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Study on "Sustainable Financing For Urban Karnataka" -Viable Options

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– Director
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Bangalore – 560 001

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CITY MANAGER'S ASSOCIATION, KARNATAKA

Sustainable Financing of Urban Karnataka: Viable Options



PUBLIC AFFAIRS CENTRE
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Public Affairs Centre
August, 2018

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Preface

This study is hopefully the first step towards a long-term engagement between Public Affairs Centre (PAC) and the Urban Development Department and Directorate of Municipal Administration, Government of Karnataka.

PAC was invited to undertake this study, to garner evidence from selected cities on quality of service delivery; municipal staffing and other financial challenges faced and make recommendation to overcome them.

The main areas of focus for PAC during the course of this study were:

- 1). Assessing the expenditure needs of the selected cities to meet service delivery standards as prescribed by the Service Level Benchmarks (SLBs), Ministry of Urban Development (MoUD).
- 2). Evaluating the current staffing patterns and make recommendations for optimising staff strength in selected local bodies
- 3). Assessing quality of service delivery through an on ground citizen survey to get an understating of the immediate and pressing needs of citizens.
- 4). Making city level recommendations to enhance 'own source revenue' so as to attain financial stability in the medium to long term.

The study team from PAC visited the 12 selected local bodies (Hubli-Dharwad, Davangere, Bidar, Yadgir, Chamarajanagara, Sira, Ullal, Bangarapete, Lingasagur, K.R. Nagar, Haliyal and Sakleshpur) and interacted with officials to get an understanding of financial challenges, staffing issues and service delivery gaps. During these visits, the PAC team collected several documents from the local governments such as: Audited Financial Statements (AFS), budget documents, Demand-Collection Balance (DCB) tables, staffing/cadre data, gazette copies, list of completed and on-going infrastructure projects etc.

The analysis of the data mentioned above helped the study team get an understanding of the prevailing challenges based on secondary data. PAC also undertook a citizen survey in 1200 Households (HHs) across cities to get an understanding of the quality of service delivery (water supply, solid waste management, sewerage, roads and streetlights). The analysis of secondary and primary data has helped the study team to make recommendations to the cities towards improving their financial situation.

The main contributors to this report were Sukanya Bhaumik (Project Lead), Bhargavi Nagendra (Project Team) and Kritika Shah (Project Team). Basil Liongs (Deputy Administrator) supported the study team through guidance and supervision.

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Executive Summary

Public Affairs Centre (PAC) understands sustainable financing as the Urban Local Body (ULB) s' ability to provide quality services to its citizens in a financially stable manner. The approach of this study towards addressing the assigned terms of reference (ToR) is based on the 3F framework of Fund-Function-Functionaries. The main contribution of this study has been towards assessing the expenditure needs of these selected local bodies. The expenditure need estimations depend on services to be provided by the local government and the costs associated to provide these services. The report talks about: Per Capita Investment Cost (PCIC) and Per Capita Operation and Maintenance Cost (PCOM), where PCIC is the capital investment required to reach the desired service levels (based on the present service backlog) and PCOM is the year on year operation and maintenance (O&M) costs that need to be incurred on that infrastructure. The PCIC and PCOM for Class IB, Class IC, Class II and Class III cities (based on population, elaborated in the report) for water supply, sewerage, Solid Waste Management-SWM, roads and street lights has been elaborated in the report. The total capital costs and operation and maintenance costs has been computed for each of the 12 urban local bodies (ULBs).

In order to assess the revenue capacity (local body's capacity to enhance its revenue potential to the maximum given its current sources) of the local bodies it is essential to assess their current revenue streams. Property Tax (tax revenue) is the main source of revenue across ULBs followed by water charges (non-tax). The collection efficiency for both property tax and water charges has been analysed for all the ULBs for a period of 5 years.

Based on the 'Principles of Subsidiarity', local governments should provide for services closest to the people. Functions that are private goods (such as water and sewerage) must ideally be funded through the collection of user charges, while functions, which are pure public goods (roads and streetlights), must be funded through taxes. While functions that have spill over benefits (intercity roads) must be funded through transfers and grants. Function-Fund reassignment has been recommended based on this principle for all the 12 ULBs.

The citizen survey clearly spells out the citizen priorities w.r.t services and their expectations from their local governments (that need to work towards fulfilling these priorities). The survey also assesses the service delivery experience of households (slum and non-slum) in the twelve cities for all basic services (water supply, sewerage, solid waste management, roads and streetlights).

The project also included an assessment of the gaps in the organizational and administrative structures in ULBs. Model-staffing framework was used to assess the staffing pattern and strength in the municipalities as per the functions carried out. A comparison between the sanctioned posts and currently working posts was undertaken, to assess gaps in staffing. The benchmarks for best practices of staffing for the functions of- 'Revenue and Financial Services', 'Engineering Services', 'Sanitation Services' were identified from literature. The gap in terms of number of staff recommended by the benchmarks for each function and the number of staff sanctioned was mapped and analysed. The report also compares the staffing norms as per the guiding acts of KMA and KMCA and the sanctioned posts for several posts and makes recommendations to reduce the gap.

The report also focuses on revenue enhancement measures / recommendations for the local bodies based on the analysis of their respective finances .In order to enhance revenue from property tax, the report recommends some alterations in the present assessment of guidance values of properties. It is recommended that all ULBs consider adjusting guidance valuations to meet market values. Since there is a risk that this may affect collection efficiency, the adjustment should be piloted in areas with high property tax collection efficiency first. Furthermore, it is recommended to pilot the adjustment in guidance values in ULBs where the absolute change in guidance value is relatively small.

In order for a ULB to be able to financially sustain core functions using own source revenue, it is recommended that ULBs employ Funded Debt Liability (FDL) as a financial instrument. FDL requires the creation of a corpus such that the interest earned through the investment of the corpus can be used to cover certain costs. In this case, it has been recommended that the interest from such a corpus should be used to cover HR and Administrative costs for a ULB.

Finally, the existing legal framework for municipal bodies in the state of Karnataka (KMA and KMCA) have been analysed w.r.t to strengthening their financial capacities has been assessed. It has been recommended to reform the Central Valuation Committee requirements in the KMCA. This can be strengthened w.r.t Reformation of Central Valuation Committee (CVC) through the inclusion of multiple stakeholders. Fortification of the dispute resolution framework has been recommended, with special reference to property tax disputes. Given that property taxes compose of a significant amount of total tax revenue for municipal corporations, the collection of property tax must be comprehensively bolstered by the KMCA. It has also been recommended to reform water charge collection operations and enforcement. Collection efficiency of water charges has been a difficulty faced by ULBs. Thus, the structure of user charges related to water must be reformatted not only to allow for improved collection efficiency of water charges by examining sources of non-revenue water but also to improve public service delivery relating to water.

Introduction/Background

This study objective was to make an assessment of the present financial condition of the local bodies and make recommendations to strengthen their financial condition thereof.

This report is a concluding document of the study; it includes all the terms of references assigned to PAC in the project. It makes an in-depth assessment of the existing financial condition of the selected local bodies (revenue income, capital income, revenue expenditure, capital expenditure). It makes an assessment of the quality of service delivery based on a citizen survey and looks at the current issues in the staffing pattern.

PAC has been engaged in this project on invitation from City Manager's Association Karnataka. PAC was a part of consortium of three other organizations involved in this project (ISEC, IIHS, Janagraha).

This report includes recommendations to the state government in general and Department of Urban Development (UDD), Government of Karnataka in particular to strengthen municipal finances in the state.

The analysis made in this report has been based on secondary data collected from the local bodies during the scoping visit. A survey of 1200 households was also undertaken to get on-ground understanding on service delivery issues in these cities.

1 Our Approach and Understanding of Sustainable Financing

Public Affairs Centre (PAC) understands sustainable financing as the Urban Local Body (ULB)s' ability to provide quality services to its citizens in a financially stable manner. In the scope of work defined for this study through the Terms of Reference (ToRs), PAC has done the following:

- 1). Undertaken an analysis of the ULBs finance and quality of service delivery for improving infrastructural prospects. The assessment of service quality based on a sample survey across the 12 ULBs (1200 households) has been done.
- 2). Assessed the gaps in the organisational and administrative structures in the ULBs based on a normative approach and proposed recommendations to resolve them.
- 3). Based on the above (1) and (2) made recommendations on revenue optimisation and sustainable financing that take into consideration the present revenue position, quality of service delivery and administrative capacity of the ULBs.
- 4). Undertaken an analytical review of Municipal Acts and the State Finance Commission recommendations for further decentralising functions, finances and power to the ULBs based on the provisions of Article 243W of the Indian constitution.
- 5). Assessed the implementation of 14th Finance Commission recommendations and evaluate best practices across the country.

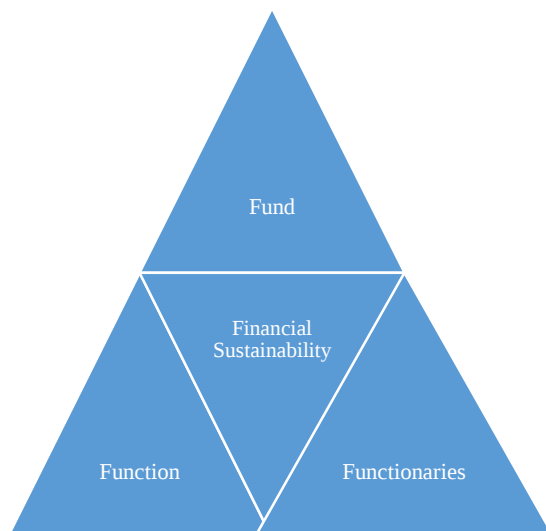


Figure 1: Approach towards Sustainable Financing

The study approach towards addressing the assigned ToR is based on the 3F framework of Fund-Function-Functionaries (Figure 1). Addressing each of these is extremely important to move towards financial sustainability of the ULBs.

- Fund refers to the municipal finances
- Function refers to the enlisted municipal functions/services
- Functionaries refer to the municipal staff in-charge of delivering these services.

Principles for study

In order to assess the financial sustainability of ULBs and to suggest recommendations for improvement, the Public Affairs Centre team has outlined principles that guided the study (Figure 2). The following principles have served as the foundation for the findings and recommendations that are detailed in this report.

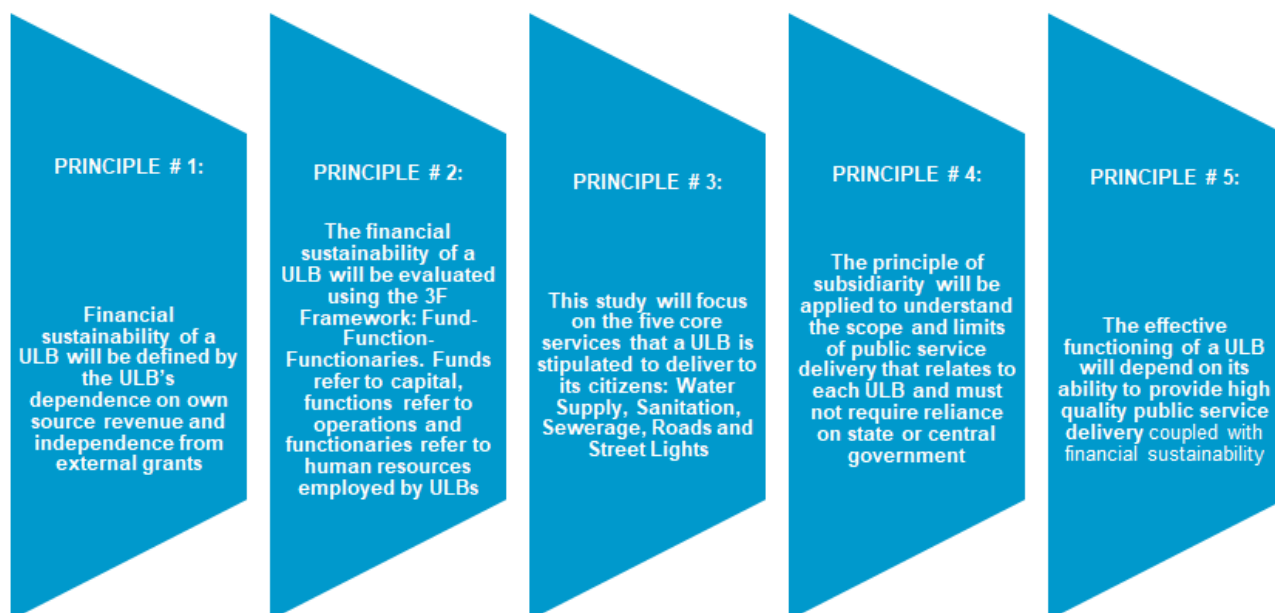


Figure 2: Principles for study

Scope of Project

The scope of this study is limited to 12 ULBs. The details of these ULBs can be found below:

Table 1: Classification of ULBs

Name of Area	Type of ULB
Hubli-Dharwad	Municipal Corporation
Davangere	Municipal Corporation
Bidar	City Municipal Council
Yadgir	City Municipal Council
Chamarajanagara	City Municipal Council
Sira	City Municipal Council
Ullal	City Municipal Council
Bangarapete	Town Municipal Council
Lingasagur	Town Municipal Council
K.R. Nagar	Town Municipal Council
Haliyal	Town Municipal Council
Sakleshpur	Town Municipal Council

2 Analysis of ULB Finance and Quality of Service Delivery

In this chapter, the ULB's overall financial status has been examined in terms of 'expenditure needs' and 'revenue analysis'. While 'expenditure needs' looks at the overall expenditure the local body will have to undertake in order to meet the desired service standards (Service Level Benchmarks), 'revenue analysis' observes the revenue streams of the local body in terms of 'own source revenue' and 'transfers'. The expenditure needs have been calculated on per capita basis and includes both capital and operation and maintenance expenditure that the local body will have to incur to achieve the benchmarks. The revenue analysis brings forth the local body's financial dependence on state and central governments for fiscal transfers.

Expenditure Needs of the ULBs

PAC's main contribution in this study has been in assessing the expenditure needs of these local bodies. The expenditure need estimations depend on services to be provided by the local government and the costs associated to provide these services.

The availability of civic amenities in a ULB can be approximated by the per capita expenditure made by the local body on various services. The adequacy of services provided by the local body is assessed by comparing the expenditure incurred by them on core services, namely, water supply, sewerage, roads and street lighting with the per capita expenditure norms.

While the local body's audited financial statements (income expenditure statement and receipt and payment statement) includes 'actual expenditure', how much a city 'needs' to spend (expenditure need) is a function of several factors such as topography of the region; allocated expenditure responsibilities; household preferences and efficiency of the municipality. However, in the absence of city level data on all such factors and the complexity of using this methodology, the normative (per capita approach) approach to estimate to estimate expenditure needs of the cities has been used.

The first normative standard for urban infrastructure was set up by Zakaria Committee in 1964. This was adjusted for inflation to arrive at norms for the period of 1999-2000 to 2003-2004. India Infrastructure Report (1996) also used Zakaria Committee norms for basic services and Planning Commission norms for urban roads.

This study has used the High Powered Expert Committee (HPEC) service norms (Service Level Benchmarks) prepared by the Ministry of Urban Development, Government of India to arrive at expenditure norms. The detailed methodology for estimating investment requirements for the eight sectors (water supply, sewerage, storm water drainage, solid waste management, urban roads, urban transport, traffic support infrastructure and street lighting) covered by the HPEC is explained below. The estimates not only include additional demand over the next 20 years (up to 2031) but also the unmet demand for

the current population as well as the cost of asset replacement. In estimating the urban infrastructure investment requirements for the eight sectors, differing requirements of different classes of cities and towns have been considered for six size class categories. The six class sizes are explained in Table 2 below.

Table 2: Population Classification HPEC

Census Class	Redistribution	Population Size
Class I	Class IA	> 5 million
	Class 1B	1 million- 5 million
	Class 1C	100000- 1 million
Class II	Class II	50,000-10,00,00
Class III	Class III	20,000-50,000
Class IV	Class IV +	<20,000
Class V		

Population projections at the disaggregated level has been made using data from the Census of India (2011) and UN projections of population growth, adjusted to fit the disaggregated size class categories. The city wise population projection data is given in the Annexure I. As mentioned earlier the assessment of investment requirements in the HPEC Report is based on the service standard benchmarks prepared by the Ministry of Urban Development for the services of water supply, sewerage, and solid waste management. The service standards are: 24x7 water supply, underground sewerage systems with complete coverage, 100 per cent collection, treatment, and disposal of solid waste for all cities as specified by the Ministry are the same for all city size classes (elaborated in Table 4).

Expenditure needs of ULBs can be classified into 2 broad heads: Per Capita Investment Cost (PCIC) and Per Capita Operation and Maintenance Cost (PCOM), where PCIC is the capital investment required to reach the desired service levels (based on the present service backlog) and PCOM is the year on year operation and maintenance (O&M) costs that need to be incurred on that infrastructure. The PCIC and PCOM for Class IB, Class IC, Class II and Class III cities for water supply, sewerage, SWM, roads and street lights has been elaborated in a below (Table 5).

Each of the urban services has been classified further. For example, in water supply, PCICs are separately calculated for water production and distribution. These are multiplied with the relevant population numbers for each city size class including the backlog and the population projection for each class of city. In water supply, sewerage, and solid waste

management, per capita operations and maintenance costs (PCOM) are computed using (i) unit cost from project data, (ii) estimates of production volume for each sector, and (iii) the population covered. For the remaining sectors, the PCOM is assumed to be a percentage of the PCIC. The HPEC Report uses Census 2011 and Service Level Benchmarks data to estimate the service backlog for water supply, sewerage, and solid waste management. The table (Table 3) below categorizes the twelve cities into population categories and specifies the average service back logs as per HPEC report.

Table 3: Population and service delivery backlogs defined by HPEC

Sr. No	Cities	Population 2018 (projected)	Class Size (HPEC Report)	Water Supply*	Sewerage #	Solid Waste ^	Urban Roads\$
				Average Service Backlogs			
1	Hubli-Dharwad	1072545	Class I B	31 ¹ 25 ² 75 ³	44 ⁴ 53 ⁵	48 ⁶ 94 ⁷ 100 ⁸	80 ⁹ 66 ¹⁰ 63 ¹¹
2	Davangere	492238	Class I C	18 ¹ 25 ² 75 ³	64 ⁴ 77 ⁵	41 ⁶ 93 ⁷ 100 ⁸	37 ⁹ 85 ¹⁰ 80 ¹¹
3	Bidar	247831	Class I C	18 ¹ 25 ² 75 ³	64 ⁴ 77 ⁵	41 ⁶ 93 ⁷ 100 ⁸	0 ⁹ 92 ¹⁰ 35 ¹¹
4	Yadgir	87498	Class II	29 ¹ 25 ² 75 ³	84 ⁴ 88 ⁵	41 ⁶ 93 ⁷ 100 ⁸	0 ⁹ 92 ¹⁰ 35 ¹¹
5	Chamarajana-nagara	77237	Class II	29 ¹ 25 ² 75 ³	84 ⁴ 88 ⁵	41 ⁶ 93 ⁷ 100 ⁸	0 ⁹ 92 ¹⁰ 35 ¹¹
6	Sira	63433	Class II	29 ¹ 25 ² 75 ³	84 ⁴ 88 ⁵	41 ⁶ 93 ⁷ 100 ⁸	0 ⁹ 92 ¹⁰ 35 ¹¹
7	Ullal	56666	Class II	29 ¹ 25 ² 75 ³	84 ⁴ 88 ⁵	41 ⁶ 93 ⁷ 100 ⁸	0 ⁹ 92 ¹⁰ 35 ¹¹
8	Bangarapete	49723	Class III	56 ¹ 39 ² 61 ³	90 ⁴ 96 ⁵	65 ⁶ 100 ⁷ 100 ⁸	0 ⁹ 92 ¹⁰ 35 ¹¹
9	Lingasagur	41505	Class III	56 ¹ 39 ² 61 ³	90 ⁴ 96 ⁵	65 ⁶ 100 ⁷ 100 ⁸	0 ⁹ 92 ¹⁰ 35 ¹¹
10	K.R. Nagar	39937	Class III	56 ¹ 39 ² 61 ³	90 ⁴ 96 ⁵	65 ⁶ 100 ⁷ 100 ⁸	0 ⁹ 92 ¹⁰ 35 ¹¹
11	Haliyal	27112	Class III	56 ¹ 39 ² 61 ³	90 ⁴ 96 ⁵	65 ⁶ 100 ⁷ 100 ⁸	0 ⁹ 92 ¹⁰ 35 ¹¹
12	Sakleshpur	23476	Class III	56 ¹ 39 ² 61 ³	90 ⁴ 96 ⁵	65 ⁶ 100 ⁷ 100 ⁸	0 ⁹ 92 ¹⁰ 35 ¹¹

* ¹Water Production² Distribution Extension (24x7) ³Distribution Upgradation (24x7)

⁴Network⁵Treatment

^ ⁶Collection and Transport ⁷Processing⁸ Scientific Disposal

\$ ⁹Major Roads ¹⁰ Collector Roads ¹¹Access Road Spaces

Table 4: Service Standards as per HPEC

	Service Standards and Assumptions
Water Supply	100 per cent individual piped water supply for all households, including informal settlements for all classes of cities; Continuity of supply: 24x7 water supply; and per capita consumption norm:135 litres per capita per day all classes of cities. On an average, 80 per cent of distribution network pipes are to be replaced for delivering continuous water supply for all city size classes; For cities with population above 500,000, industrial water production is assumed to account for about 20 per cent of the total water production and demand is assumed to grow at 7 per cent per annum
Sewerage	Underground sewerage network for all city size classes and 100 per cent collection and treatment of waste water; Sewage generated at 80 per cent of per capita water consumption, 5 per cent sewage generation is for infiltration from groundwater (113 litres per capita per day);
Solid Waste	100 per cent of solid waste collected, transported, and treated as per the Municipal Solid Waste 2000 Rules for all city size classes
Urban Roads	Construction cost (per lane km): – Major roads- Arterial roads – Rs 1.50 crore, Sub-arterial roads – Rs 1.25 crore, Collector roads – Rs 1.00 crore, Access road spaces – Rs 60 lakh; • Additional cost of one lane km is considered for major and collector roads to cater to other road infrastructure like pathways, parking spaces, and medians; • Service life of five years has been assumed for major and collector roads; • 25 per cent of the unit cost is assumed to compute the replacement cost for major and collector roads; • Service life of access road spaces is assumed to be 20 years, and hence no replacement costs are considered for these categories for the estimation period; • Annual O&M is assumed to be 2 per cent of the PCIC for all roads, covering both existing and new assets;
Street Lighting	Spacing between street lights: 40 m for major roads,45 m for collector roads,50 m for access road spaces;

In order to estimate the PCIC and PCOM (normative) for the current year All India Consumer Price Index has been used from 2011 onwards (average 7.7 per annum from 2011 to 2017) to account for inflation. The table below gives the per capita estimates of capital and revenue costs required by city class to meet service norms described above (Table 5).

