxed eligibility conditions brought better competition
- major parking sites given to Traders Association.
- Six time Increase in Revenue

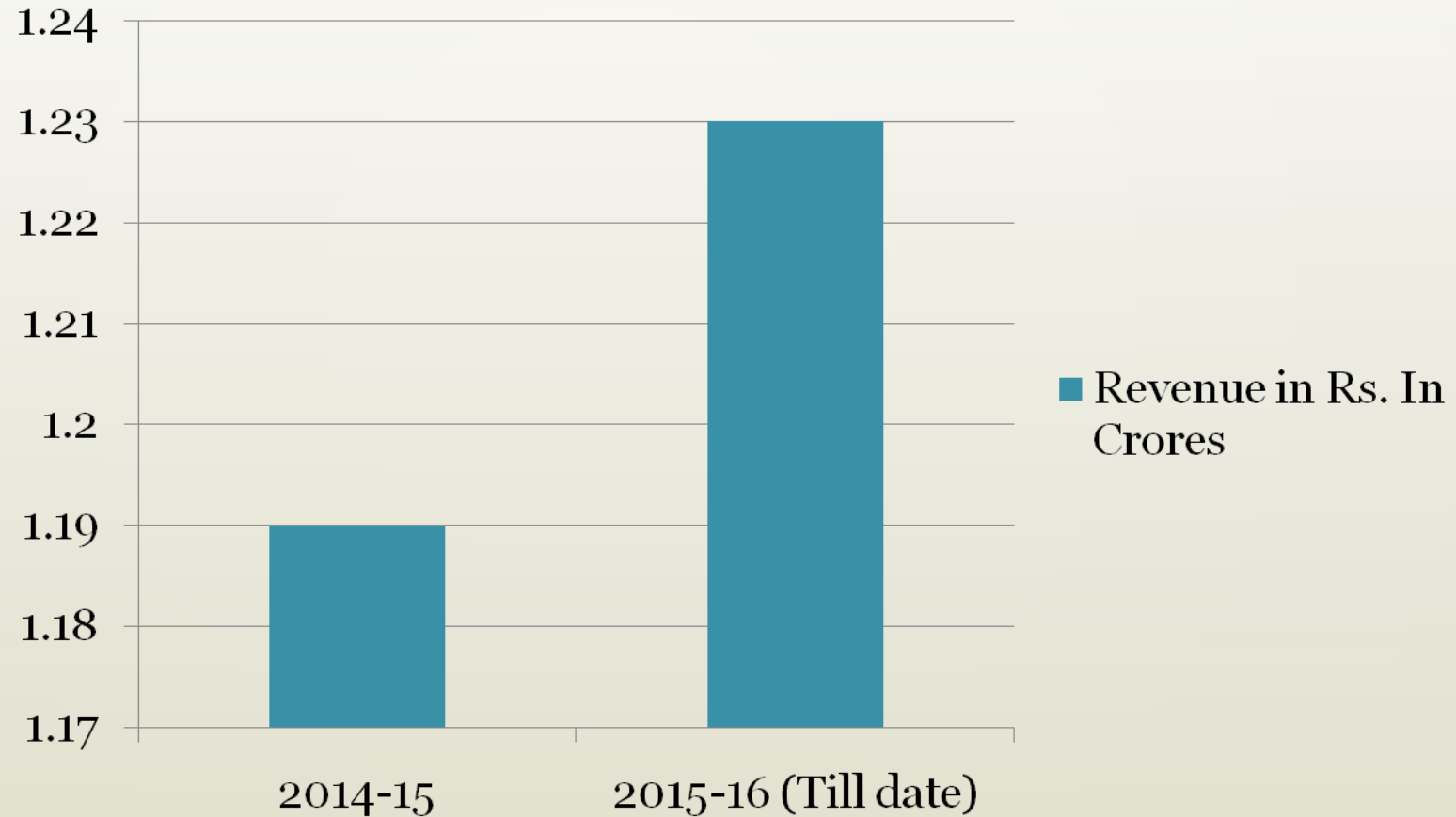


# SDMC General Trade License (GTL)



# SDMC Health Trade License (HTL)

## Revenue in Rs. In Crores







## Simplification of General Trade License (GTL)/ Health Trade License (HTL)/Food License

### Pre-Online

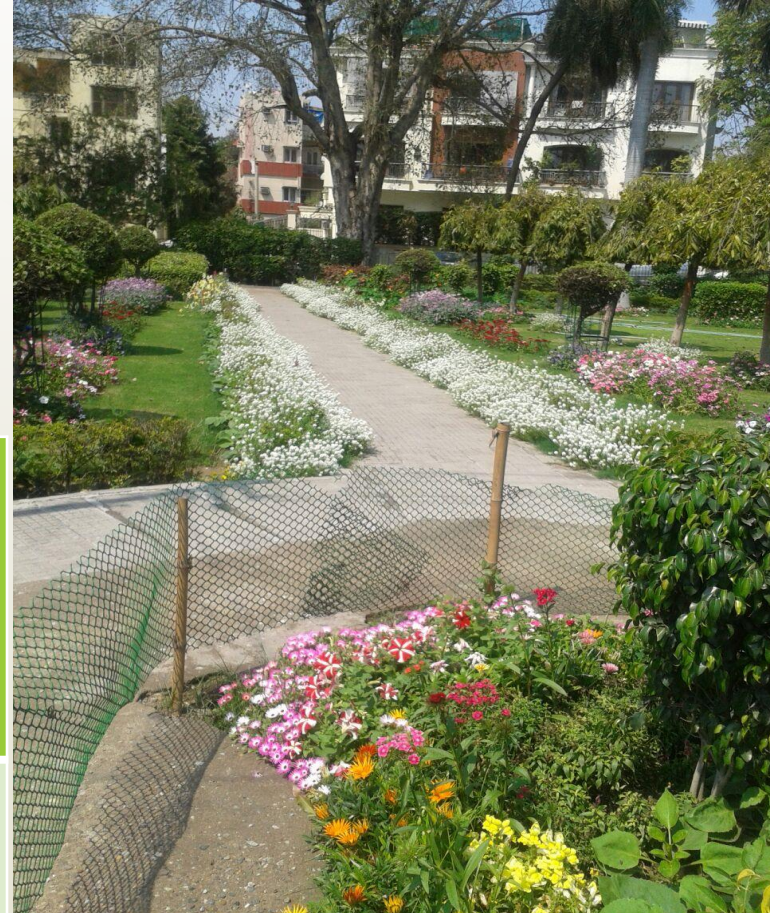
- 20-22 documents required
- No time limit for issue of licenses
- Regular inspections were done by inspectors
- Lot of Complaints were received
- Sense of discontentment among license seekers.
- Lots of affidavits were to be submitted

### Post-Online

- 4 documents required
- Instant issue of license
- Inspection has been dispensed with
- Trust based system set up
- System of transparency established
- No affidavit required

Horticulture Department SDMC presently manages 6416 parks covering 1846 acres area under its jurisdiction.

Total no. of parks	Area in Acre	Ornamental Parks	Ordinary Parks	Children Parks	Parks booked for functions	Parks Under P.P.P. Scheme
6823	2202	2594	3627	190	62	1047





## INNOVATIVE Maintenance of Parks

- Financial assistance of Rs.8000/- per month per acre to Residents Welfare Associations (RWA) for engagement of Malies for
- Development and maintenance of about 1047 parks adopted by 162 RWAs.
- 942 Malies by outsourcing the job to qualified firm.
- Recycled water (1.00 Lac litre per day) from a major hotels
- More Hotels are covered for greening of the MCD Parks.
- Work on 25 ETPs is in progress for recycling water for parks





## INNOVATIVE Maintenance of Parks

- Setting up of small decentralized effluent water treatment plant
- Reusing the water from storm water drain/open drain for irrigation of parks.
- Setting up of green waste management plant
- Convert the green waste to useable form viz. Refuse Drive Fuel(RDF), Green Manure, Mulchers
- Creation of biodegradable waste management pit in the horticulture department nurseries.