Table 5: Per capita Cost of Infrastructure to meet Service Standards

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Water Supply (In Rs)									
PCIC									
Class 1B	4935	5373	5872	6514	6929	7336	7701	7892	8266
Class 1C	5924	6449	7049	7819	8317	8806	9244	9474	9923
Class II	4957	5397	5899	6543	6959	7369	7735	7928	8303
Class III	5901	6424	7022	7789	8285	8772	9208	9437	9885
PCOM									
Class 1B	613	667	729	809	861	911	957	980	1027
Class 1C	491	535	584	648	689	730	766	785	822
Class II	491	535	584	648	689	730	766	785	822
Class III	368	401	438	486	517	547	574	589	616
Sewerage (In Rs)									
PCIC									
Class 1B	3841	4182	4571	5070	5393	5710	5994	6143	6434
Class 1C	3411	3714	4059	4502	4789	5071	5323	5455	5714
Class II	5316	5788	6326	7017	7463	7902	8295	8502	8905
Class III	5649	6150	6722	7456	7931	8397	8815	9034	9462
PCOM									
Class 1B	373	406	444	492	524	554	582	597	625
Class 1C	290	316	345	383	407	431	453	464	486
Class II	290	316	345	383	407	431	453	464	486
Class III	207	225	246	273	291	308	323	331	347
SWM (In Rs)									
PCIC									
Class 1B	393	428	468	519	552	584	613	629	658
Class 1C	410	446	488	541	576	609	640	656	687
Class II	236	257	281	311	331	351	368	377	395
Class III	204	222	243	269	286	303	318	326	342
PCOM									
Class 1B	189	206	225	249	265	281	295	302	317
Class 1C	135	147	161	178	190	201	211	216	226
Class II	113	123	134	149	159	168	176	181	189
Class III	113	123	134	149	159	168	176	181	189

Roads (In Rs)									
PCIC									
Class 1B	23460	25541	27916	30965	32937	34874	36607	37519	39297
Class 1C	29325	31926	34895	38706	41171	43592	45759	46898	49121
Class II	16800	18290	19991	22174	23587	24974	26215	26868	28141
Class III	22400	24387	26655	29566	31449	33298	34953	35823	37521
PCOM									
Class 1B	421	458	501	556	591	626	657	673	705
Class 1C	527	574	627	696	740	783	822	843	883
Class II	276	300	328	364	387	410	431	441	462
Class III	368	401	438	486	517	547	574	589	616
Street Lights (In Rs)									
PCIC									
Class 1B	1606	1748	1911	2120	2255	2387	2506	2568	2690
Class 1C	1258	1370	1497	1660	1766	1870	1963	2012	2107
Class II	207	225	246	273	291	308	323	331	347
Class III	107	116	127	141	150	159	167	171	179
PCOM									
Class 1B	55	60	65	73	77	82	86	88	92
Class 1C	54	59	64	71	76	80	84	86	90
Class II	4	4	5	5	6	6	6	6	7
Class III	3	3	4	4	4	4	5	5	5

Table 6 gives the city wise total capital expenditure requirements for water supply, sewerage, SWM and streetlights so as to meet the desired service norms. This has been calculated based on PCIC (normative) for class size, projected population and existing service backlogs.

It can be seen that the highest capital requirement is for Hubli-Dharwad followed by Davangere. Across cities it can be seen that among the four services (Water Supply, Sewerage, SWM and Street Lights), water supply is the most capital intensive followed by sewerage. It must be noted that the final cost estimates for each of the sectors varies as per the size of population in these cities. Among the cities, the highest capital requirement is for HDMC followed by Davangere and Bidar.

Table 6: City wise capital expenditure requirements- Water supply, sewerage, SWM and streetlights

	WS (24x7, 135 lpcd,100% coverage)	Sewerage (100% coverage and secondary treatment)	SWM (100% coverage and scientific landfill)	Street Lights (35 mts)	Total (In Rs Crores)
Hubli Dharwad (MC)	871	678	69	283	1901
Davangere (MC)	480	276	33	102	891
Bidar (CMC)	241	139	17	51	447
Sira (CMC)	52	56	2	2	112
Yadgir (CMC)	71	76	3	3	153
Chamarajanagara (CMC)	63	68	3	3	137
Ullal (TMC)	47	50	2	2	102
Bangarapete(TMC)	48	46	2	1	97
KR Nagar (TMC)	39	37	1	1	78
Lingasugur (TMC)	40	38	1	1	80
Haliyal (TMC)	26	25	1	0.5	53
Sakhleshpur (TMC)	23	22	1	0.4	47

Table 7: Capex and O &M requirements to service norms for roads

	Population (Projected for 2018)	PCIC for 2018 (adjusted for inflation) (In Rs)	Cap Ex Estimates (Rs Crores)
Hubli Dharwad (MC)	1072545	39296	4215
Davangere (MC)	492237	49121	2418
Bidar (CMC)	247831	49121	1217
Sira (CMC)	63433	28141	179
Yadgir (CMC)	87498	28141	246
Chamarajanagara (CMC)	77237	28141	217
Ullal (TMC)	49723	37521	187
Bangarapete (TMC)	39936	37521	150
KR Nagar (TMC)	41504	37521	156
Lingasugur (TMC)	27112	37521	102
Haliyal (TMC)	23476	37521	88
Sakhleshpur (TMC)	56665	28141	159

Table 7 gives the capex and O&M expenditure for roads in each of the 12 cities. As is evident from the tables the capital expenditure requirement for roads is at least 2-3 times more than all other services (water supply, sewerage, SWM and streetlights) put together.

Table 8: O&M Cost Estimates to meet service standards

	Population (Projected for 2018)	PCIC for 2018 (adjusted for inflation) (In Rs)	Cap Ex Estimates (Rs Crores)
Hubli Dharwad (MC)	1072545	39296	4215
Davangere (MC)	492237	49121	2418
Bidar (CMC)	247831	49121	1217
Sira (CMC)	63433	28141	179
Yadgir (CMC)	87498	28141	246
Chamarajanagara (CMC)	77237	28141	217
Ullal (TMC)	49723	37521	187
Bangarapete (TMC)	39936	37521	150

	Population (Projected for 2018)	PCIC for 2018 (adjusted for inflation) (In Rs)	Cap Ex Estimates (Rs Crores)
KR Nagar (TMC)	41504	37521	156
Lingasugur (TMC)	27112	37521	102
Haliyal (TMC)	23476	37521	88
Sakhleshpur (TMC)	56665	28141	159

Table 8 gives an overview of the O&M cost estimates to support the service standards as discussed previously. The O&M costs are usually 8-10 per cent of capex costs for the ULBs.

Revenue Analysis: ULB-wise

In order to assess the revenue capacity (local body's capacity to enhance its revenue potential to the maximum given its current sources) of the local bodies it is essential to assess their current revenue streams. The same has been done for all the 12 ULBs.

Hubli-Dharwad

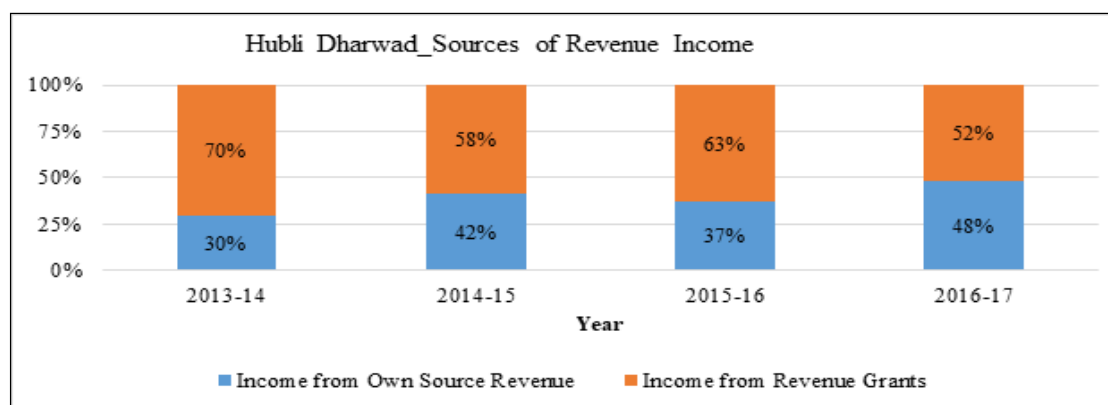


Figure 3:Hubli-Dharwad Sources of Revenue Income

In Hubli-Dharwad income from own source revenue shows a 12% increase from 2013-14 to 2014-15. From 2014-2015 onward the share of income from own sources of revenue and income from revenue grants shows some fluctuations. The contribution of income from own sources in 2016-2017 is observed to have increase from 37% in 2015-2016 to 48% in the next year (Figure 3).

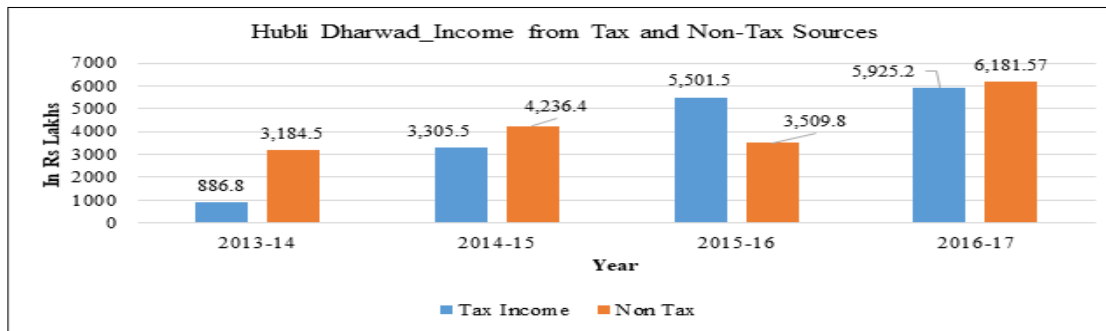


Figure 4: Hubli-DharwadIncome from Tax and Non-tax sources

Income from non-tax sources was significantly higher in 2013-2014 but the gap reduces in 2014-2015 and is at the same level in 2015-2016(Figure 4).

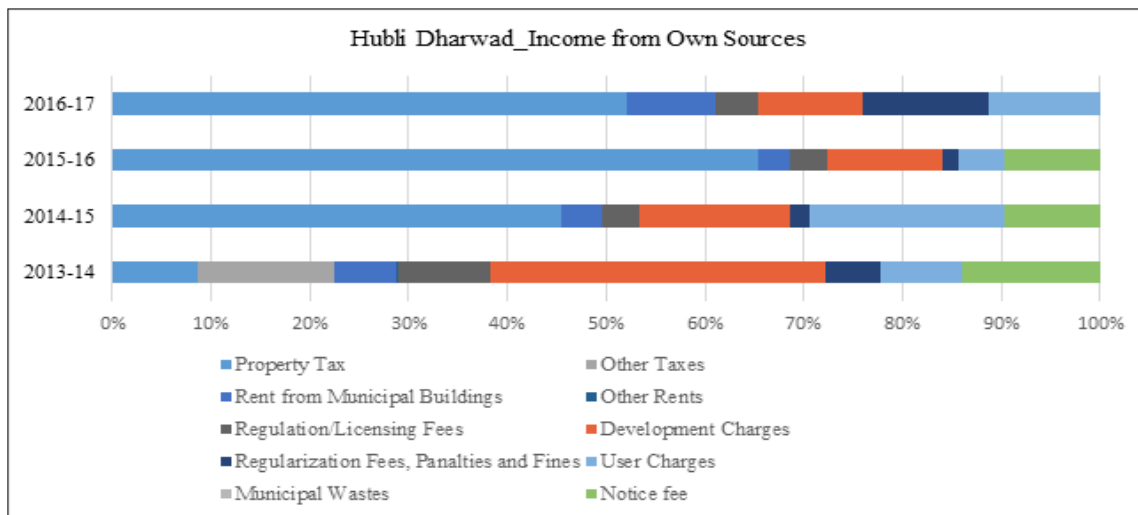


Figure 5: Hubli-Dharwad Income from Own Sources

A line item wise break-up of own-source of income shows that in 2013-2014 development charges contributed the maximum to income from own sources (Figure 5). From 2014-2015 onwards income from property tax significantly increases as compared to other sources. Collection efficiency of property tax was 92% only in 2016-2017 (Figure 6).

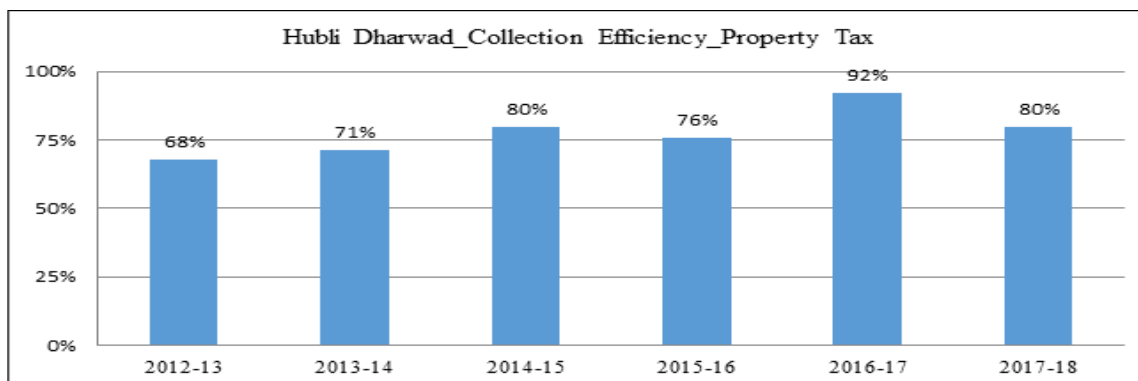


Figure 6: Hubli-Dharwad Property Tax Collection Efficiency

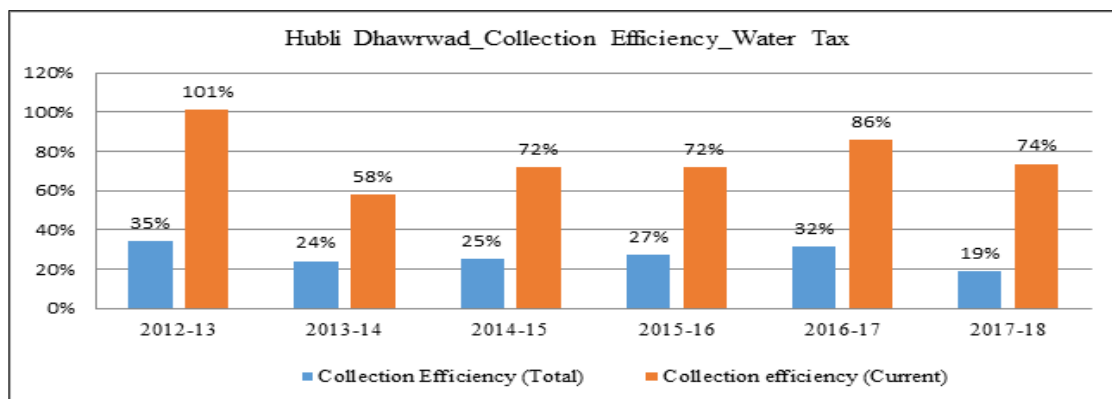


Figure 7: Hubli-DharwadWater Tax Collection Efficiency

The collection efficiency of water tax (current) ranges between 58% to more than 100% for 2013-2014 and 2012-2013 (as the collection includes arrears) as well. The total collection efficiency is observed to be low with maximum 35% and minimum 19% (Figure 7).

Davangere

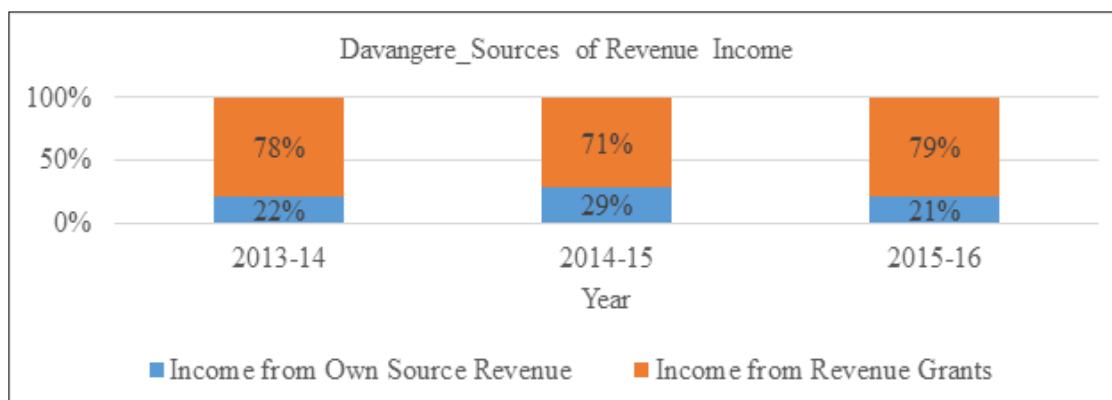


Figure 8: Davangere Sources of Revenue Income

In Davangere own source revenue as a percentage of total income has remained relatively steady with a range of 21%-29% (Figure 8). The revenue grants hovered around Rs. 60 crores between 2013-2014 and 2014-2015, and almost touched the Rs. 100 crore mark in 2015-2016 (Figure 9). However, during the same time period, regulation/licensing fees, advertisement taxes and fees from certificates and extracts increased, allowing own source revenue to retain a 21% share of income in 2015-2016 (Figure 10).

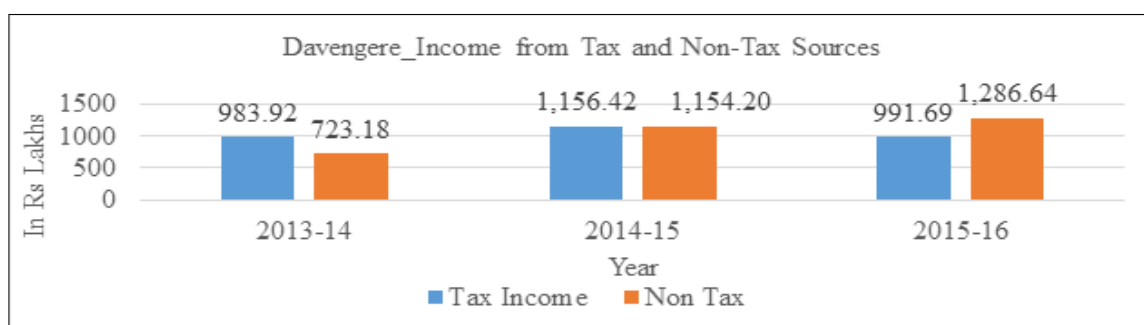


Figure 9: Davangere Income from Tax and Non-Tax Sources

Unlike other cities, Davangere has higher tax than non-tax income for the years 2013-2014 and 2014-15. In the year 2015-2016, however, non-tax income overtakes the level of tax income. This may be due to a decline in the property tax collection that occurred between 2014-2015 and 2015-2016. The largest contributor to non-tax income for all three years was user charges.

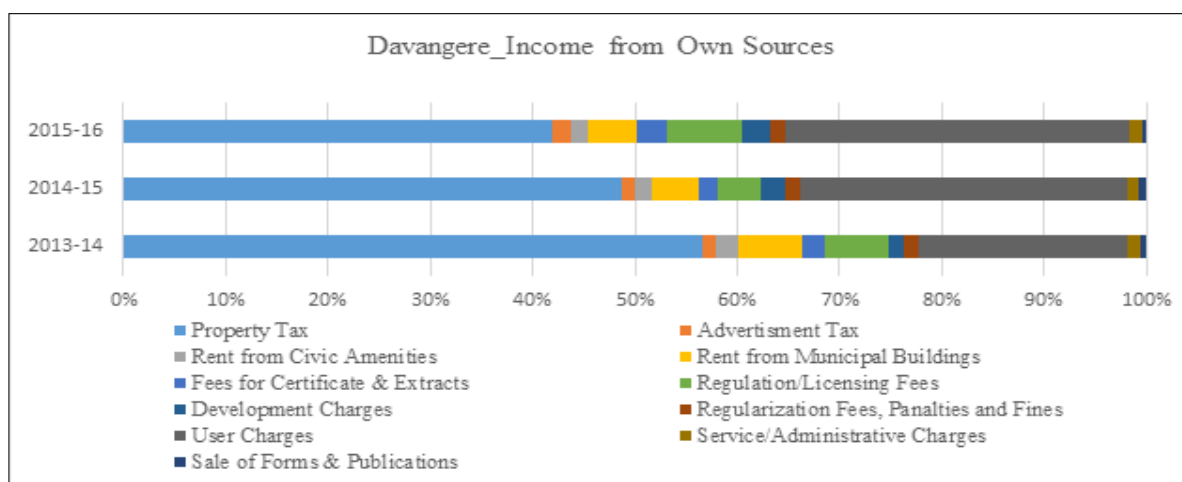


Figure 10: Davangere Income from Own Sources

A line item wise break-up of own-source of income shows that in all three years, property tax makes up a majority of the income. However, with each year, the share of property tax to own source income steadily declines while that of user charges steadily increases from 2013-2016 (Figure 10). By 2015-2016, property tax accounts for a little more than 40% of own source income (as compared to almost 60% in 2013-2014) while user charges make up a little more than 30% (as compared to a little more than 20% in 2013-2014).

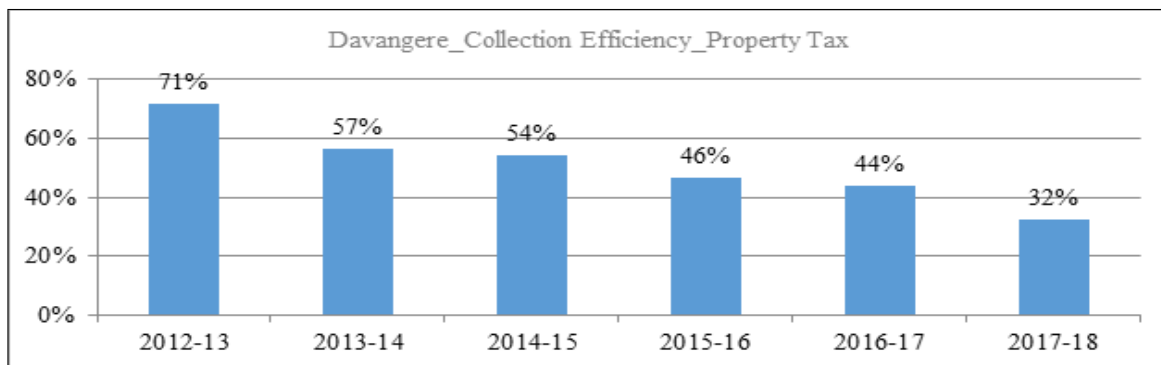


Figure 11: Davangere Property Tax Collection Efficiency

The collection efficiency of property tax ranges between 32% and 71% for the years 2012-2018. However, the collection efficiency is in a steady decline (Figure 11).

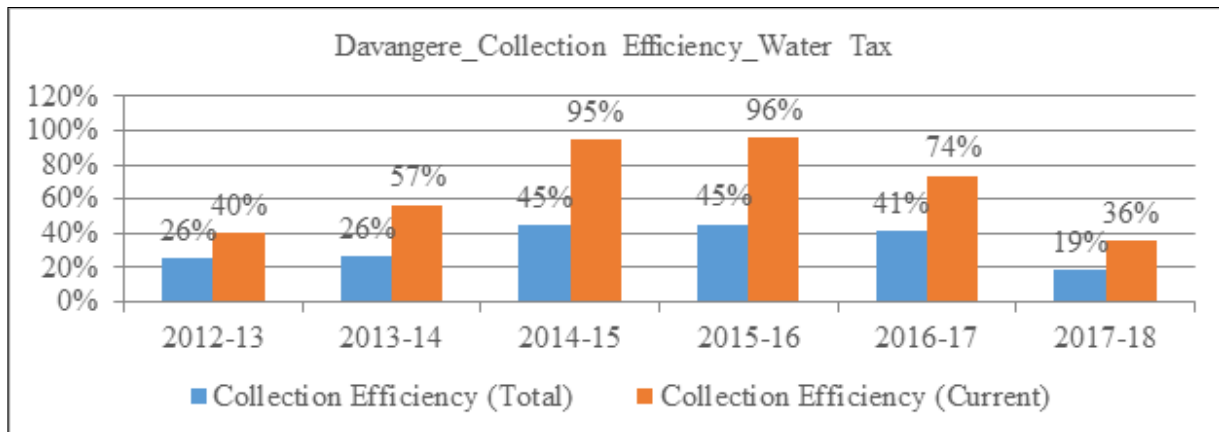


Figure 12: Davangere Water Tax Collection Efficiency

The collection efficiency (total) of water tax ranges between 19% and 45% while collection efficiency (current) ranges between 36% and 96% for the period 2012-2018. The lowest collection efficiency (current and total) occurred last year, 2017-2018 with collection efficiency (total) at 19% and (current) at 36%. The collection efficiency of water tax seemed to increase until 2015-2016 and then decrease until the most recent period (Figure 12).

Sira

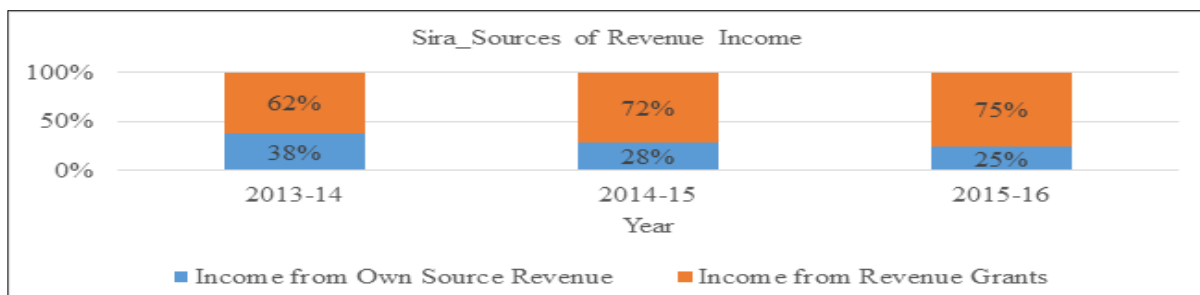


Figure 13: Sira Sources of Revenue Income

In Sira income from own source revenue was 38%, 28% and 25% for the years 2013-2014, 2014-2015 and 2015-2016 respectively. It has therefore declined in last three years (Figure 13).

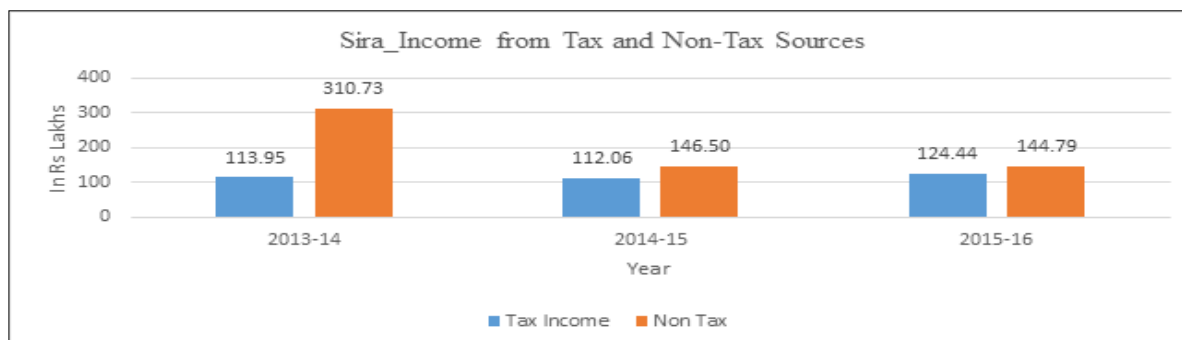


Figure 14: Sira Income from Tax and Non-Tax Sources

However, income from non-tax sources is consistently higher than tax sources the gap being the highest in 2013-2014 (Figure 14).

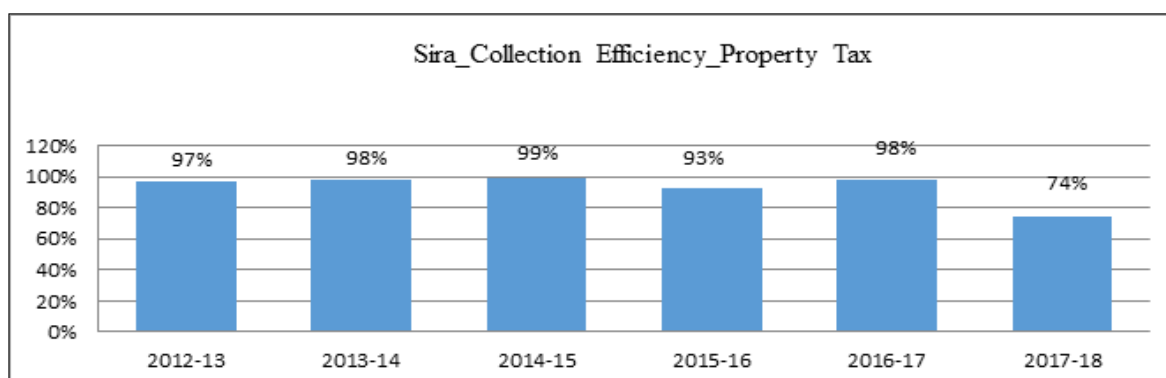


Figure 15: Sira Property Tax Collection Efficiency

The collection efficiency of property tax in the city is above 90% until in the most recent financial year, 2017-2018, where it dipped to under 75% (Figure 15). The property count of the city is 22626 (including residential and commercial).

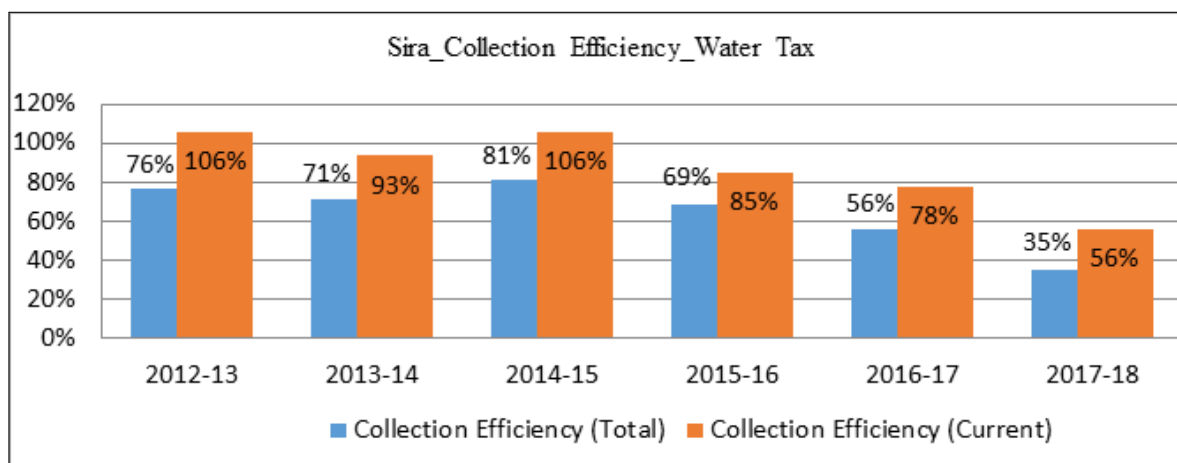


Figure 16: Sira Water Tax Collection Efficiency

The collection efficiency (total) for water tax is between 35% and 81%, this includes current collection as well arrears. It has been declining, as has the current collection efficiency for water tax (Figure 16).

Chamarajanagara (CR Nagar)

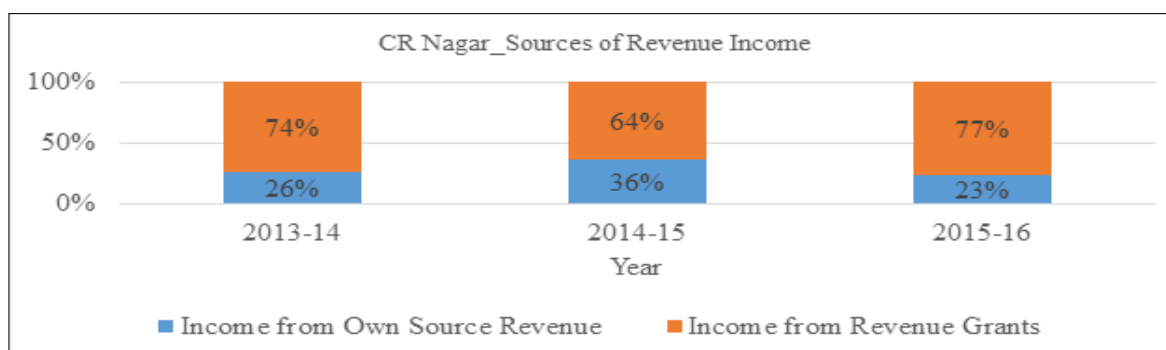


Figure 17: CR Nagar Sources of Revenue Income

In CR Nagar, for the time period 2013-2016, income from own source revenue has ranged from 23%-36%. Between the years 2013-2014 and 2014-2015, the share of income from own source revenue increased from 26% to 36% because the amount received in revenue grants approximately halved. Between the years 2014-2015 and 2015-2016, own source revenue share sharply declined from 36% to 23% because revenue grants approximately doubled in the same period (Figure 17).

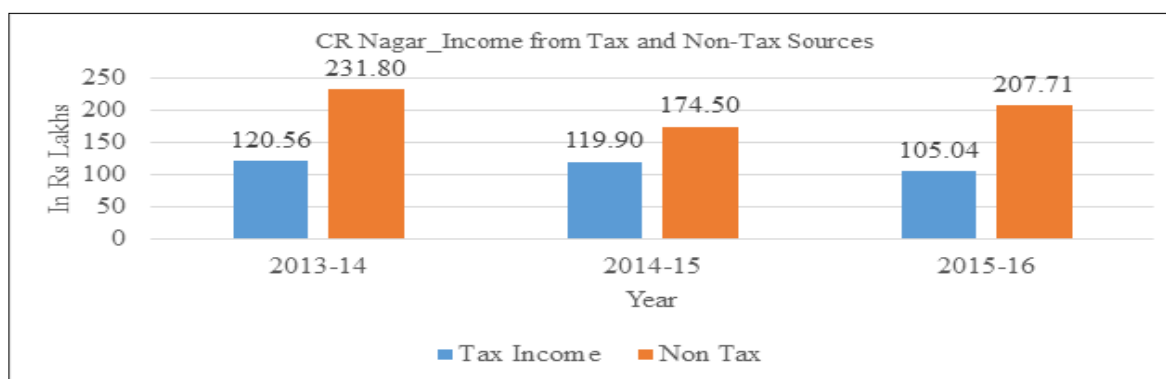


Figure 18: CR Nagar Income from Tax and Non-Tax Sources

The income from non-tax sources is consistently higher than tax sources for the period 2013-2016. While property taxes are a major contributor to tax income, a large portion of non-tax income can be attributed to user charges for all three years (Figure 18).

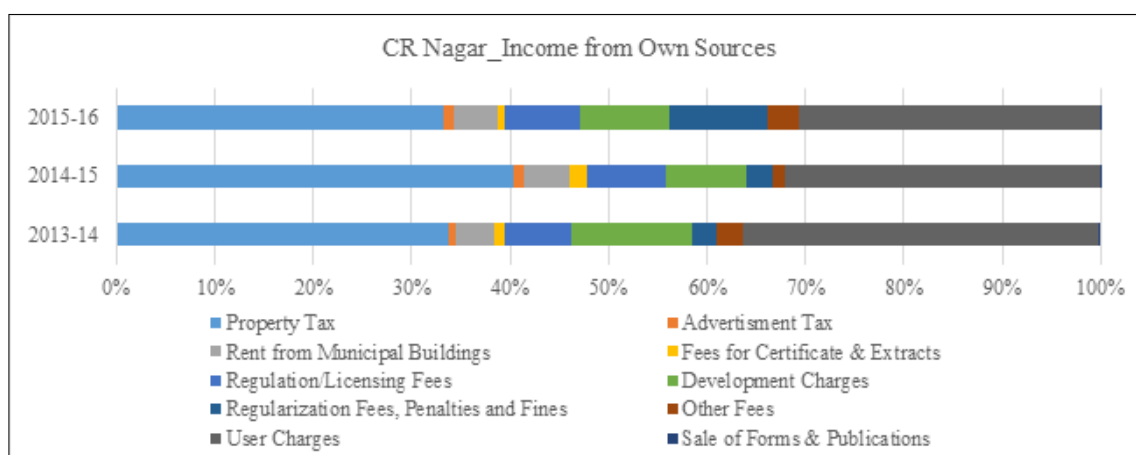


Figure 19: CR Nagar Income from Own Sources

For all three years, property tax and user charges combined together make up a majority of the income. It must be noted that regularization fees, penalties and fines have increased as a percentage contributing to income between 2013-2016. In 2013-2014, it was merely 3% of the income but by 2015-2016, it grew to contribute 10% of the income (Figure 19).

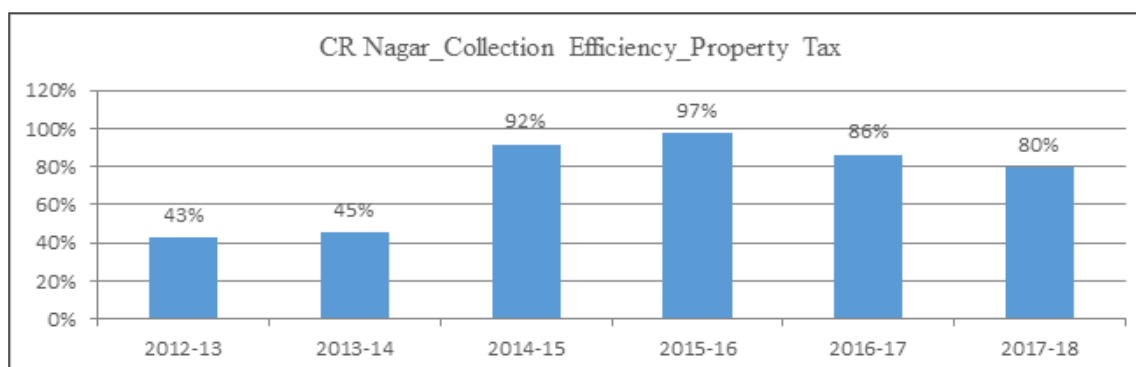


Figure 20: CR Nagar Property Tax Collection Efficiency

The collection efficiency from property tax ranges from 43% - 97% between the years 2012-2018, and peaked at 97% in 2015-2016 (Figure 20).

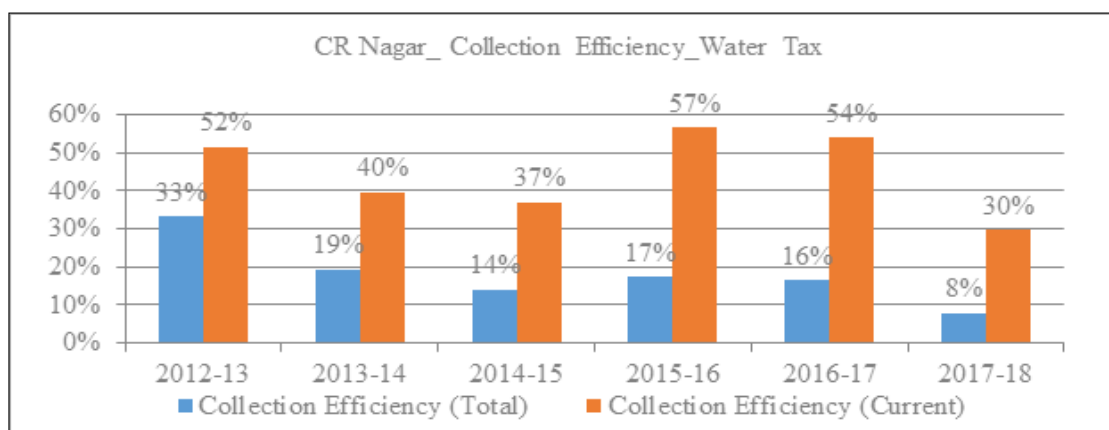


Figure 21: CR Nagar Water Tax Collection Efficiency

The collection efficiency (total) of water tax ranges between 8% and 33% for the period 2012-2018. Over the years, the collection efficiency (total) of water tax has been declining with the lowest collection efficiency of water tax reported during the year 2017-18. The current collection efficiency has also dropped from 52% to 30% between 2012-18 (Figure 21).

Yadgir

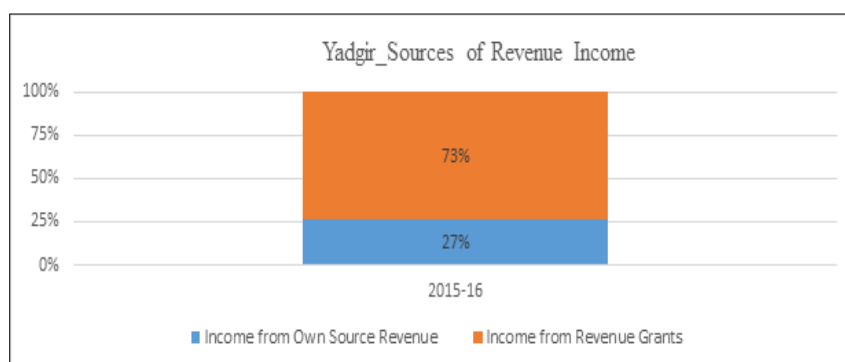


Figure 22: Yadgir Sources of Revenue Income

For the year 2015-16, Yadgir's share of income from own source revenue was 36% while revenue grants contributed to 64% of the city's total income (Figure 22).

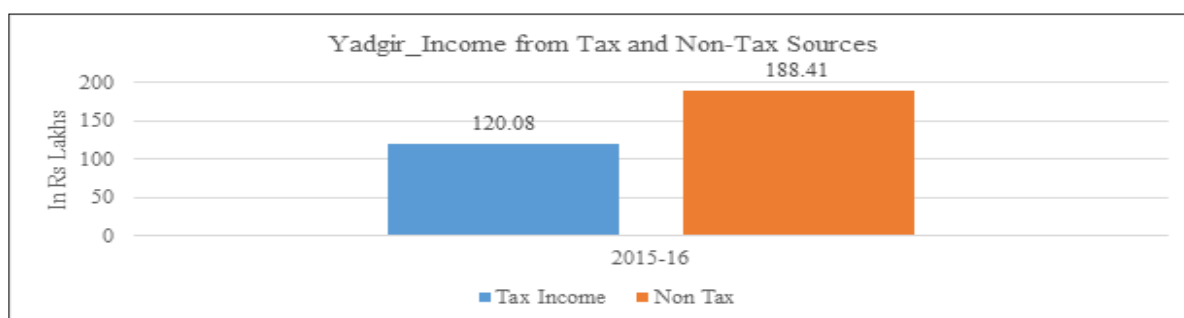


Figure 23: Yadgir Income from Tax and Non-Tax Sources

The income from non-tax sources are higher than tax sources in the year 2015-2016. A large portion of non-tax income can be attributed to fees for certificates and extracts, accounting for almost 33% of non-tax income (Figure 23).

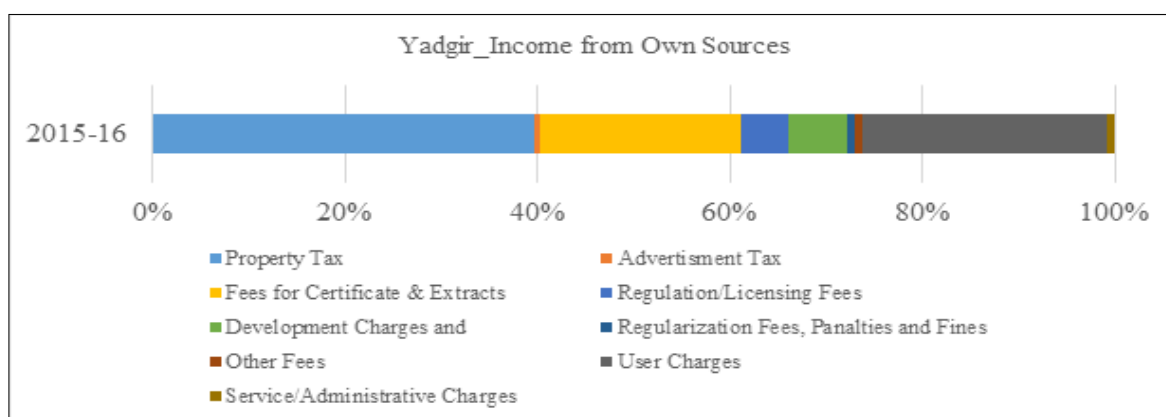


Figure 24: Yadgir Income from Own Sources

During the year 2015-2016, almost 40% of Yadgir's own source revenue came from property tax, more than 20% came from user charges and approximately 20% came from fees for certificates and extracts (Figure 24).

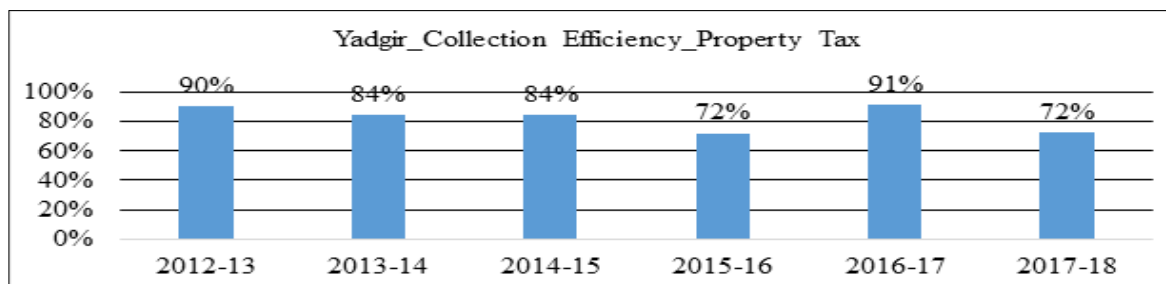


Figure 25: Yadgir Property Tax Collection Efficiency

Collection efficiency from property tax ranges from 72%-91% between the years 2012-2018. (Figure 25).

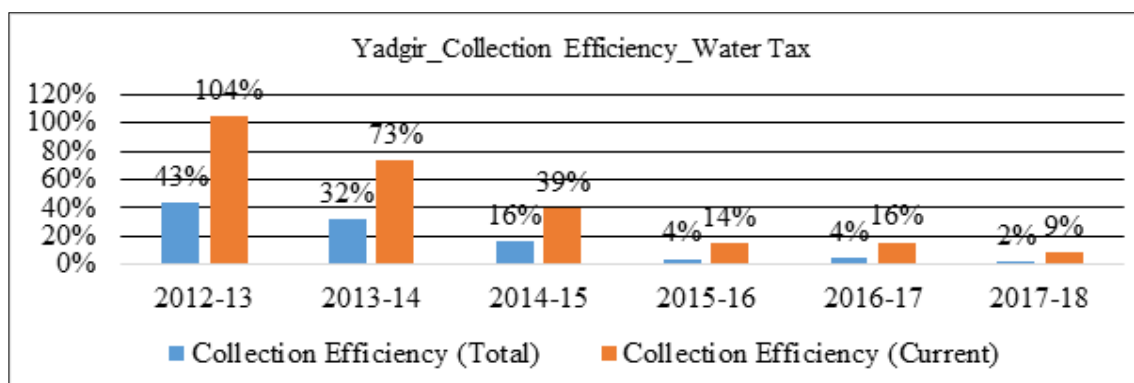


Figure 26: Yadgir Water Tax Collection Efficiency

The collection efficiency (total) of water tax ranges between 2% and 43% for the period 2012-2018. Over the years, collection efficiency (total) of water tax has been declining with the lowest collection efficiency of water tax reported during the year 2017-2018 (Figure 26).