# SDMC-Other Innovations

- Revenue from Cell Towers -out of 4100 Only 1144 licensed
- 16 Crore may be realized at current rate of Processing Rs.1 Lac
- Revenue from leasing out of two lac electricity poles-20 Crores
- Leasing out of roof-top of municipal buildings for solar power generation
- Generation of permanent source of rental income
- Addl. revenue to be earned if certain roads are notified as 'commercial' or 'mixed-land use'
- Revenue from Banquets and social functions

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The Corporation is working towards generation of rental income by leasing out its properties by constructing office spaces on some of its land, for which, land at Vasant Vihar, Shivalik and Dwarka has been identified. This may lead to an annual income of Rs. 100.00 Cr per annum.

- **Professional Charges:**

The Corporation is proposing levying of Professional Tax subject to approval of the House which will add Rs.20.00 crores to the revenue.

- **Levy of Way Leave Charges**

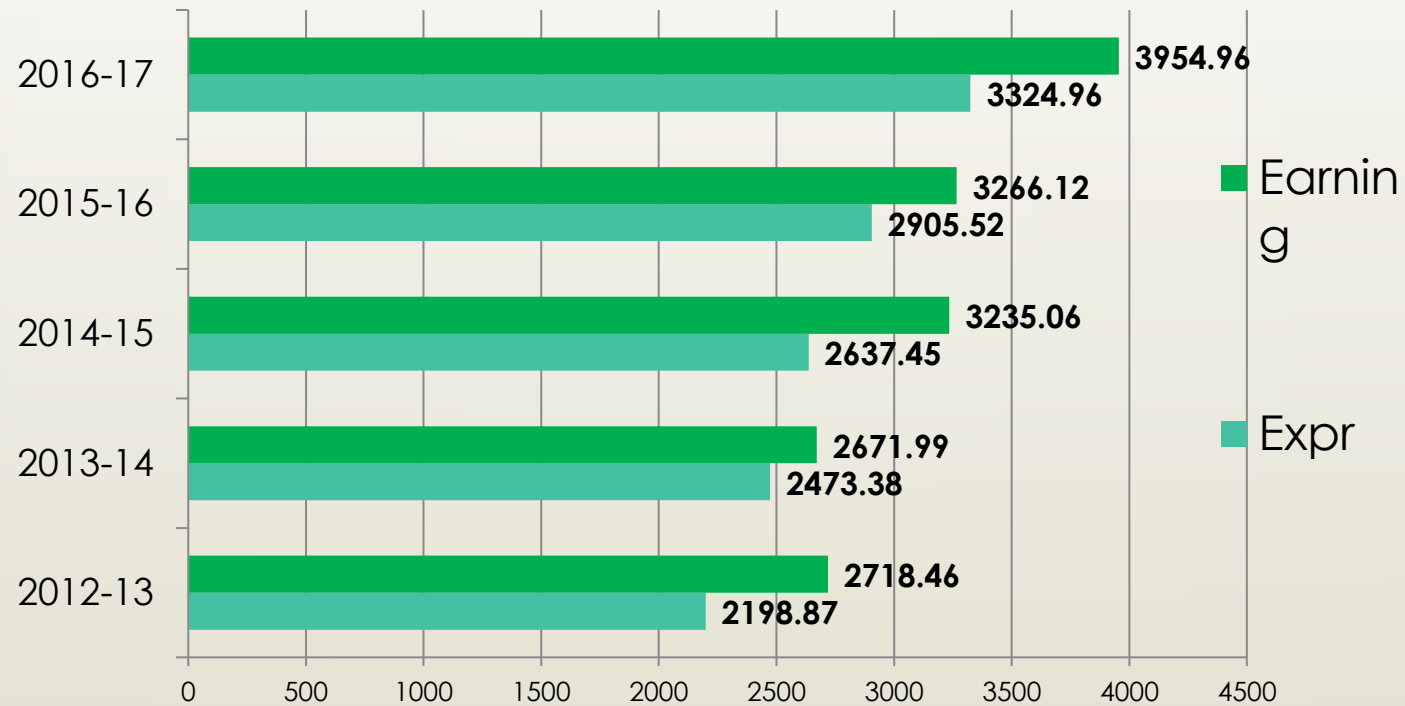
Various land available to the Corporation for right of way is used by utilities, such as IGL, DJB, Cable Operators, Fiber Optic Lines, etc. The Corporation is exploring the possibility of charging a one-time or annual value from such operators for using the land of the Corporation.