Ullal

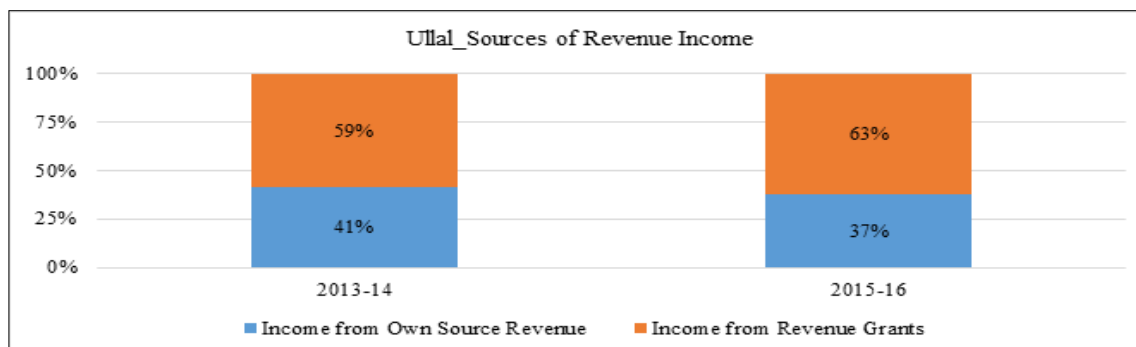


Figure 27: Ullal Sources of Revenue Income

In Ullal income from own sources of revenue was about 41% of total revenue income in 2013-2014, it decreased to nearly 37% in 2015-2016. During 2013-2014 property tax, rent from municipal buildings, regularization and penalties composed of 70% from sources, whereas during 2015-2016 property tax, rent from municipal buildings, regularization and penalties were low (Figure 27).

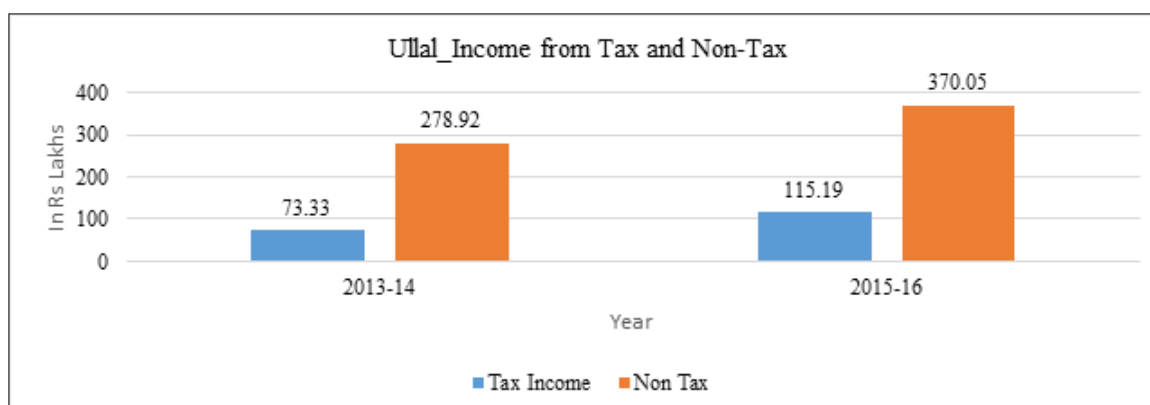


Figure 28: Ullal Income from Tax and Non-Tax Sources

The income from non-tax sources is consistently higher than tax sources, the gap being the highest in 2013-2014. In 2015-2016 period income from tax, sources have improved (Figure 28). While tax sources comprise mostly of property tax, non-tax sources comprise of user charges (water tax), income from rent and lease of land, fees, penalties etc.

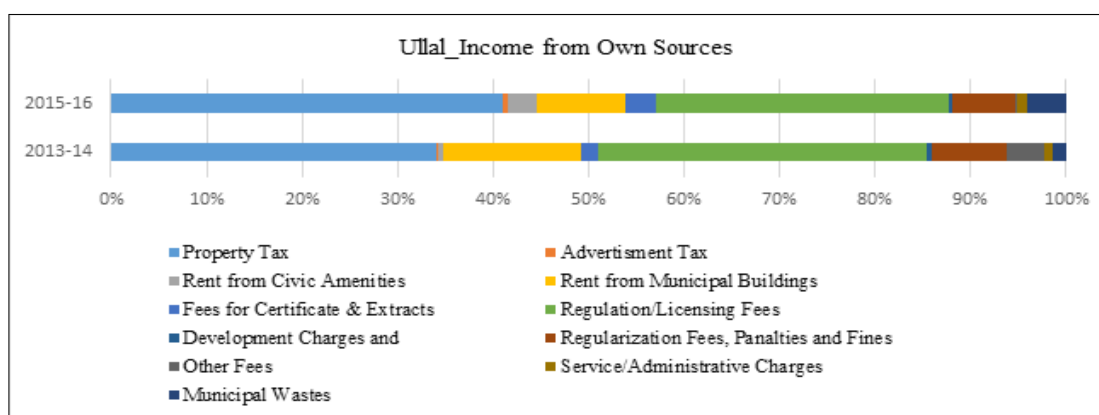


Figure 29: Ullal Income from Own Sources

A line item wise break-up of own-source of income shows that property tax and regulation /licensing fees alone make up more than 70% of income from own sources. In 2014-2015, there was a substantive increase in rent from civic amenities (Figure 29).

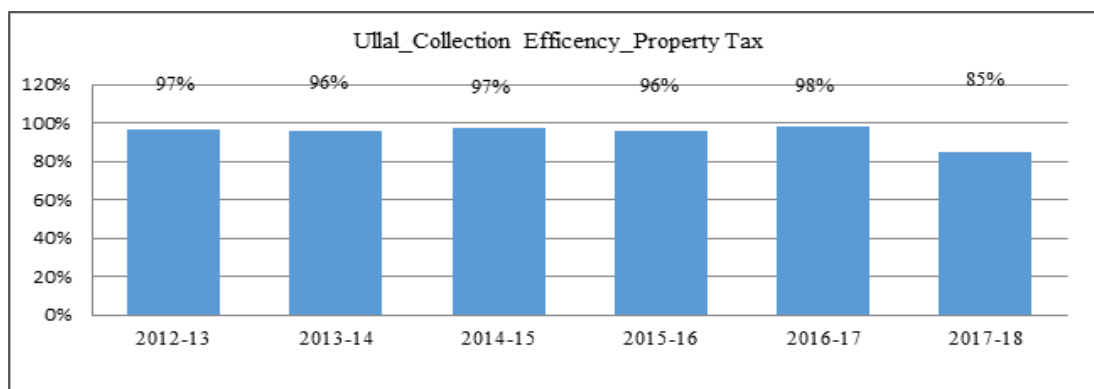


Figure 30: Ullal Property Tax Collection Efficiency

The collection efficiency of property tax in the city is above 95% throughout, the property count of the city is 15128 (including residential and commercial) (Figure 30).

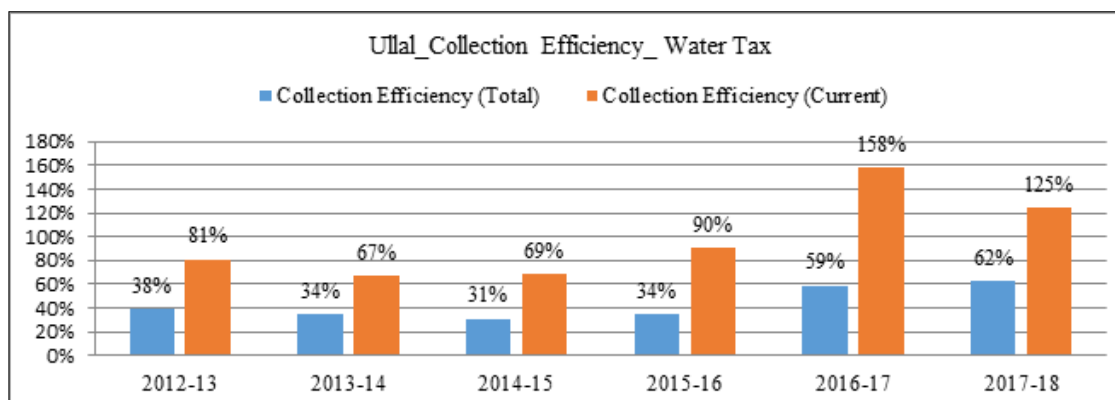


Figure 31: Ullal Water Tax Collection Efficiency

The collection efficiency of water tax ranges between 67% to more than 100% for 2016-2017 and 2017-2018 (as the collection includes arrears) as well. Incidentally, the years, in which current collection is high, the total collection has remained low (Figure 31).

Bidar

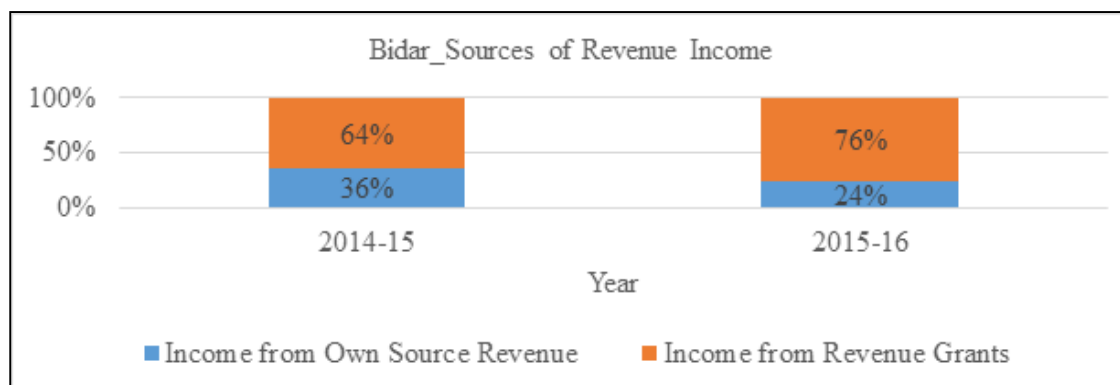


Figure 32: Bidar Sources of Revenue Income

In Bidar own source revenue as a share of income fell from 36% to 24% between the years 2014-2015 and 2015-2016 (Figure 32). Even though property taxes increased over the period, the decrease in the share of own source revenue can be explained as a combination of a decrease in development charges of almost Rs. 24 lakhs and an increase in dependence on revenue grants from approximately Rs. 15 crores to Rs. 30 crores (Figure 33).

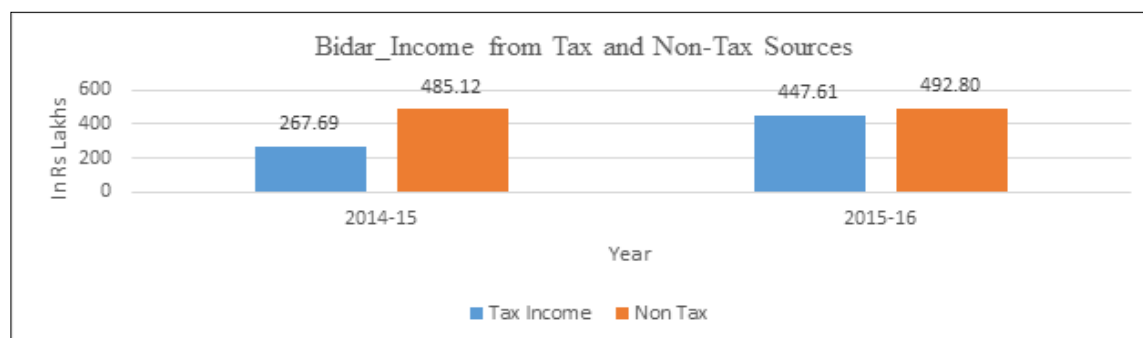


Figure 33: Bidar Income from Tax and Non-Tax Sources

Income from non-tax sources are consistently higher than tax sources but the gap between the two sources of income sharply decreases between 2014-2015 and 2015-2016 as tax Income rises substantially during the time period. This may be because property taxes surged by 67% between 2014-2015 and 2015-2016. While tax sources comprise mostly of property tax, the largest contributor to non-tax income in both the years was fees for certificates and extracts, contributing Rs. 1.7 crores and Rs. 2.1 crores approximately in the years 2014-2015 and 2015-2016 respectively.

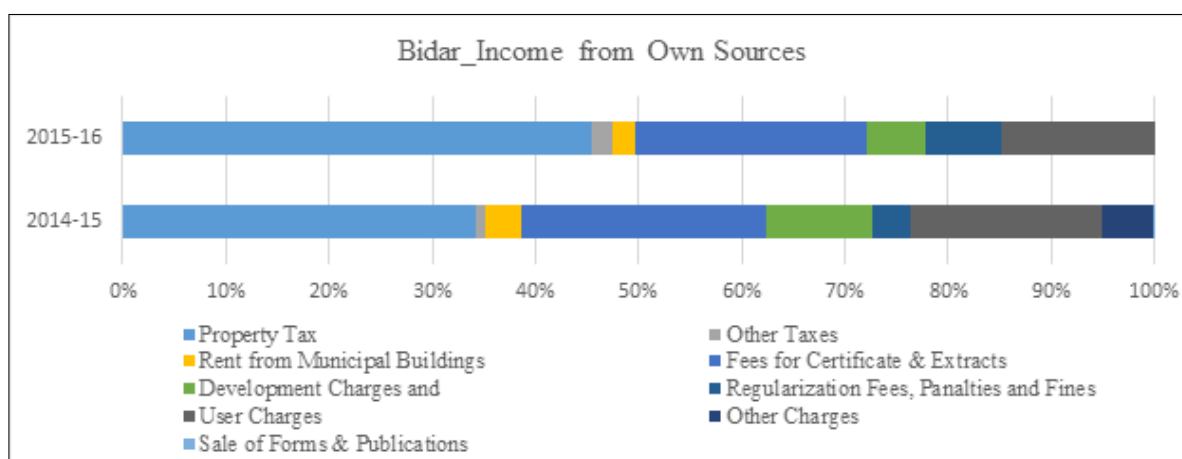


Figure 34: Bidar Income from Own Sources

A line item wise break-up of own-source of income shows that in both the years, property taxes and fees for certificates and extracts combined account for a majority of own source income in both the periods, 2014-2015 and 2015-2016. In 2014-2015, they contribute to approximately half of own source income while in the next year, this share increases to about 70% of own source income, due to the mammoth increase in property taxes (Figure 34).

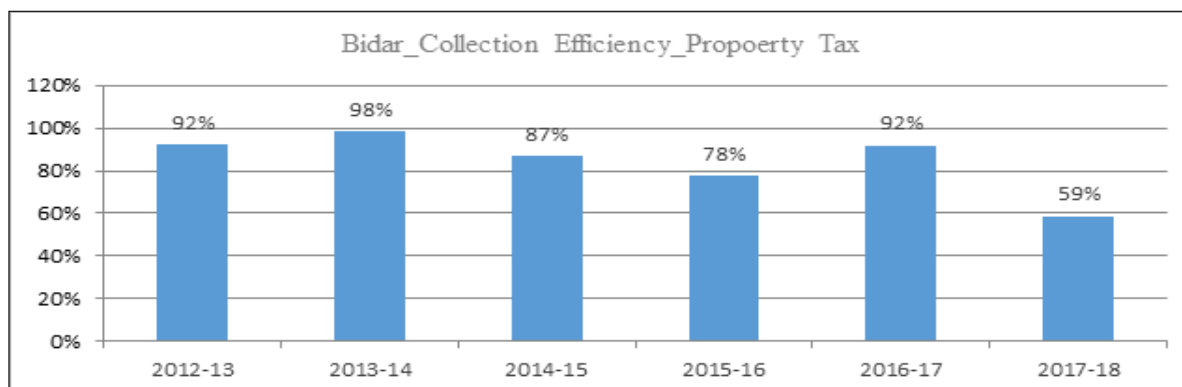


Figure 35: Bidar Property Tax Collection Efficiency

Most of the collection efficiency of property tax data points for the years 2012-2018 hover around 78-98%. However, the most recent period of 2017-2018 is an outlier with a collection efficiency of only 59% (Figure 35).

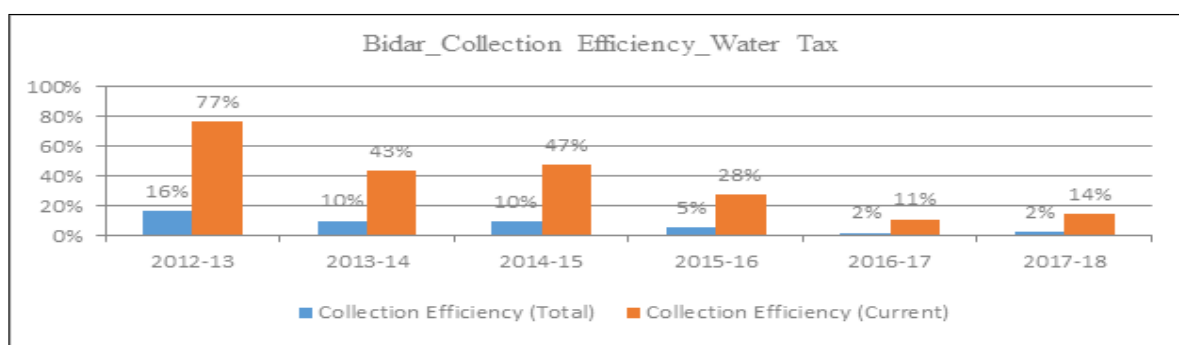


Figure 36: Bidar Water Tax Collection Efficiency

The collection efficiency (total) of water tax ranges between 2% and 16% for the period 2012-2018. Over the years, collection efficiency (total) of water tax has been steadily declining. Collection efficiency (current) has drastically declined from 2012-2018 as it was as high as 77% in 2012-2013 but has decreased to 14% in the most recent financial year of 2017-2018 (Figure 36).

Lingasugur

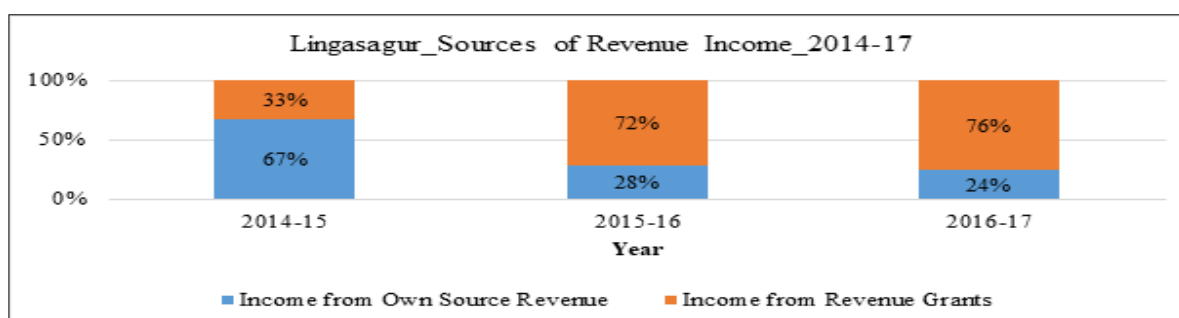


Figure 37: Lingasugur Sources of Revenue Income

In Lingasugur income from own sources of revenue was about 67% of total revenue income in 2014-2015, it decreased drastically to nearly 28% in 2015-2016 and then slipped to 24% in 2016-2017. Income from revenue grants for the year 2015-2016 and 2016-2017 was 72% and 76% as compared to 33% in 2014-2015. There is a dip of nearly 40% of income from tax between 2014-2015 and 2015-2016. Income from tax has remained around 65% in 2015-2016 and 2016-2017. Income from non-tax sources was the highest during 2014-2015 and has declined in the next two years.

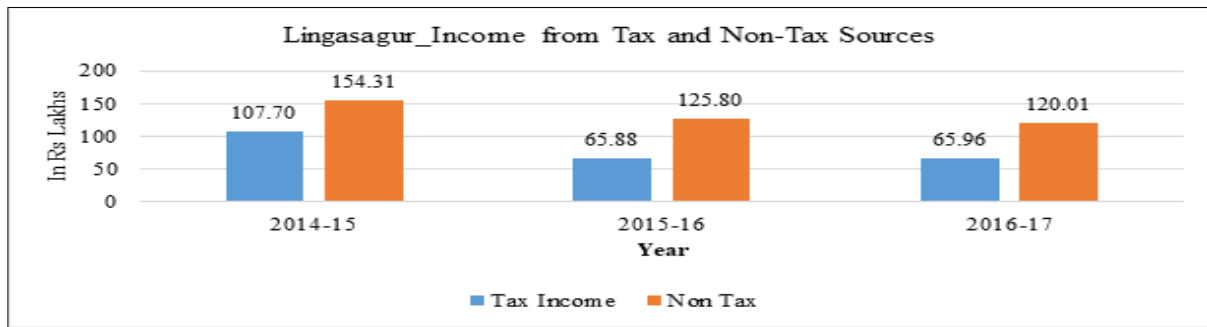


Figure 38: Lingasugur Income from Tax and Non-Tax Sources

The income from non-tax sources is consistently higher than tax sources the gap being the highest in 2015-2016 (Figure 38).

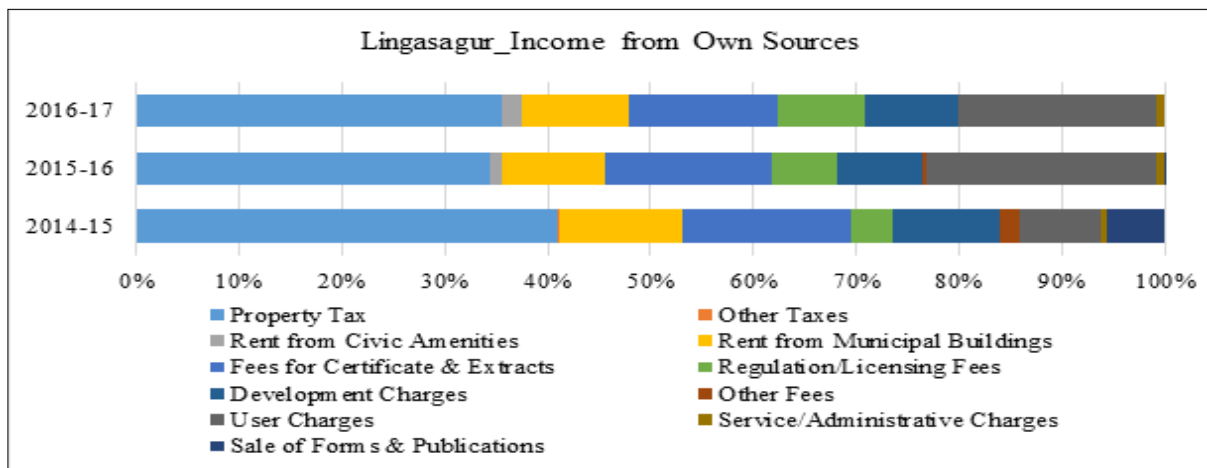


Figure 39: Lingasugur Income from Own Sources

A line item wise break-up of own-source of income shows that property tax collection contributes highest to income from own sources to the TMC (Figure 39).

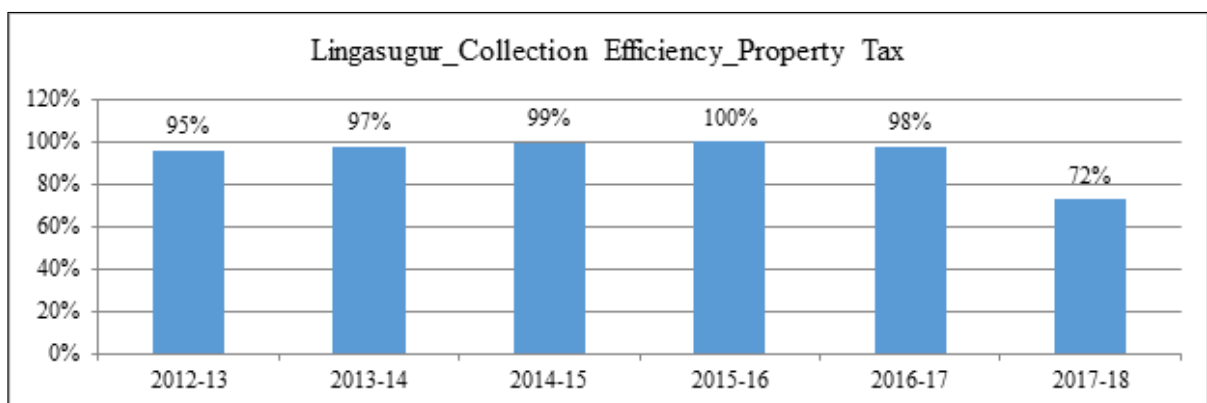


Figure 40: Lingasugur Property Tax Collection Efficiency

The collection efficiency of property tax in the city is above 90% until the most recent financial year (Figure 40).

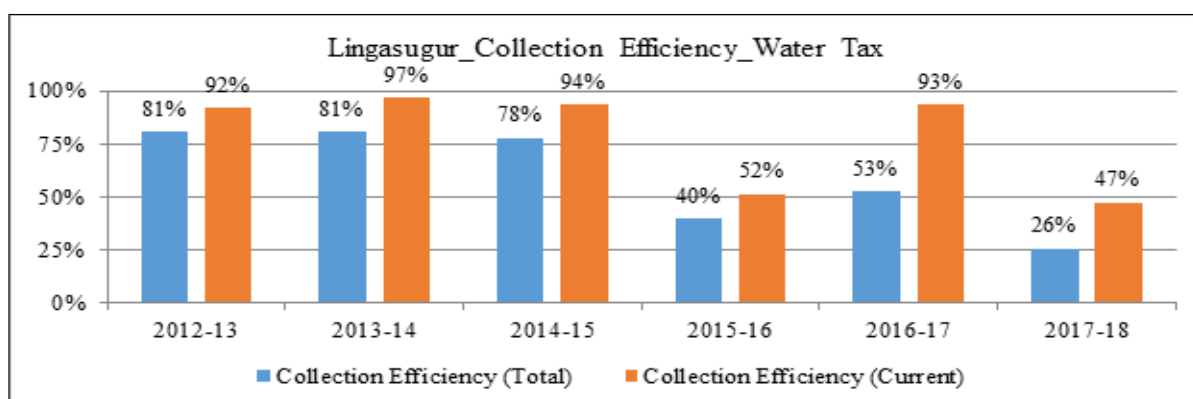


Figure 41: Lingasugur Water Tax Collection Efficiency

The collection efficiency (total) of water tax ranges between 26% to about 81% for 2017-2018. The numbers for the year 2015-2016 show a drop in the collection efficiency (total and current) and this will be further analysed in detail to understand the reasons (Figure 41).

Sakleshpur

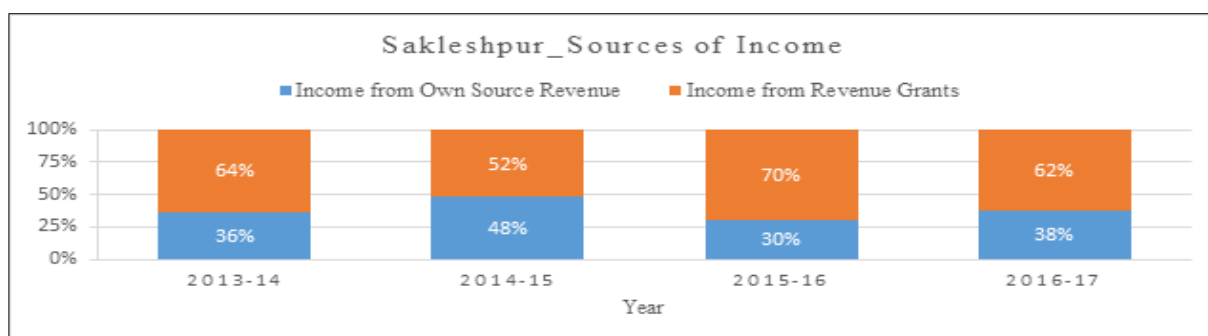


Figure 42: Sakleshpur Sources of Revenue Income

In Sakleshpur income from own sources of revenue was about 36% of total revenue income in 2013-2014, it increased to nearly 48% in 2014-2015, it then dipped back to 30% in 2015-2016 and then increased to 38% in 2016-2017 (Figure 42).

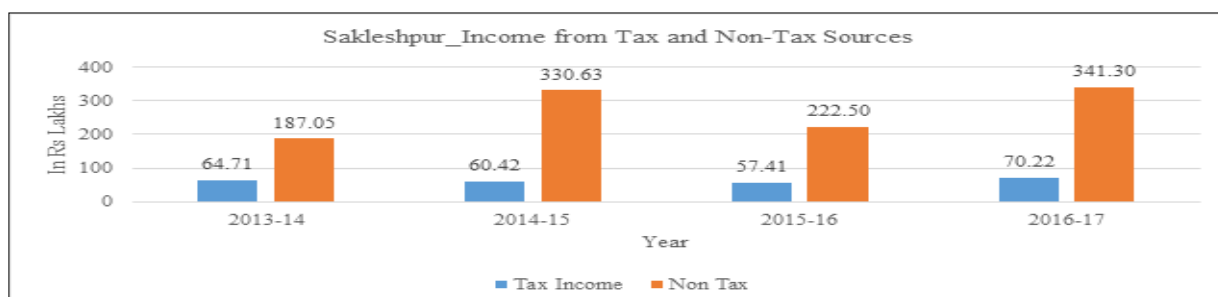


Figure 43: Sakleshpur Income from Tax and Non-Tax Sources

Income from non-tax sources are consistently higher than tax sources the gap being the highest in 2016-2017. However, there is a sharp decline in income from non-tax sources 2015-2016 period as rent from civic amenities, fees from issue of certificates and extracts

were low. While tax sources comprise mostly of property tax, non-tax sources comprise of user charges (water tax), income from rent and lease of land, fees, penalties etc (Figure 43).

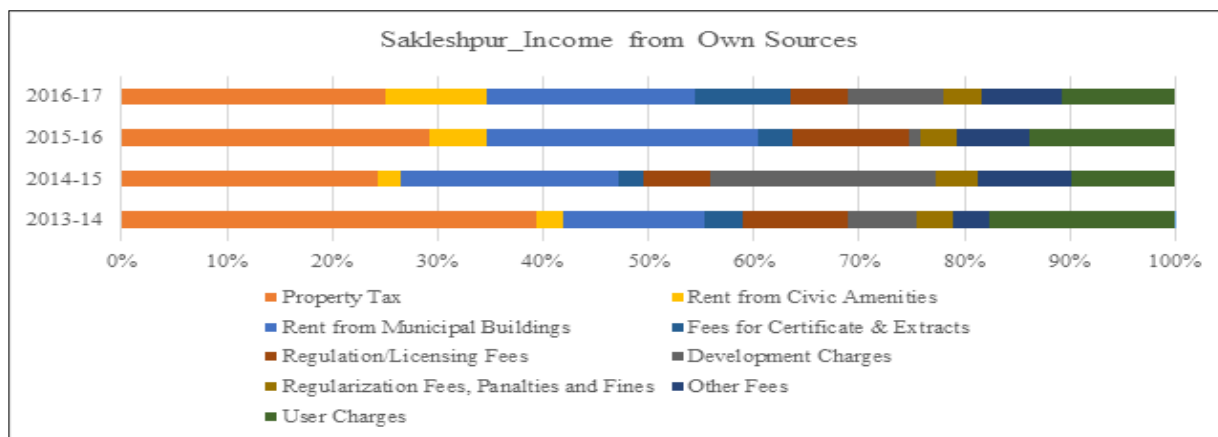


Figure 44: Sakleshpur Income from Own Sources

A line item wise break-up of own-source of income shows that property tax, rent from the municipal buildings, and user charges alone make up more than 75% of income from own sources in 2013-2014. In 2014-2015, there was a substantive increase in income from development charges and other fees (Figure 44). Since 2014-2015 period, income other than property tax makes up a major composition of the income from own sources.

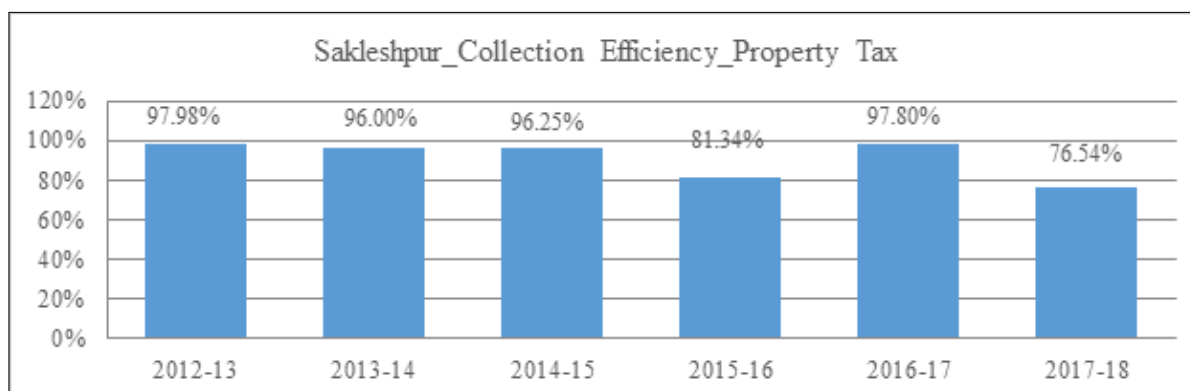


Figure 45: Sakleshpur Property Tax Collection Efficiency

The collection efficiency of property tax in the city is above 95% consecutively for 3 years i.e. 2012-13, 2013-14, 2014-15. There is a sharp down fall in the collection; by over 14% in 2015-2016 and in the next year 2016-2017, the collection efficiency has improved significantly covering 98% properties (Figure 45). The property count of the city is 5221 (including residential and commercial).

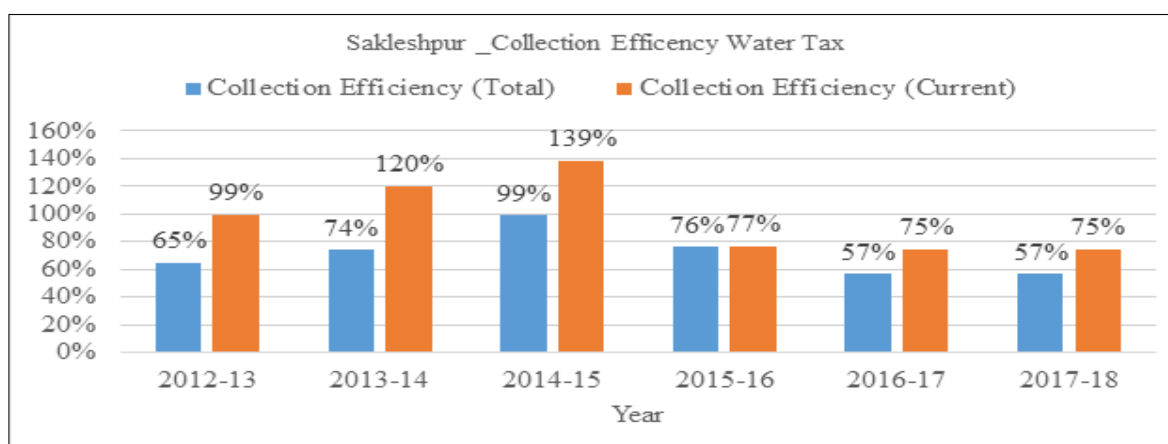


Figure 46: Sakleshpur Property Tax Collection Efficiency

The collection efficiency of water tax ranges from 56% to 138% for 2013-14 and 2014-15 (as the collection includes arrears) as well. The years, in which current collection is high, the total collection has also increased (Figure 46).

Krishnarajanagar (K.R.Nagar)

In K. R Nagara an analysis of the available data for 2015-2016 indicates 57% income from revenue grants and 43% income from own source revenue (Figure 47).

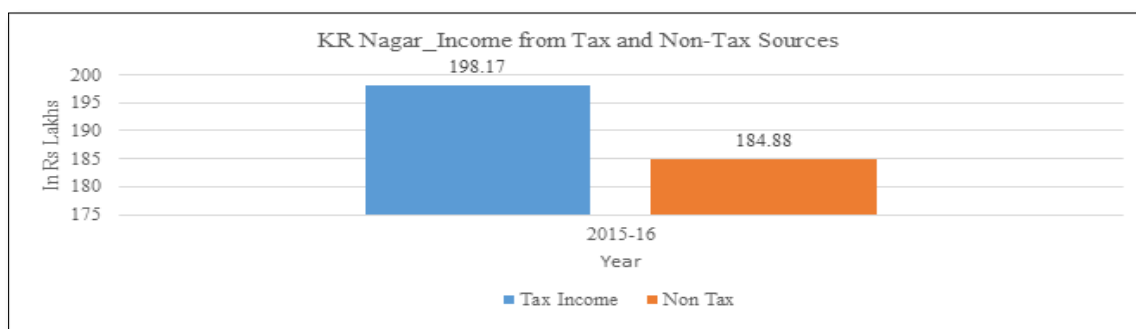


Figure 47: KR. Nagar Income from Tax and Non-Tax Source

The income from tax is higher by 13 lakhs than income from non-tax sources for 2015-2016. While tax sources comprise mostly of property tax, non-tax sources comprise of user charges (water tax), income from rent and lease of land, fees, penalties etc.

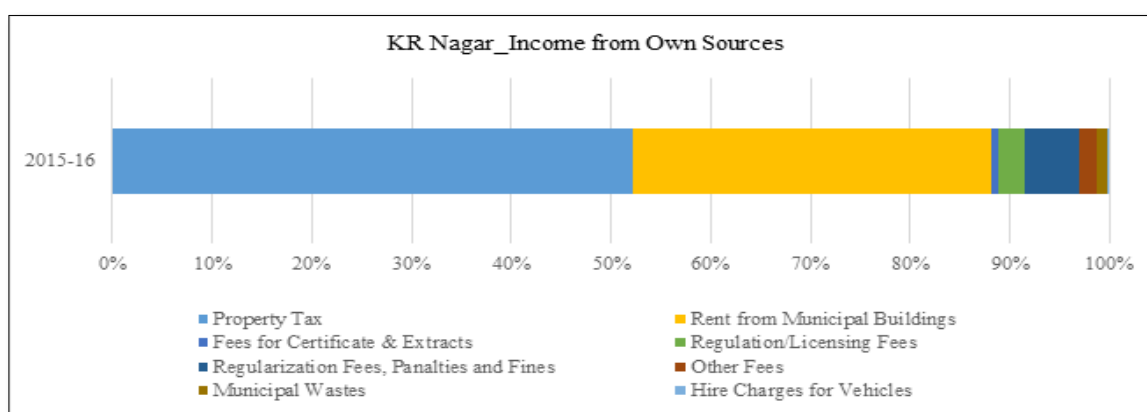


Figure 48: K.R.Nagar Income from Own Sources

A line item wise break-up of own-source of income for the year 2015-2016 shows that property tax and rent from municipal buildings alone make up more than 85% of income from own sources (Figure 48).

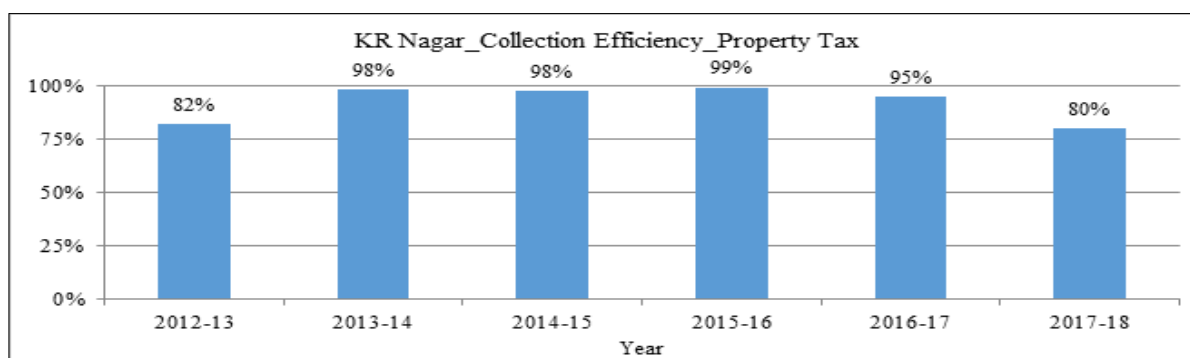


Figure 49: K.R.Nagar Property Tax Collection Efficiency

The collection efficiency of property tax in the city ranges from 80% to 99% throughout, the property count of the city is 11,850 (including residential and commercial) (Figure 49).

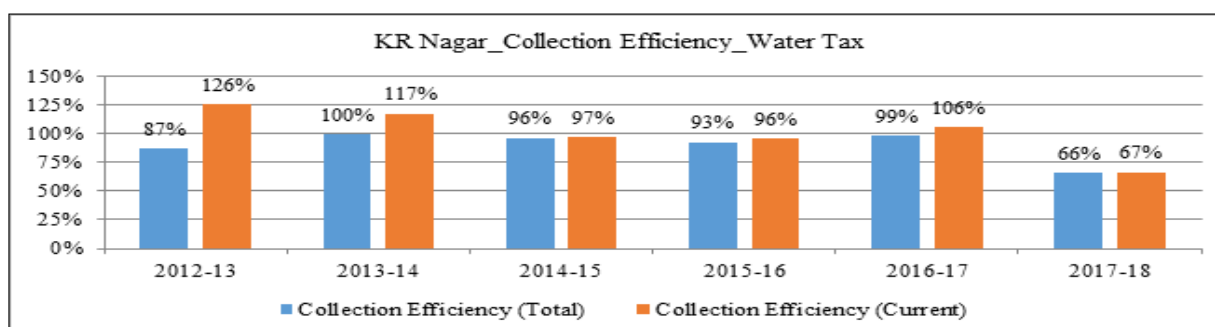


Figure 50: K.R.Nagar Water Tax Collection Efficiency

The current collection and the total collection after 2013-2014 have low gaps and show a trend of consistency (Figure 50).

Bangarapete

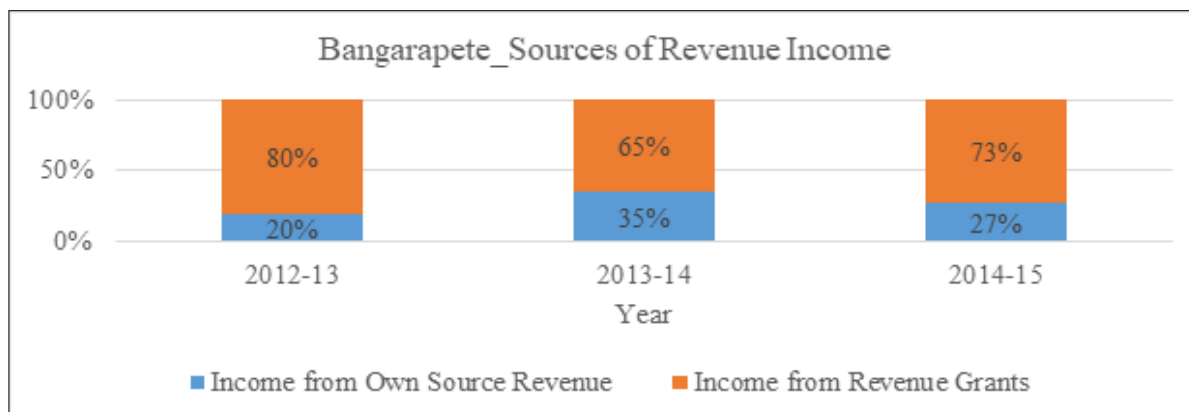


Figure 51: Bangarapete Sources of Revenue Income

In Bangarapete income from own sources of revenue was about 20% of total revenue income in 2012-2013, it increased to nearly 35% in 2013-2014 and then dipped back to 27% in 2014-2015 (Figure 51). During this period, the income from tax sources grew at nearly 30% percent and there was an additional source of income (non-tax) from lease of land only in 2013-2014. Thus, explaining the sudden increase in proportion of income from own sources (Figure 52).

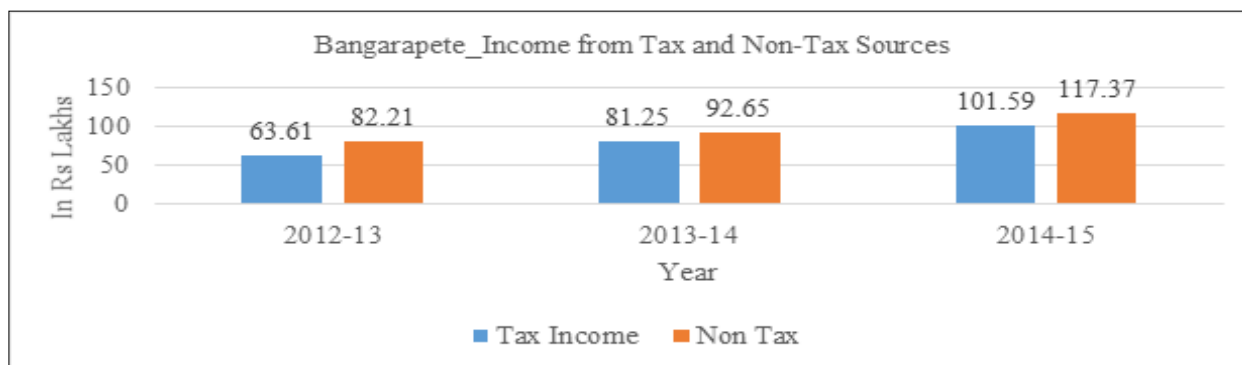


Figure 52: Bangarapete Income from Tax and Non-Tax Sources

The income from non-tax sources are consistently higher than tax sources the gap being the highest in 2012-2013. While tax sources comprise mostly of property tax, non-tax sources comprise of user charges (water tax), income from rent and lease of land, fees, penalties etc. (Figure 53)

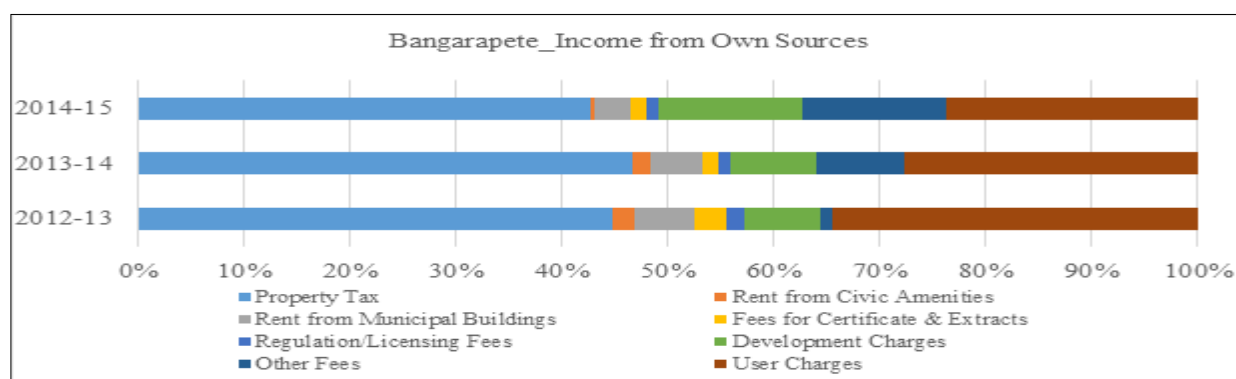


Figure 53: Bangarapete Income from Own Sources-2013-2015

A line item wise break-up of own-source of income shows that property tax and user charges alone make up more than 70% of income from own sources. In 2014-2015, there was a substantive increase in income from development charges and other fees (Figure 53).