A survey was conducted by MCD before approval of 351 (307+44) roads by the Corporation within the stipulated period, as per MPD-2021. The list of the roads was prepared and after the approval of the Corporation, the same was forwarded to GNCTD for gazette notification. Since nearly 6-7 years have elapsed after the roads have been surveyed and approved by the Standing Committee / Corporation / erstwhile MCD, all the three Corporations have been incurring revenue loss due to non-collection of conversion charges and other charges. The Director (Local Bodies) had sought certain clarifications in this matter. These clarifications were provided and finally on 08.12.2016, a request was made for taking urgent action relating to issuing notification of these 351 roads. An early action in the matter would lead the Corporation to earn substantial revenue.



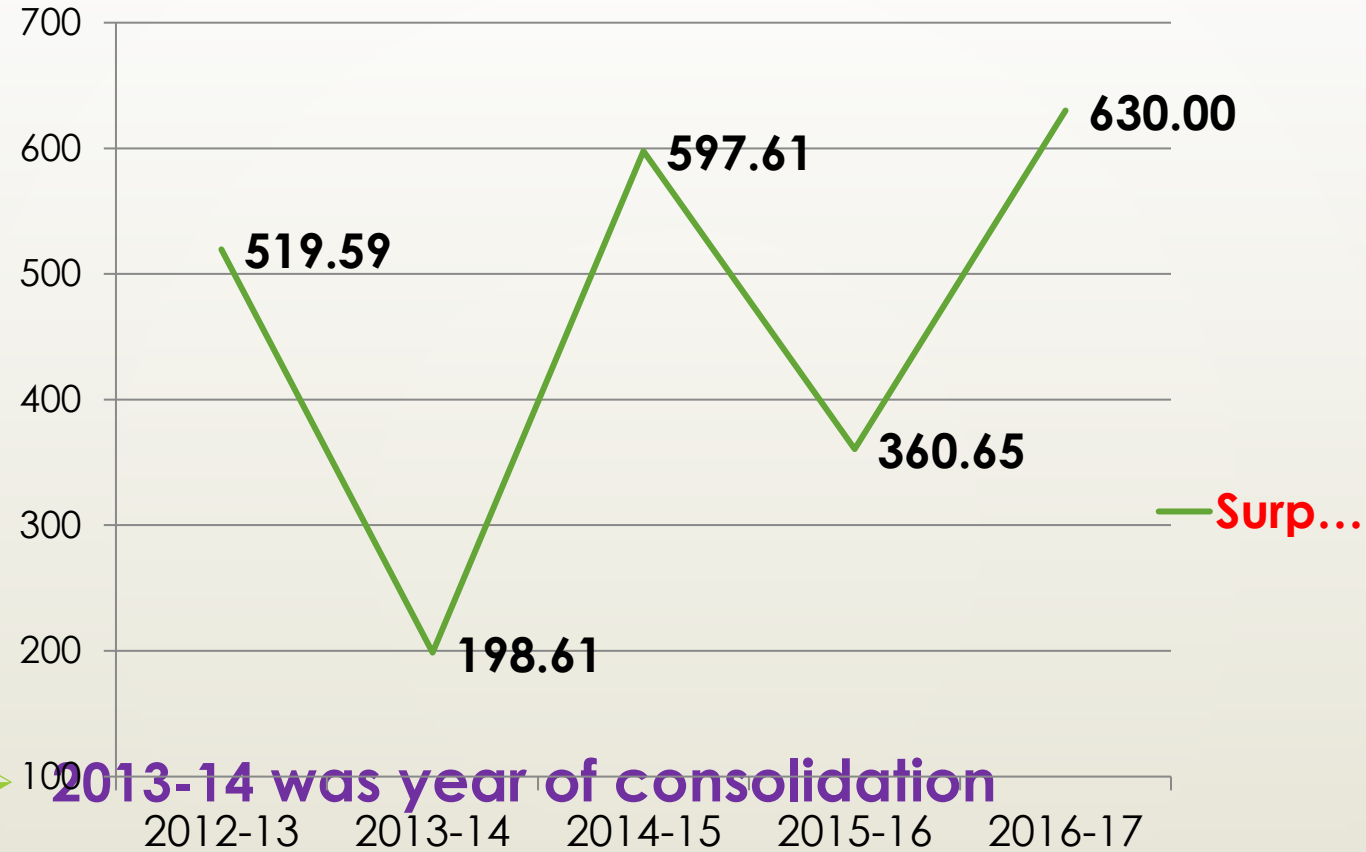
## Y-o-Y Financial Performance of SDMC (Rs.Cr)

	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Earnings</b>	<b>2718.46</b>	<b>2671.99</b>	<b>3235.05</b>	<b>3266.12</b>	<b>3954.96</b>
<b>Expendr</b>	<b>2198.87</b>	<b>2473.38</b>	<b>2637.45</b>	<b>2905.52</b>	<b>3324.96</b>



➤ Consistently generating higher revenues above expenditure

## Y-o-Y status on surplus (Rs.Cr)



- 2013-14 was year of consolidation
- 2014-15 Steep increase due to one time revenue on farm houses



# Thiruvananthapuram License Fee

<https://www.newindianexpress.com/cities/thiruvananthapuram/2019/apr/03/thiruvananthapuram-corporation-sets-a-record-in-advertisement-licence-fee-1959345.html>

- 1.25 Crores in 2018 to 2.12 Cr in 2019
- Levying fee as so continued after GST
- License fee, Erection charges and Rent
- Had Bye laws for Advertisement fee
- Had special drive to plug leakages
- Identified 33710 unauthorised Boards



# Selected Innovations-AMC

FM	DEAS (Double Entry Accounting System (First/initial successful effort) PT (property tax) Reforms
O &M	SRIDC (Sabarmati River Front Development Corporation (first Municipal owned SPV) Citizen centricity-Multi Purpose Civic Centres
Investment /Capital Project	Kankaria lake Development Project (Unique contracts) Municipal Bonds (First of it's kind)



## Process & out put FM-AMC

- DEAS-political decision –adoption-NMAC, MGAS , staff ,On line Application & multi year follow up
- *Ratio Analysis/ statements, Multiple Fund Accounting , ABC Analysis & Accounting Innovation, Mortgage, Realistic budget*
- PT-Objective Assessment, GIS, Zonal Collection, E-Seva Kendra & Online collections.
- *Resource base expansion, timely billing, nearly five time increase 10 years (2014-15)*



## Process & Output-O &M /Service Delivery: AMC

- SRFDC- development, local treatment of sewage, resettlement, safe environment, Revival of river, river front
- *Revival of City lifeline, Tourism promotion, Inclusiveness, climate change*
- Nagrik Suvidha Kendra—WAN-LAN (2500 PC), O & M, Revenue Health, TP, Project, Video Conferencing
- *64 words, 55 CS centres, 76 lakh complaints of 204 types for 24 deptts ( in person/on lines/SMS), 80% redressal, 24x7 access , Third party assessment/awards & 145 lakh visitors/two million transactions .*





## Process & Output: Investment/Capital Projects at AMC

- Kankaria Lake Development: Revival of water body: congestion, pollution, encroachment, street furniture, 24x7 up keep/security ,73 units livelihood.
- *Model for Water body /Drain Management, Eight main items -tree walk, aqua cart, safari, amusement park, Atal express, get together, tourists carnival, tethered balloon*
- Municipal Bonds: Efficient financial management , Resource generation project development skills/experts, banker, incentives/concessions, stock exchange
- *Four issues 1998, 2002, 2004, 2005 (Rs. 450 crore), Fifth now proposed for Rs. 200 crors, Becomes a model*