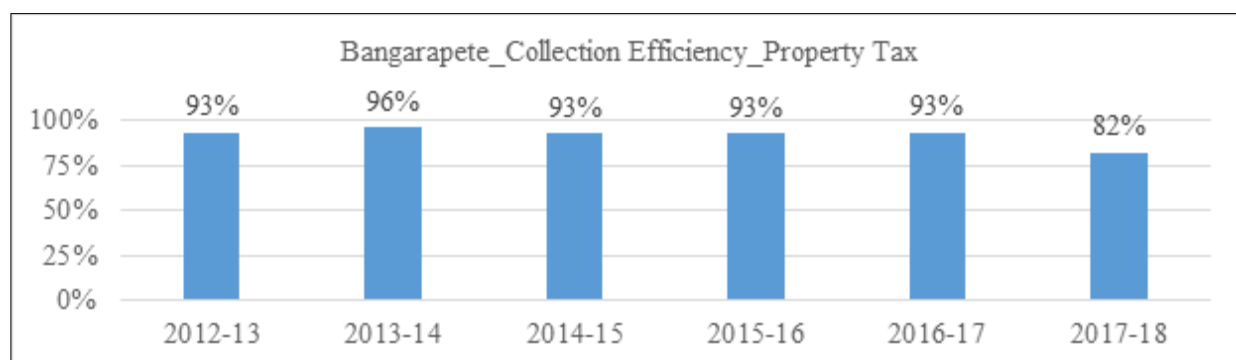


Figure 54: Bangarapete Property Tax Collection Efficiency

The collection efficiency of property tax in the city is above 90% throughout, the property count of the city is 13,080 (including residential and commercial) (Figure 55).

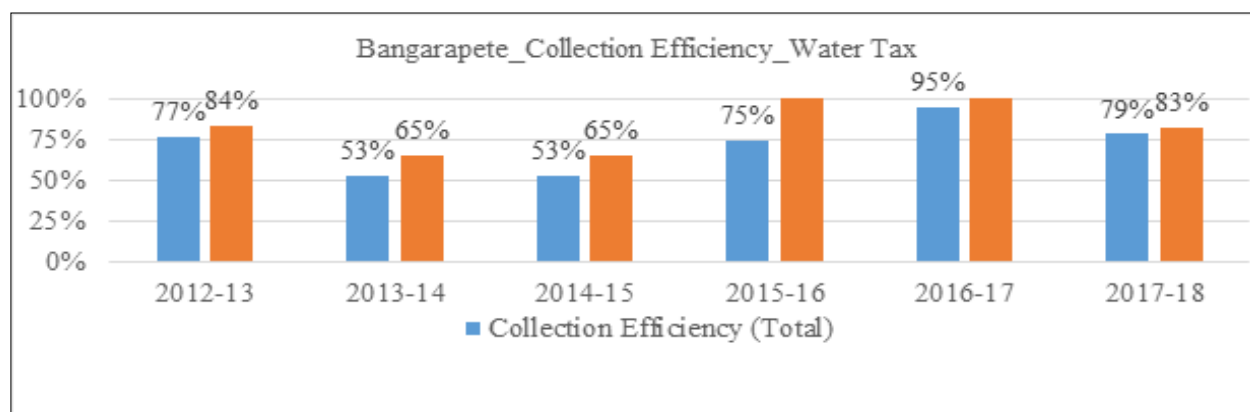


Figure 55: Bangarapete Water Tax Collection Efficiency

The collection efficiency of water tax (total) ranges between 53% to 95% for 2012-2016 and 2017-2018 (as the collection includes arrears) as well. The years, in which current collection is high, the total collection has also increased (Figure 56).

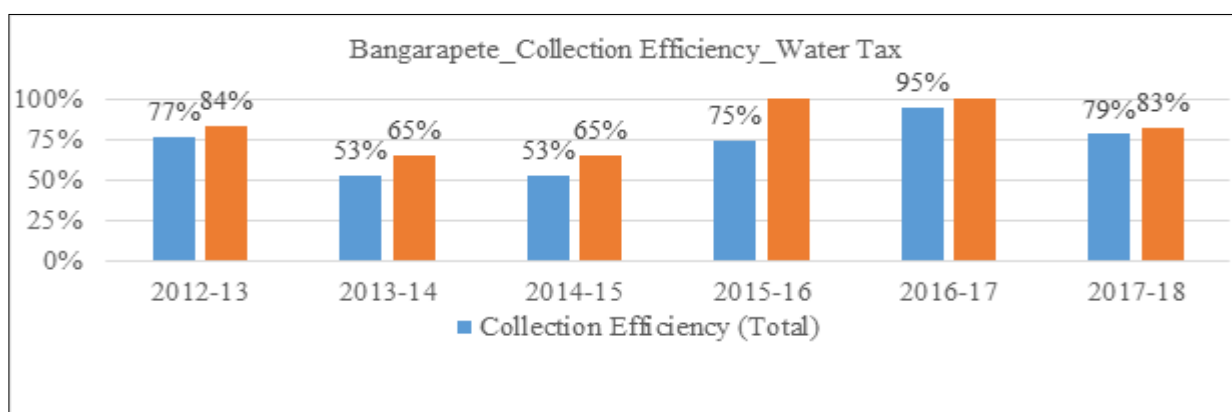


Figure 56: Bangarapete Collection Efficiency Water Tax

Haliyal

The income from own sources of revenue was 37% of total revenue income in 2014-2015 but it sharply decreased to 17% in the following financial year 2015-2016 (Figure 57). This can be explained by the increase in income from revenue grants between the two periods. While revenue grants were of the magnitude of approximately Rs. 3.6 crores in 2014-2015, it more than doubled by 2015-2016 with revenue grants equivalent to approximately Rs. 8.5 crores (Figure 58).

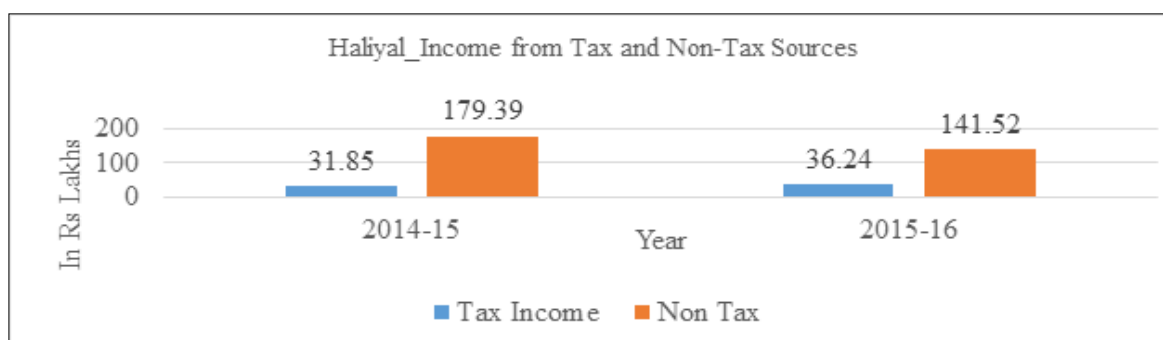


Figure 57: Haliyal Income from Tax and Non-Tax Sources

The income from non-tax sources are consistently higher than tax sources but the gap between the two sources of income decreases between 2014-2015 and 2015-2016 as tax income rises and non-tax income dips in 2015-2016. While tax sources comprise mostly of property tax, the largest contributor to non-tax income in 2014-2015 was other fees, accounting for 47% of non-tax income. However, in 2015-2016, user charges (water tax) was the biggest contributor to non-tax income but only accounted for 28% of non-tax income (Figure 58).

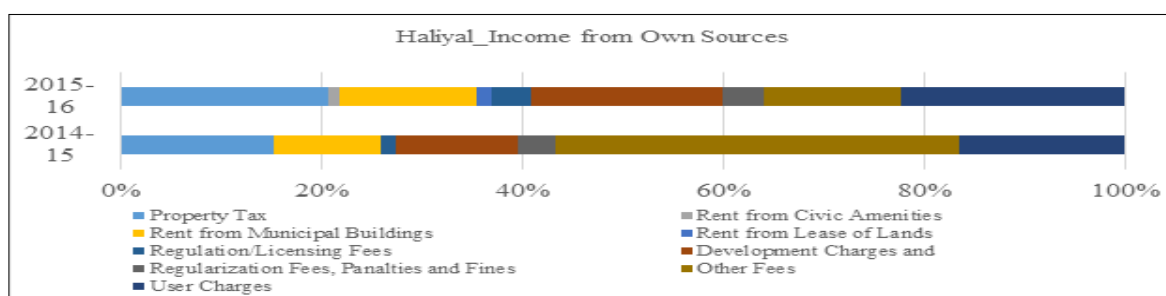


Figure 58: Haliyal Income from Own Sources-2014-2016

A line item wise break-up of own-source of income shows that in 2014-2015, other fees was responsible for approximately 40% of own source income but this percentage decreases to about 15% in the following year. At the same time, user charges and property taxes were responsible for more than 40% of own source revenue in 2015-2016 (Figure 58).

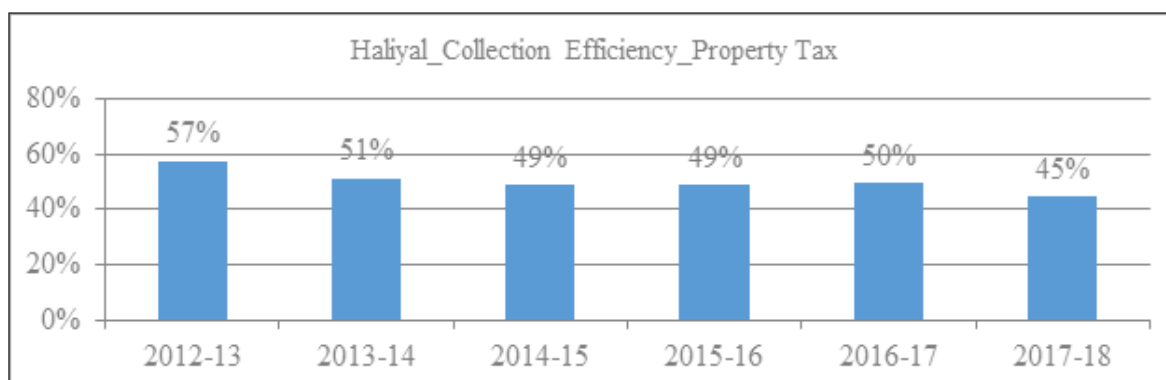


Figure 59: Haliyal Property Tax Collection Efficiency

The collection efficiency of property tax in the city hovers between 44%-58% during the period 2012-2018 (Figure 59).

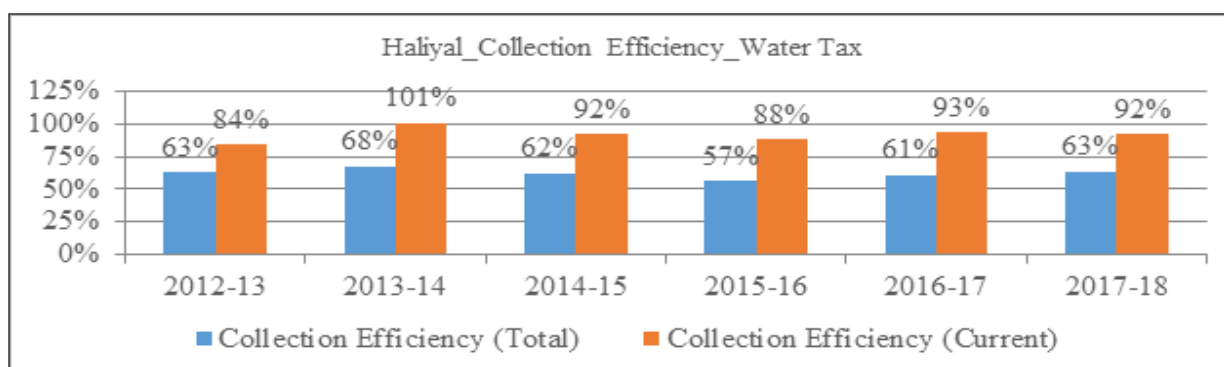


Figure 60: Haliyal Water Tax Collection Efficiency

The collection efficiency (total) of water tax ranges between 57% and 68% for the period 2012-2018. The years, in which current collection is high, the total collection has also increased i.e. in the year 2013-2014 (Figure 60).

Citizen Feedback Survey: Analysis

PAC has undertaken a sample survey for 1200 HouseHolds(HHs) for the 12 cities. The table below gives the details of the HHs in each city. The samples HHs within each city were chosen randomly. An approximate 20% of the samples in each city were slum HHs (Table 10).

Table 9: Sample Size for Citizen Feedback Survey

Sl no.	City	2011 (Source: Census 2011)	2018 (Calculated projected population)	Non Slum HHs surveyed	Slum HHs surveyed	Total HHs
1	Hubli-Dharwad (MC)	9,43,788	10,72,545	150	50	200
2	Davangere (MC)	4,34,971	4,92,238	150	50	200
3	Bidar (CMC)	2,14,373	2,47,831	95	30	125
4	Sira (CMC)	57,554	63,433	95	30	125
5	Yadgir (CMC)	74,294	87,498	95	30	125
6	Chamarajanagara (CMC)	69,875	77,237	95	30	125
7	Ullal (TMC)	53,773	56,666	40	10	50
8	Bangarapete (TMC)	44,849	49,723	40	10	50
9	K.R. Nagar (TMC)	35,805	39,937	40	10	50
10	Lingasagur (TMC)	34,932	41,505	40	10	50
11	Haliyal (TMC)	24,238	27,112	40	10	50
12	Sakleshpur (TMC)	23,352	23,476	40	10	50
					Total HHs	1200

The survey covered all basic services undertaken by the ULBs (water supply, sewerage, Solid Waste Management (SWM) roads, streetlights and drainage) and asked questions on the willingness to pay property taxes and user charges by the household.

Demographic Overview of Population

Nearly 56% of all respondents were women (Figure 61). About 75% of all respondents were literate. About a quarter of them have studied at least pre-university course (PUC) and above (Figure 62). One third of the respondents belonged to the general category while 25% and 11% belonged to the scheduled caste and scheduled tribe (SC and ST categories) respectively.

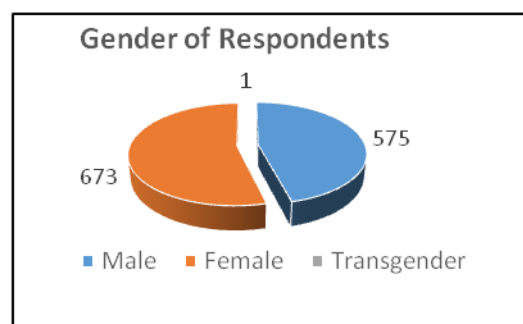


Figure 61: Gender of Respondents

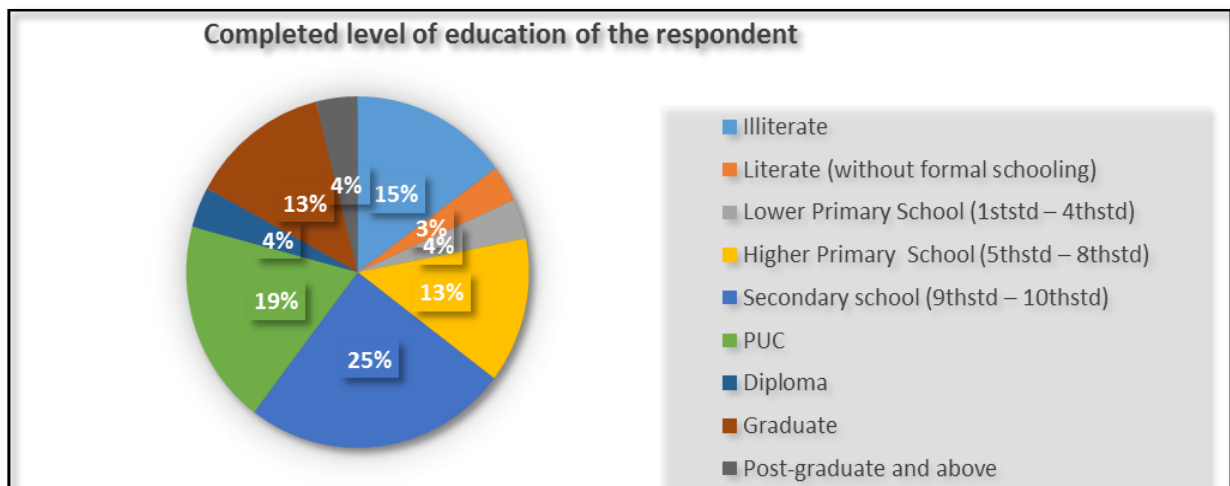


Figure 62: Completed level of education of the respondent

Awareness and Accessibility of Services

An important aspect of the citizen feedback survey was to assess the general accessibility to services (water supply, sanitation, sewerage and door-to-door collection of SWM). The general access to water supply ranged between 84% (Ullal) to 55% (Yadgir). The door-to-door waste collection was reported the highest in Chamarajanagara and Lingasugur. The access to sanitation facilities at the HH level was the highest in the Municipal Corporations i.e. Hubli-Dharwad and Davangere. The accessibility to HH level underground drainage system (UGD) system is also highest in the 2 Municipal Corporations and below 20% in all the other ULBs (Figure 63).

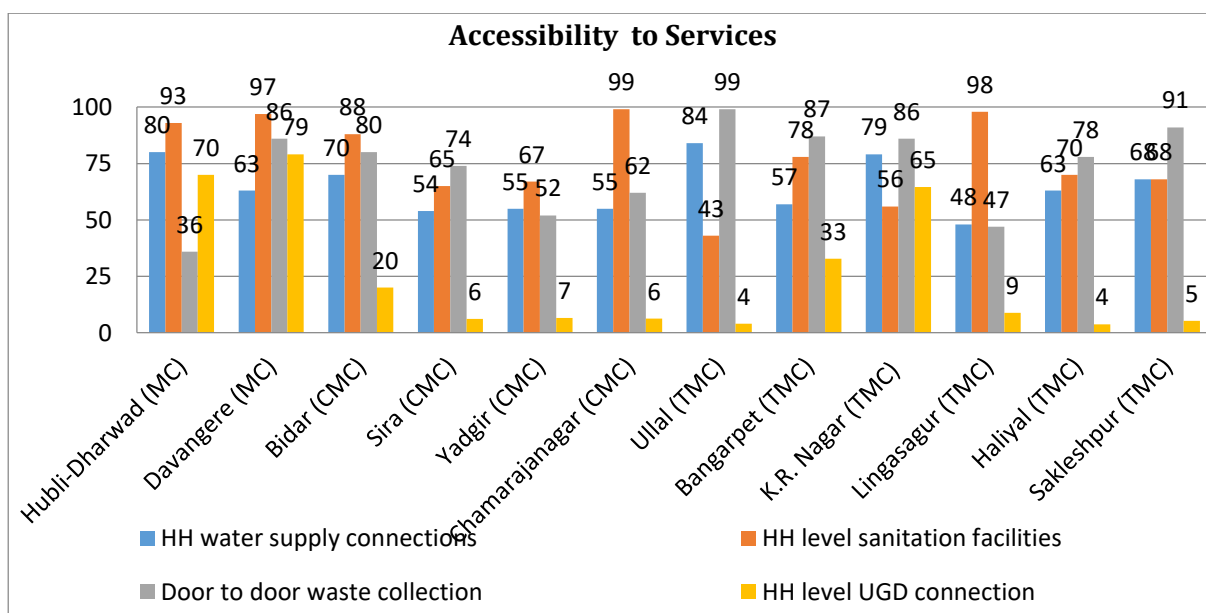


Figure 63: Accessibility to Services

Among the HHs that have access to municipal water supply connections, majority of them had the same more than 5 years ago. Around 20% of the HHs in Sira, Chamarajanagara and Bangarapete had received connections between the last 6 months to 1 year.

Usage and Quality of Services

Among all the 12 cities, only respondents in Haliyal and Lingasugur reported to be getting water supply on a daily basis. In Davangere almost all the respondents claimed to receiving water supply only once a week. Among the CMCs and TMCs, nearly 60% of all respondents were receiving water every alternate day (Figure 64). Among the HHs that reported to have had suffered from water borne diseases in the last one year, majority of them suffered from stomach related ailments. Nearly 20% of them reported to have suffered from typhoid. Almost 15% of the HHs had suffered from cases of diarrhoea and other skin problems (Figure 65).

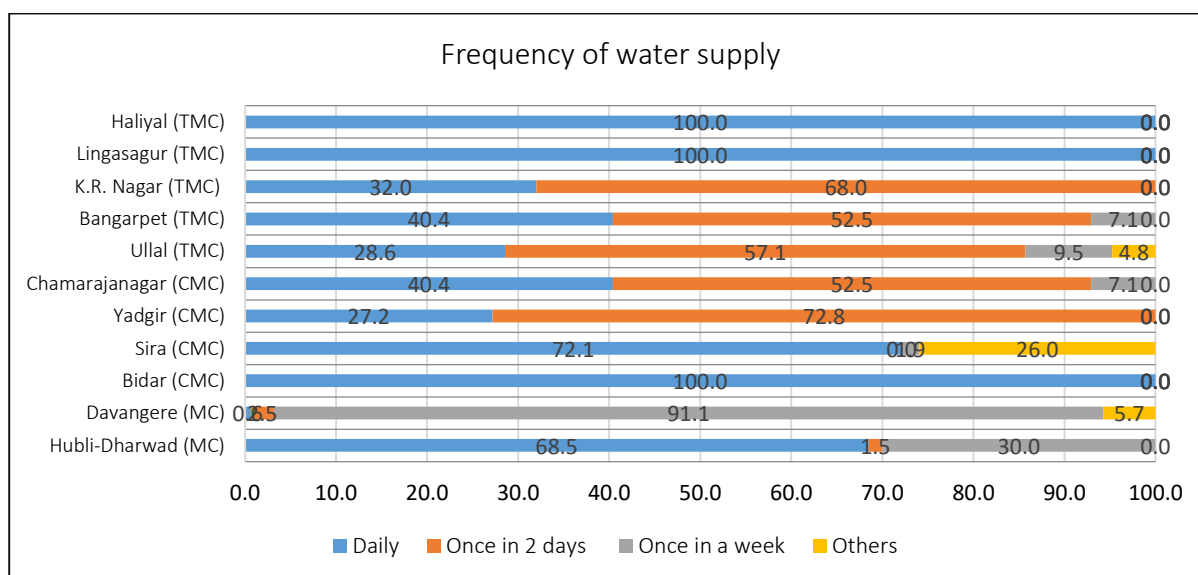


Figure 64: Frequency of Water Supply

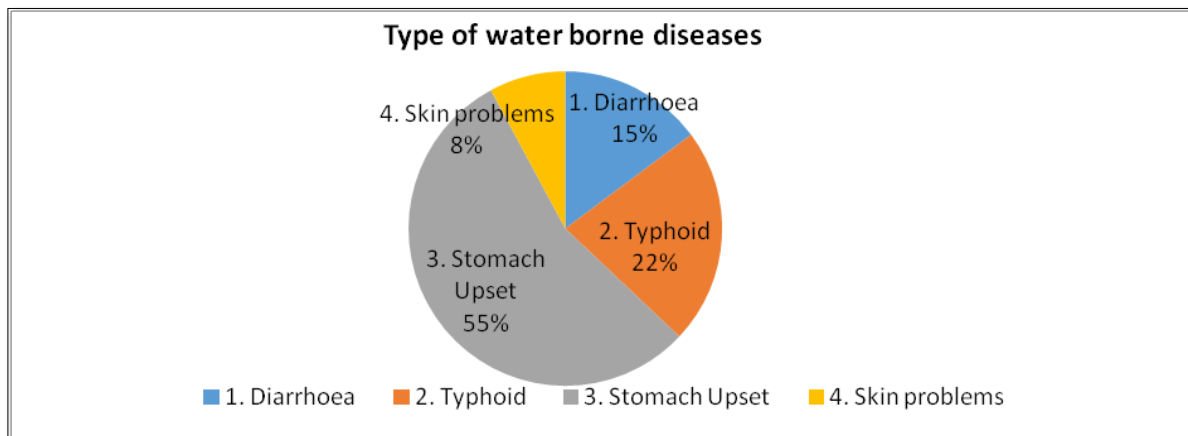


Figure 65: Type of water borne diseases

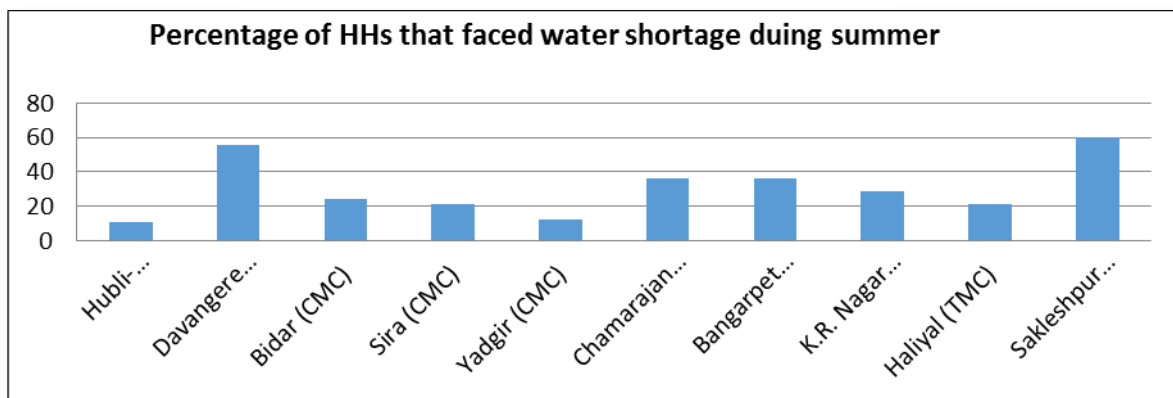


Figure 66: Households facing water shortage during summer

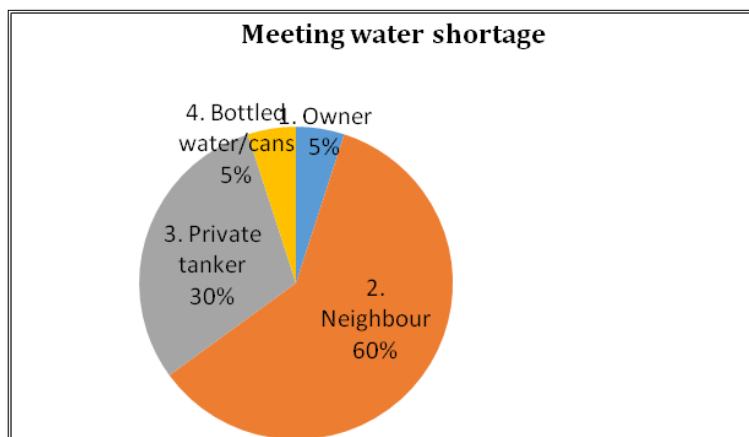


Figure 67: Meeting water shortage

Nearly 20 to 30% of HHs faced water shortage during the summer months. Davangere and Sakleshpur faced the maximum shortage where more than 50% of the respondents said that they face severe water shortage during the last summer (Figure 66). Most of the HHs that faced shortage during the summer used informal means to meet the shortage, such as

tapping into the neighbours' source (based on a friendly understanding). Nearly 30% of the HHs relied on private tankers while about 5% relied on bottled water (Figure 67).