# Select Innovations in Bangaluru/BBMP

FM	DEAS (Double Entry Accounting System) PT (Property Tax)
O & M/Service Delivery	(i) Geo-enabled smart delivery of services (multiplier effect) (ii) Innovative solid waste management (unique in India)
Investment /Capital Project	(i) Participation maintenance of Municipal Assets (legal banking) (ii) Dedicated Weaker section Innovative Budgeting (22.7%)

# Process and Output-FM at BBMP




- DEAS since 2001, FBAS, Multiple funds (off line), coding/NMAM, IFAS-on line (being initiated)
- *Balance sheet (2012-13), Financial statements, Ratio Analysis, ABC Analysis, DCB Statements, Performance Budgeting (Current proposal 53% pending 47% O&M-83% Dev. 33%*
- PT-verification, self assessment, GIS data, decentralization ( six zones 64 sub division offices), unit Area rate, on line notified revised on 9 March 2016, 5% rebate and 20% penalty, attachment of bank account, vacant land , hotels, multiplexes etc.
- *Transparency & wider Acceptance, Rs. 1810 crore (2014-15), Rs. 253 crore on line collection.*



## Process & Output-O&M/service deliver at BBMP

- Roads/ Land space/Properties: Inventory Modules, New works cutting management, Business process optimization/elimination of duplicate work, real time data, APPS on GPS and data updates
- *Optimal planning & allocation, employee productivity, auto index workflows, expenditure efficiency, VIP no properties, Third Party monitoring, vehicle tracking, PT performance, Asset management , Innovative Schemes,253 Crores on line collection*



## Process & Output-O&M/service deliver at BBMP

- Innovative SWM-Bulk Service Provider (>10 kg) (charge basis), vegetable/ fruit market, dry, medical and construction waste Authorised agency), waste to energy-kitchen waste (5 year O & M), plastic waste, temple waste, Awareness programmes.
- *80% outsourced to BSPs, Bin less city (commercial only), 5 acres to Hotel owners association for 20 year on BDOT, 175 DWCC, 7 sites for Construction Waste, 6000 rag pickers, street lighting Kitchen waste , 12 bio methanization plants planned ,smokeless/solid/fuel-Bricketing plants / e- friends, 3-WMP-PPP, Road construction from plastic waste and crude oil (under construction)*





## Investment/Capital Projects/BBMP

- Public space preservation & regulation Act 1983, Participatory development Projects-Walkers Asso, schooling, namma, Namma B'luru- Namma kodge/Our Bangaluru My contribution (NGOs, RWA), equipment's, Assets and Advts.
- *1688 listed public spaces, 1146 gardens, 256 grounds, 286 other open spaces, 87 parks, 5000 tress, O & M of parks & lakes, weekend meets, voluntary teachers, 6 bus shelters, 3 years BOTs for fitness equipment's.*





# Investment/Capital Projects/BBMP

- Innovative investment 22.7% of development budget, basic amenities, health, education, recreation facilities.
- *SC/ST, Minorities, physically challenged persons ,safe environment, productivity related projects on a regular basis, Inclusion in terms of books/uniforms, vaccination, vocational training and Local economic development.*

# Sabarmati River Front- After the Project





# Out -sourcing

- Hybrid Annuity Mode-O&M -Mathura
- Office Upkeep (Quite Common)
- IT Services – Crowd Sourcing
- Municipal Machinery & Vehicles – Waste Collection, Pumping
- Revenue Collection





# Municipal Finance and Circular Economy

- RRRR, Reduce, Recycle, Reuse and make it a resource
- Circular Economy-a must for sustainable Development Goals
- Output as input for another product
- Huge Municipal market in India
- Solid waste, water, End of Life Vehicles (4 million in Delhi)
- Electronic waste, C&D waste,