Grievance Redressal for Services

As far as grievance redressal is concerned, maximum HHs complained about their issues in water supply at the municipal office (near about 40%). About 30% HHs complained about their water supply issues to the local political leaders in their respective wards (Figure 68).

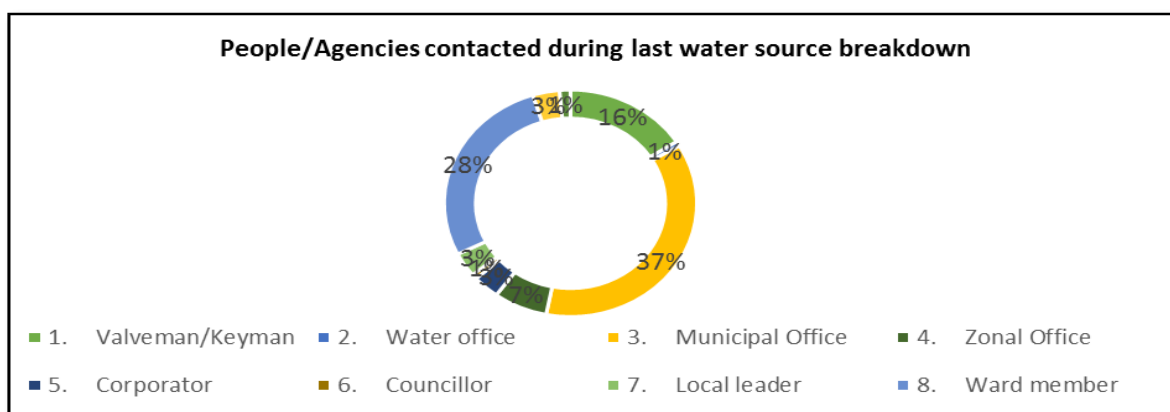


Figure 68: Agencies contacted during last water source breakdown

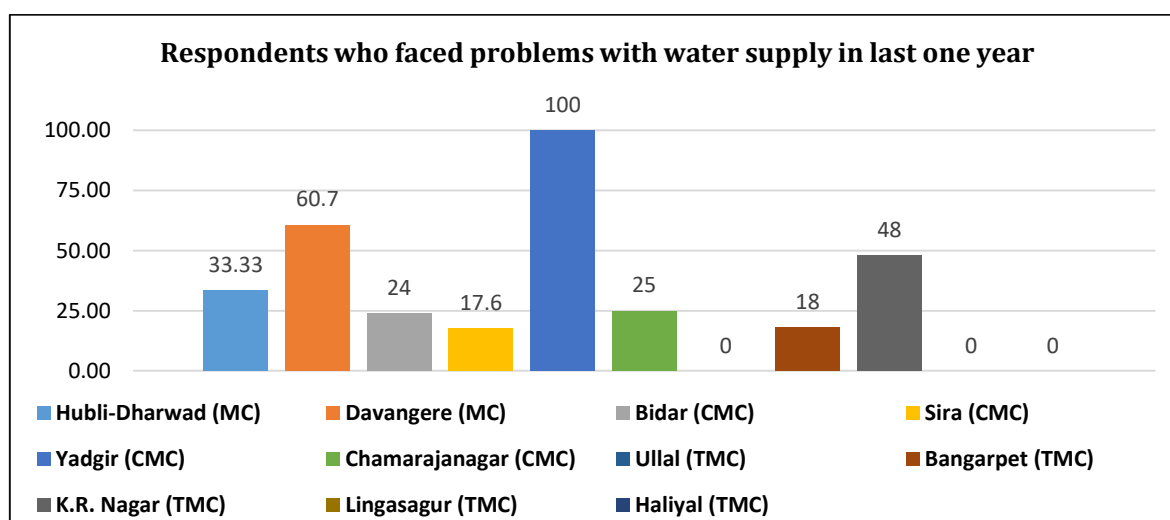


Figure 69: Respondents who faced problems with water supply in last one year

Nearly one-third of the respondents in Hubli-Dharwad and about 60% of the respondents in Davangere said that they had faced problems in water supply in the past year. In Yadgir, all respondents said that they had faced water shortage issues in the past year (Figure 69).

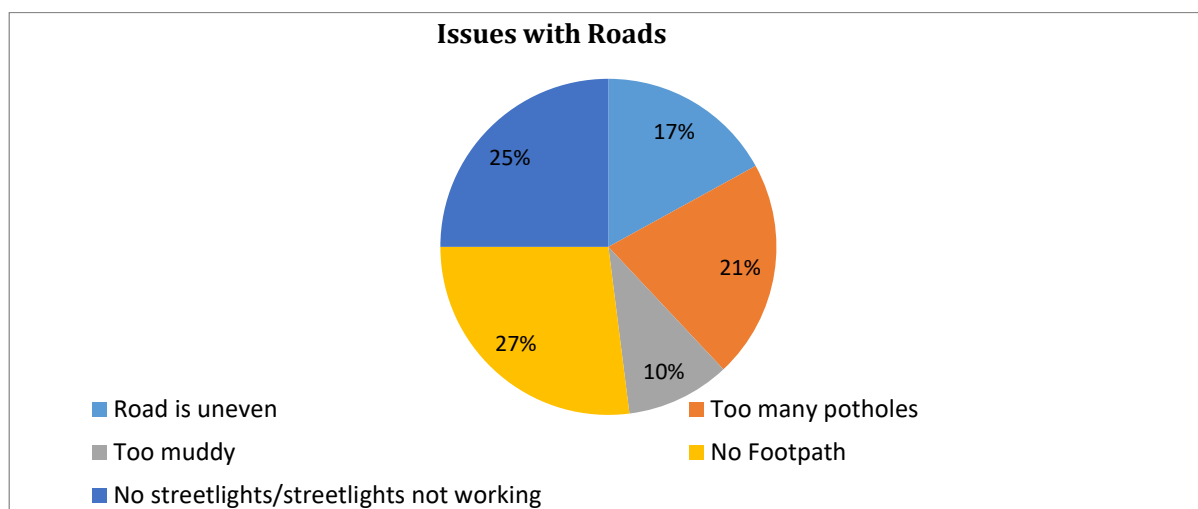


Figure 70: Issues with roads

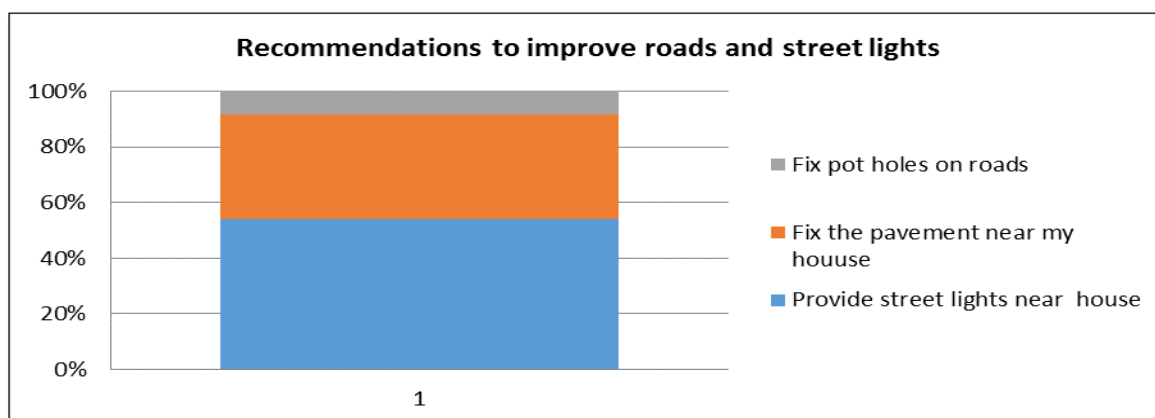


Figure 71: Recommendations to improve roads and streetlights

Among the 12 cities, the respondents in CR Nagara, Davangere and Yadgir, had major issues with roads. In Davangere, potholes, lack of streetlights and poor quality of roads are the main reasons cited during the feedback survey (Figure 70). While in CR Nagara missing street lights and lack of foot paths were that main reasons cited by the respondents with respect to issues with roads (Figure 71).

Willingness to Pay

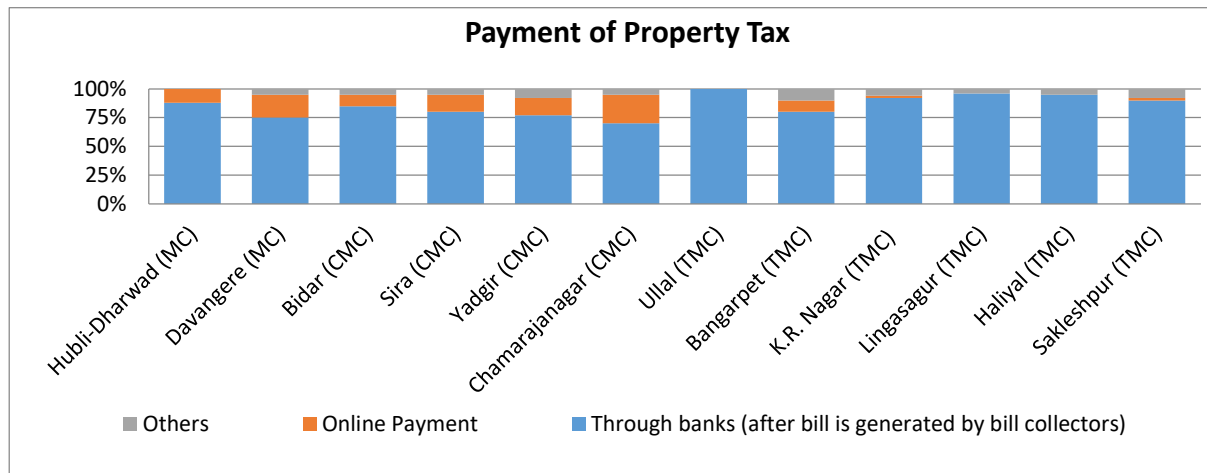


Figure 72: Payment of Property Tax

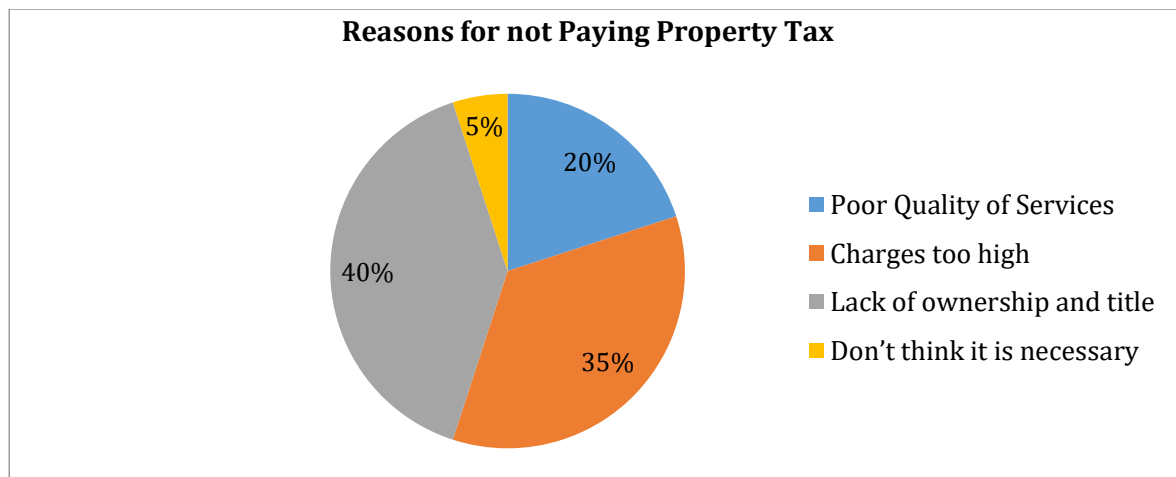


Figure 73: Reason for not paying property tax

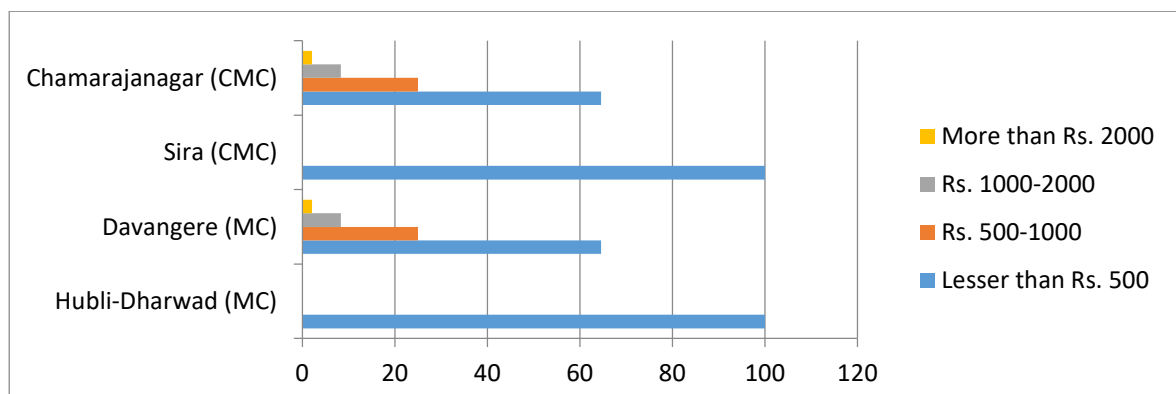


Figure 74: Amount willing to be paid

Among the HHs paying property tax, nearly 60% of the HHs interviewed, paid in the same in bank and other centres after the bill collector issued them the bill at the doors step. In Hubli –Dharwad nearly 10% of the HHs interviewed used online mode of payment (Figure 72). The main reason for not paying property tax has been cited as lack of ownership and the perception of charges being too high (Figure 73). When asked if the respondents were willing to pay more, households that were paying property tax on a regular basis, majority of them said that they were willing to pay up to Rs 500-1000 (Figure 74). Among the 1200 HHs, respondents were asked to prioritise services for improvement, maximum HHs said that water supply and sewerage were the two main priorities. Other services such as drainage, garbage collection and roads were considered comparatively less important services by the citizens (Figure 75).

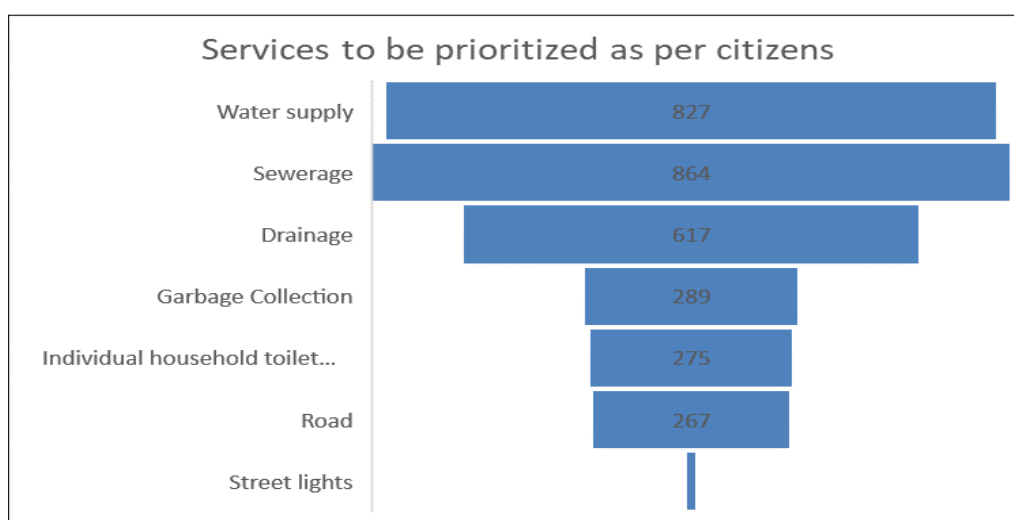


Figure 75: Services to be prioritised

Satisfaction with services

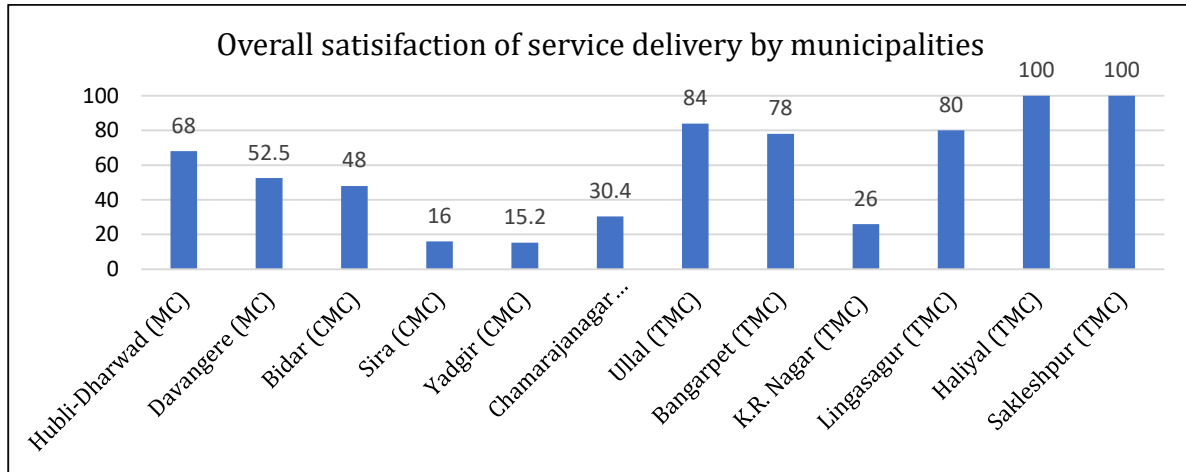


Figure 76: Overall Satisfaction of Service by Municipalities

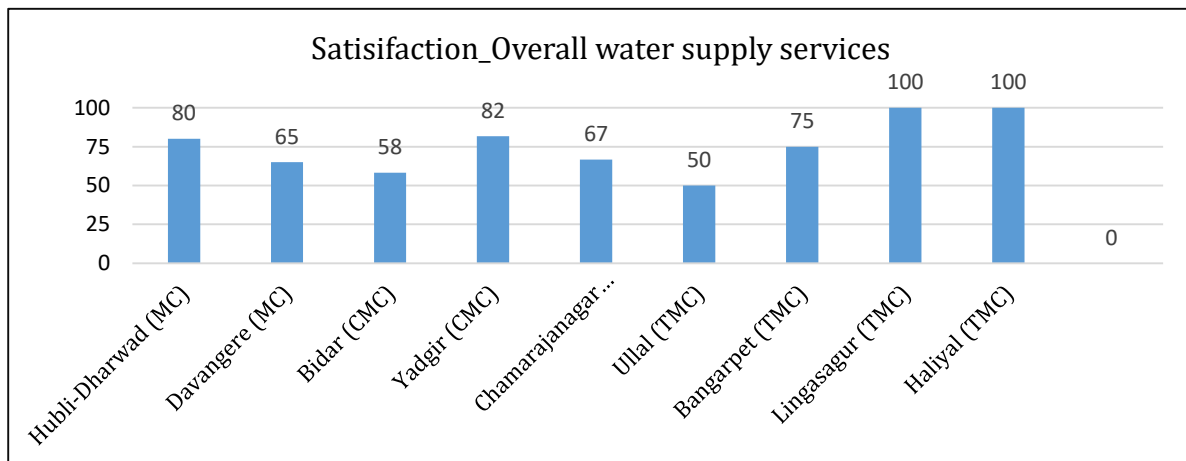


Figure 77: Overall Satisfaction with Water Supply Services

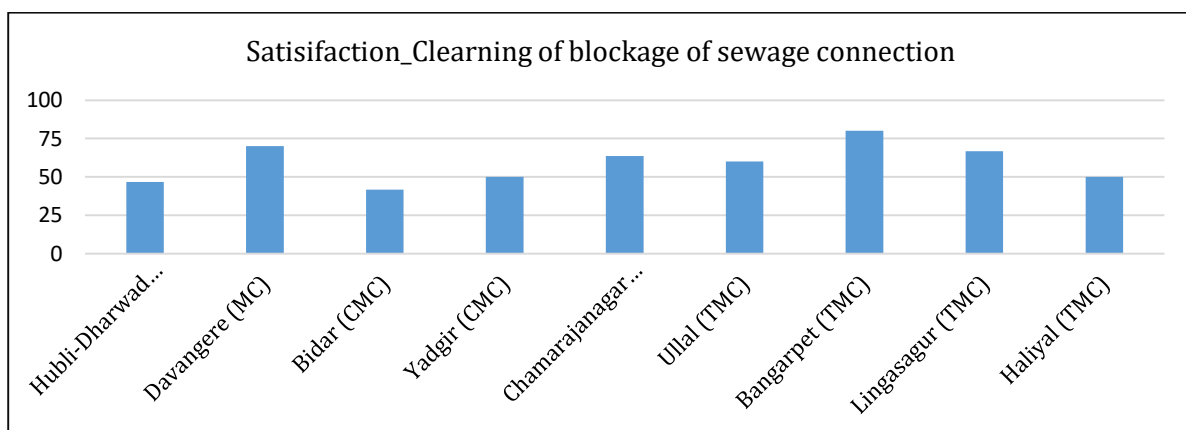


Figure 78: Overall Satisfaction with clearing of blockage of sewage connection

Hubli-Dharwad

The respondents were asked to rank the services that HDMC should immediately attend to and services that had to improve. As per the ranking provided by the respondents, the three main services that needed focus were:

1. Sewerage
2. Water supply
3. Public Toilet

When asked about satisfaction regarding the overall water supply services, 80% of the respondents responded that they were satisfied. The respondents who were dissatisfied complained about insufficient water supply, suggested water from bore wells as a substitute in these areas. About 54% of respondents said that the water services received currently as being better than the service provided 2 years ago. 40% of them maintained that there was no change. About 47% of the respondents for the citizen feedback survey were satisfied with the clearing of sewage connection blockage. The main reasons for dissatisfaction among the respondents was due to long delay in attending to complaints, drains were uncovered and because no timely clearance of solid waste was carried out.