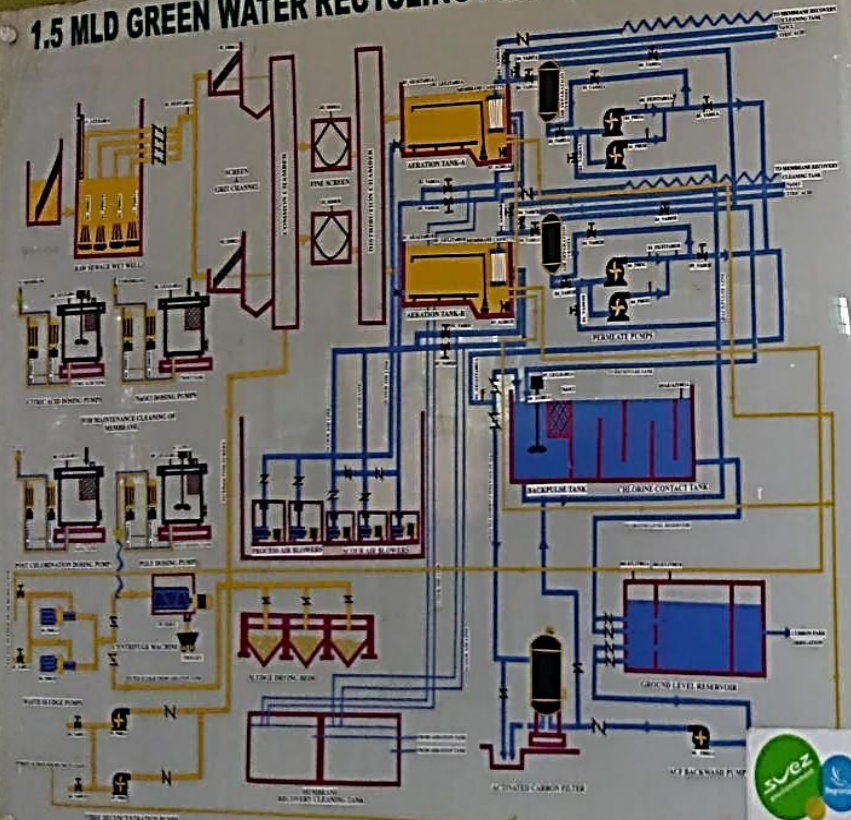








# 1.5 MLD GREEN WATER RECYCLING PLANT CUBBON PARK



## 1.5 MLD GREEN WATER RECYCLING PLANT CUBBON PARK TREATED FLOW: 124 PM<sup>3</sup> ANALYSIS REPORT DATE 03-06-2017

PARAMETERS	RAW SEWAGE	TREATED WATER	GUARANTEE	REMARKS
pH	6.8	7.2	6.5 - 8.0	SAMPLING DATE 02-06-2017
TSS(Mg/l)	218	0.9	≤ 3(Mg/l)	SAMPLING DATE 02-06-2017
BOD <sub>3</sub> (Mg/l)	190	2.2	< 4(Mg/l)	SAMPLING DATE 30-05-2017
COD(Mg/l)	400	15	—	SAMPLING DATE 02-06-2017
TURBIDITY (NTU)	178	0.06	< 2(N.T.U)	SAMPLING DATE 02-06-2017
TOTAL COLIFORMS	17 × 10 <sup>6</sup> mpn/100 ml	BDL	2.3 mpn/100ml	SAMPLING DATE 02-06-2017
FECAL COLIFORMS	5 × 10 <sup>5</sup> mpn/100 ml	BDL	B.D.L	SAMPLING DATE 02-06-2017





**DRY WASTE PROCESSING CENTRE**

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Swachhna Eco Solutions in association with BBMP









# Convergence

- Local Elasticity – cash kind and management responsibility
- Ownership, Belongingness and participation
- Corporate Social Responsibility
- Constituency Fund, Local Community
- Parks, Lakes, Roads, Garden
- Delhi, Bengaluru, Indore, Hyderabad, Chennai etc.





# Sum Up

- Attend Municipal Fiscal Imbalance and Stress
- Bridge Strategic Fiscal Gap
- Carryout Devolution of Fiscal Powers to ULBs
- Apply Innovative Resource Mobilisation
- Rationalise Institutional arrangements
- Build Capacity of ULBs

**Thank  
You!**