When asked about the overall satisfaction regarding the roads, 93% of the respondents were satisfied. Dissatisfied respondents wanted the municipality to provide new roads in the areas with damaged roads. About 71% of the respondents were satisfied by the overall cleanliness in their vicinity. Some of the suggestions provided to improve the overall cleanliness were as follows:

- Weekly cleaning of drainage
- Cleaning of roads everyday

Overall, 68% of the respondents were satisfied about the service delivered by HDMC.

Davangere:

As per the ranking provided by the respondents, the three main services that Davangere MC needed to focus on included:

1. Water
2. Sewerage
3. Drainage

Among all the respondents, when asked about satisfaction regarding the overall water supply services, 65% of the respondents were satisfied. The respondents who were dissatisfied complained about shortage of water supply during summer, irregular water supply and bad water quality of bore well water. Some of the suggestions provided by the respondents were:

- Regular water supply provided at least once in 3 days

- Implementation of 24x7 water supply programme
- Regular timings for water supply to be followed strictly

About 75% of respondents voted that the water services received now is better than the service provided 2 years ago while 20% of them think that it is the same as before. Nearly 70% of the respondents were satisfied by the clearing of sewage connection blockage. The main reasons for dissatisfaction among the respondents were due to irregular cleaning of drains, mosquitoes and lack of response from the municipality on complaints.

When asked about the overall satisfaction regarding roads, 85% of the respondents were satisfied. Respondents were dissatisfied because roads in some areas were not ready or had narrow roads and muddy roads. They wanted the municipality to provide wider roads and cemented/tar roads. About 68% of the respondents were satisfied by the overall cleanliness of their vicinity. Some of the suggestions provided to improve the overall cleanliness were as follows:

- Regular cleaning of drainage
- Cleaning of roads everyday
- Regular visits by workers

Bidar:

The respondents were asked to rank the services that Bidar should immediately attend to and services that had to improve. As per the ranking provided by the respondents, the three main services that needed focus on were:

1. Water supply
2. Sewerage
3. Public Toilet

Among all the respondents when asked about satisfaction regarding the overall water supply services, 58% of the respondents were satisfied. The respondents who were dissatisfied complained about insufficient water supply requested for 24x7 water supply. About 75% of respondents voted that the water services received presently was better than services provided 2 years ago. Nearly 25% of them think that it is the same as before.

About 41% of the respondents were satisfied by the clearing of sewage connection blockage. The main reasons for dissatisfaction among the respondents were due to uncovered drains, blockages in line and lack of maintenance of drains.

When asked about the overall satisfaction regarding the roads, 58% of the respondents were satisfied. About 71% of the respondents were satisfied by the overall cleanliness of their vicinity. Some of the suggestions provided to improve the overall cleanliness were as follows:

- Regular cleaning of drainage
- Cleaning of roads every day.

Overall, 48% of the respondents were satisfied about the service delivered by Bidar CMC.

Sira:

The respondents were asked to rank the services that Sira CMC should immediately attend to and the services that needed improvement. As per the ranking provided by the respondents, the three main services that needed focus on were:

1. Water supply
2. Sewage
3. Garbage collection

When asked about the overall satisfaction regarding the roads, 97% of the respondents were satisfied. Dissatisfied respondents wanted the municipality to provide new roads.

About 67% of the respondents were satisfied by the overall cleanliness of their vicinity. Overall, 16% of the respondents were satisfied with the services delivered in Sira.

Yadgir:

The respondents were asked to rank the services that Yadgir CMC should immediately attend to and services that had to improve. As per the ranking provided by the respondents, the three main services that needed focus on were:

1. Water Supply
2. Sewerage
3. Drainage and Public Toilet

Among the respondents, when asked about satisfaction regarding the overall water supply services, 81% of the respondents were satisfied. Respondents who were dissatisfied complained about insufficient water supply and suggested proper connectivity, quicker installation of new lines. According to 72% of the respondents the services were the same as 2 years ago and about 27% of them felt that they were better than before.

Nearly 50% of the respondents were satisfied by the clearing of sewage connection blockage. The main reasons for dissatisfaction among the respondents were was the poor condition of roadside drains and the lack of UGD connection.

When asked about the overall satisfaction regarding the roads, 92% of the respondents were satisfied. Dissatisfied respondents wanted the municipality to lay cement roads and ensure regular repair and maintenance of cement roads. About 46% of the respondents were satisfied by the overall cleanliness of their vicinity. Some of the suggestions provided to improve the overall cleanliness were as follows:

- Weekly cleaning of drainage
- Cleaning of roads everyday

Overall, 15% of the respondents were satisfied about the service delivered by the Yadgir CMC.

Chamarajanagar:

The respondents were asked to rank the services that Chamarajanagar CMC should immediately attend to and services that had to improve. As per the ranking provided by the respondents, the three main services that needed focus on were:

1. Water supply
2. Drainage
3. Road

Among all the respondents, when asked about satisfaction regarding the overall water supply services, 66% of the respondents were satisfied. Respondents who were dissatisfied complained about insufficient and irregular water supply. They suggested increasing water supply network coverage, regular water supply at least once in two days as important suggestions. According to 50% of the respondents the services these services were better than before and about 25% of them felt that it was the same as 2 years ago.

Nearly 63% of the respondents were satisfied by the clearing of sewage connection blockage. The main reasons for dissatisfaction among the respondents were that the roadside drains were not cleaned regularly leading to overflow on the roads.

When asked about the overall satisfaction regarding the roads, nearly 58% of the respondents were satisfied. Major reason for the poor satisfaction was due to the roads that are in bad condition due to the on-going civil works as for the planned UGD network. Dissatisfied respondents want the municipality to putting cement road and better connected.

About 68% of the respondents were satisfied by the overall cleanliness of their vicinity. Some of the suggestions provided to improve the overall cleanliness were as follows:

- UGD to be connected with much more rigor
- Dustbins to be kept in public events/functions/gatherings to avoid littering

Overall, 30% of the respondents were satisfied about the service delivered by Chamarajanagar CMC.

Ullal TMC:

The respondents were asked to rank the services that the Ullal Municipality needed to immediately attend to and services that needed improvement. As per the ranking provided by the respondents, the three main services that needed immediate attention were:

1. Drainage
2. Sewerage
3. Roads

Among all the respondents, when asked regarding the overall water supply services, nearly 50% of the respondents were satisfied. The respondents who were dissatisfied complained about irregular water timings suggested regular timings of water.

About 60% of the respondents were satisfied by the clearing of sewage connection blockage. The main reasons for dissatisfaction among the respondents were due to leakages in sewerage lines.

When asked about the overall satisfaction regarding the roads, 94% of the respondents were satisfied. Respondents suggested that roads had to be laid using scientific methods.

About 88% of the respondents were satisfied by the overall cleanliness of their vicinity. Some of the suggestions provided to improve the overall cleanliness were as follows:

- Faster cleaning
- Using scientific methods for disposing garbage

Overall, 84% of the respondents were satisfied about the service delivered by Ullal TMC.

Bangarapete TMC:

The respondents were asked to rank the services that Bangarapete TMC should immediately attend to and the services that required improvement. As per the ranking provided by the respondents, the three main services that needed focus on were:

1. Water Supply
2. Road
3. Garbage collection

Among all the respondents, when asked about satisfaction regarding the overall water supply services, 75% of the respondents were satisfied. Respondents who were dissatisfied complained about the lack of response from the water board and delay in attending to complaints. They felt the processes in need to be made easier and also emphasised on the need for regular water supply. According to about 50% of the respondents' service delivery are better than before. About 33% of them feel that it is the same as before.

About 80% of the respondents were satisfied by the clearing of sewage connection blockage service. The main reasons for dissatisfaction among the respondents were because they were expected to pay for clearing the sewage and the municipalities were non-responsive.

When asked about the overall satisfaction regarding the roads, 100% of the respondents were satisfied. About 76% of the respondents were satisfied by the overall cleanliness of

their vicinity. Some of the suggestions provided to improve the overall cleanliness were as follows:

- Timely cleaning of accumulated dirt
- Addressing foul smell
- Segregating garbage

Overall, 78% of the respondents were satisfied with the service delivered by Bangarapete TMC.

K.R.Nagar TMC:

The respondents were asked to rank the services that KR Nagar TMC should immediately attend to and services that require improvement. As per the ranking provided by the respondents, the three main services that the municipal body needed to focus on were:

1. Sewerage
2. Individual household toilet construction
3. Garbage Collection

When asked about the overall satisfaction regarding roads, 58% of the respondents were satisfied. Major dissatisfaction among the respondents was due to poor lighting of the roads and non-clearance of garbage on the roads.

About 58% of the respondents were satisfied by the overall cleanliness of their vicinity. Some of the suggestions provided to improve the overall cleanliness were as follows:

- Proactive participation of the Councilor in governance affairs
- Cleaning the roads on a daily basis

Overall, 26% of the respondents were satisfied with the services delivered by K.R Nagar TMC.

Lingasagur TMC:

The respondents were asked to rank the services that Lingasagur TMC should immediately attend to and services that had to improve. As per the highest ranking provided by the respondents, the three main services that needed focus on were:

1. Drainage
2. Public Toilets
3. Road

About 25% of the respondents the services felt that it was the same as 2 years ago. Nearly 67% of the respondents were satisfied by the clearing of sewage connection blockage service. The main reasons for dissatisfaction among the respondents were because there was lack of timely clearance of the drains, water stagnation and uncovered drains.

When asked about the overall satisfaction regarding the roads, 92% of the respondents were satisfied. Dissatisfied respondents want the municipality to putting cement road and regular repaid and maintenance of cement roads. Overall, 80% of the respondents were satisfied about the service delivered by Lingasugur TMC.

Haliyal TMC:

The respondents were asked to rank the services that Haliyal TMC should immediately attend to and services that need improvement. As per the ranking provided by the respondents, the three main services that needed to be focused on were:

1. Water Supply
2. Sewerage
3. Streetlights

Among all the respondents when asked about the satisfaction regarding the overall water supply services, 100% of the respondents were satisfied. According to 50% of the respondents the level of services were the same as it was 2 years ago and about 50% of them felt that these services were better than before.

About 50% of the respondents were satisfied by the clearing of sewage connection blockage service. The main reasons for dissatisfaction among the respondents were because of water logging and blocked drains.

When asked about the overall satisfaction regarding the roads, 69% of the respondents were satisfied. All the respondents were satisfied by the overall cleanliness of their vicinity.

Sakleshpur TMC:

The respondents were asked to rank the services that Sakleshpur TMC should immediately attend to and services that had to improve. As per the ranking provided by the respondents, the three main services that needed focus on were:

1. Water supply
2. Sewerage
3. Drainage

Among all the respondents when asked about satisfaction regarding the overall water supply services, 80% of the respondents were satisfied. When asked about the overall satisfaction regarding the roads, 68% of the respondents were satisfied. About 72% of the respondents were satisfied by the overall cleanliness of their vicinity. Some of the suggestions provided to improve the overall cleanliness were as follows:

- Daily cleaning of the roads
- Cleanliness to be prioritized

Recommendations for Improving ULB Finance and Quality

1) Per Capita Expenditure needs for the basic sectors (water supply, sanitation, sewerage, SWM and roads) for capital expenditure as well as O&M expenditure have been calculated. The local bodies as well as the state government can take these expenditure needs to plan for revenue and capital income for the medium term (five to eight years). The expenditure needs have been summarised in the table below:

Table 10: City wise Total Expenditure on Services Required

	WS (24x7, 135 lpcd, 100% coverage)	Sewerage (100% coverage and secondary treatment)	SWM (100% coverage and scientific landfill)	Street Lights (35 mts)	Total (In Rs Crores)
Hubli Dharwad (MC)	871	678	69	283	1901
Davangere (MC)	480	276	33	102	891
Bidar (CMC)	241	139	17	51	447
Sira (CMC)	52	56	2	2	112
Yadgir (CMC)	71	76	3	3	153
Chamarajanagara (CMC)	63	68	3	3	137
Ullal (TMC)	47	50	2	2	102
Bangarapete(TMC)	48	46	2	1	97
KR Nagar (TMC)	39	37	1	1	78
Lingasugur (TMC)	40	38	1	1	80
Haliyal (TMC)	26	25	1	0.5	53
Sakhleshpur (TMC)	23	22	1	0.4	47

2). Based on the 'Benefit Principle' of municipal finance (Un Habitat, 2009) and the 'Principles of Subsidiarity', local governments must provide for services closest to the people. Functions that are private goods (water supply, UGD connections) must be funded through the collection of user charges, while functions, which are pure public goods (roads and streetlights), must be funded through taxes. While functions that have spill over benefits must be funded through transfers and grants (intercity roads, public

transport) (Figure 79). The following table shows that present structure of income – expenditure (per capita) for a select few local bodies.

The ULBs should try to move towards implementing these principles in their medium term financial planning.

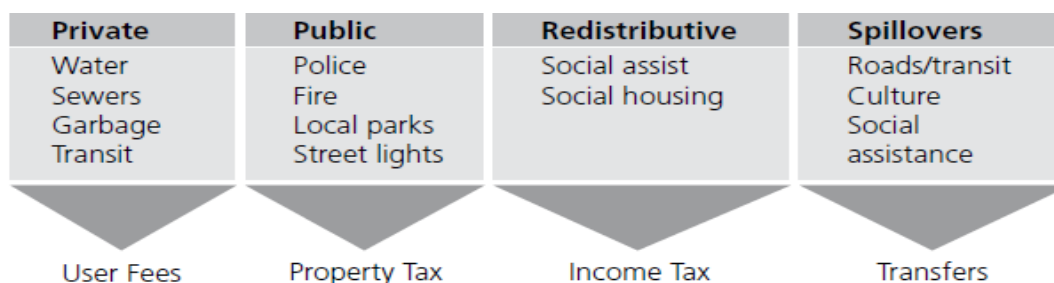


Figure 79: Benefit Principle of Municipal Finance

It can be seen from the table (Table 11) below that per capita income from user charges (non-tax) and per capita expenditure on basic services (water supply, sewerage, etc.) that are of the nature of ‘private good’ matches with per capita expenditure on these services (except in the case of C. R Nagara). While there is a significant mismatch between per capita income from taxes and per capita expenditure on basic services (roads, streetlights, local parks etc.) that are of the nature of ‘public goods’.

Table 11: Figure 80: Per Capita Expenditure on Services of Selected ULBs

	PCI (Tax)	Per Capita Expenditure on General Services	PCI (User Charge)	Per Capita Expenditure on Basic Services
	Public Goods: Fire, Street Lights, Local Parks, Roads		Private Goods: Water Supply Sewerage, Garbage, Transit	
Davangere (M Corp.)	234	389	202	274
Chamarajanagara (CMC)	155	735	204	706
Bidar (CMC)	182	513	259	225
Lingasugur (TMC)	153	711	233	150
Bangarapete(TMC)	204	758	217	364

3). The Citizen Survey clearly spells out the priority issues of citizens and their expectations from their local governments who need to work towards fulfilling these

priorities. This will clearly have an impact on the collection efficiency of user charges and taxes. As studies have found a clear correlation between quality of services and collection efficiency.

The table below enlists the city wise top 3 priorities w.r.t services (Table 12):

Table 12: City Wise Priority List on Services

S. No.	ULB Name	Top 3 Priorities for service improvement
1	Hubli-Dharwad	Sewerage , water supply , public toilet
2	Davangere	Water , sewerage , drainage
3	Bidar	Water supply, sewerage, public toilet
4	Yadgir	Water supply , sewerage and drainage and public toilet
5	Chamarajanagar	Water supply , drainage and road
6	Sira	Water supply , sewerage and garbage collection
7	Ullal	Drainage , sewerage and road
8	Bangarapete	Water supply, road and garbage collection
9	Lingasagur	Drainage , public toilets, road
10	K.R. Nagar	Sewerage , individual household toilet construction and garbage collection
11	Haliyal	Water supply , sewerage , streetlights
12	Sakleshpur	Water supply, sewerage, drainage

Summary of recommendations for managing local finances and improving service delivery:

Table 13: Summary of Recommendations for Improving Service Delivery

Sl. No.	Recommendations for Revenue Enhancement
Recommendation # 1	Using PCI Expenditure Needs (PCIC and PCOM) to estimate expenditure to meet service norms
Recommendation # 2	Use Benefit Principle and Principle of Subsidiarity to map revenues to expenditures
Recommendation # 3	Use Citizen Survey results (citizen priorities) to improve service delivery

3 Assessing the gaps in the organizational and administrative structures in ULBs

Composition of ULBs

All the ULBs have a body comprising of Corporators/Councillors elected by the people under their jurisdiction. The Mayor/President who is elected on majority by the Corporators/Councillors presides over the meetings of the Council and is responsible for governance of the body. The Commissioner/Chief Officer is the executive head of ULBs. The officers of ULBs exercise powers and perform functions as notified by the State Government from time to time, which are detailed in the Annexure 2. The executive set-up of CCs and ULBs are as shown below (Figure 80):

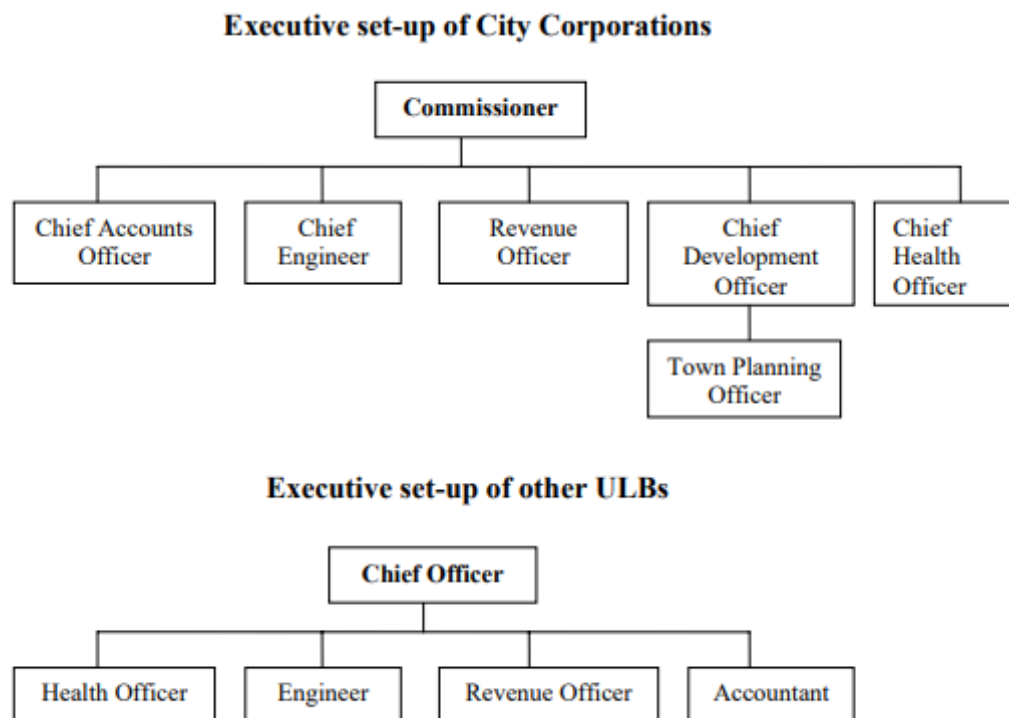


Figure 80: Executive set-up of City Corporations and other ULBs

Devolution of Functions, Funds and Functionaries

The 74th amendment envisaged devolution of 18 functions to ULBs. The State Government stated (November 2010) that out of 18 functions, 14 functions were transferred to ULBs and two¹ functions are being implemented by both the ULBs and the State Government. The other two functions namely, urban planning and fire services have not been transferred to ULBs. The water supply for domestic and industrial purposes is implemented through separate agencies² of the State Government. (CAG report, 2009-10)

The KMC and KM Acts stipulate that the State Government, as it considers necessary, appoint personnel including officers from Karnataka Municipal Administrative Service to ULBs and also depute the staff as per the percentage fixed under Karnataka Municipalities (Recruitment of Officers and Employees) Rules, 2010. (CAG report, 2009-10).

Need for Municipal Cadre system: Rationale for establishing Municipal Cadre in India

Several studies in the recent past have argued that it is time for states to consider having an exclusive cadre for Municipal Administration. For decades, municipal staffing in most states has been carried out by the deputations from various departments that has led to lack of ownership in the department. This tentativeness of tenure affects the dedication of the staff to render efficient services. Several factors discussed below, reiterate on the importance of a strong and capable municipal cadre in the state:

- Since the beginning of 2001 the Urban Development sector started acquiring greater importance owing to rapid and increased urbanization. At the national level, expectations from the urban sector as a growing contributor to GNP has risen, leading to urban reforms.
- Legislations like 74th CAA and programs such as JnNURM have favoured decentralization, strengthening of ULBs with more responsive civic functions, empowerment of citizens and have stressed strong need for a dedicated contingent of urban staff to make ground level changes.
- While the scenario in cities and large metropolitan areas is rapidly transforming, urbanization rate is throwing up compelling challenges in terms of urban water, sanitation, transportation, housing, environment, and employment

¹ (1) Urban forestry, protection of environment and ecology (ULBs and Forest Department)

(2) Slum improvement and upgradation (ULBs and Slum Development Board)

² Bangalore Water Supply and Sewerage Board for BBMP area and Karnataka Urban Water Supply and Drainage Board for other ULBs

which require specialist skills to address them, and urban development functions can hardly be delivered by the staff with tentative tenure.

- Several emerging functions are being added to the list of functions to be performed by ULBs such as poverty alleviation and low cost housing that are undertaken by the government at central and state levels, which require trained personnel to produce on ground change.
- Technology has become a force-multiplier in urban administration's service delivery. Use of IT, GIS, GPS in land assessment, property tax and other assessments' online, grievance handling, acquiring certificates of birth and death online and several other technical initiatives. This cannot not be achieved without professional talent.
- Citizen-centric service delivery is professed consistently to meet the growing expectations of public and radical transformation of service delivery mechanism. This would require the establishment of citizen facilitation centers as one-stop shop contact point is demanding special attention for efficient, courteous and transparent manner of working for which current staffing is grossly inadequate.

Status of Municipal Cadres in India:

The status of municipal cadre implementation across states is as follows (Table 14):

Table 14: Status of Municipal Cadre implementation across a few states

Status	States
States completely created and implemented for over 5 years	■ Maharashtra ■ Karnataka ■ Tamil Nadu
States initiated municipal cadre and is under final stage of ratification /ratified	■ Madhya Pradesh ■ Odisha
States that are yet to initiate municipal cadre in full form	■ West Bengal ■ Bihar ■ Assam

States like Tamil Nadu, Karnataka and Maharashtra that implemented the unified system of having exclusive municipal cadre for many years have made significant progress in urban development. Many urban reforms are far ahead of others who have not yet implemented them.

Functional Mapping:

Table 15: Functional mapping of ULBs

Sl. No.	Functions	HD	DVN	BI	SI	YD	CR	UL	BT	KR	LR	HL	SR
1	Urban planning including town planning												
2	Regulation of land use and construction of buildings												
3	Planning for economic and social development.												
4	Roads and bridges												
5	Water supply for domestic, industrial and commercial purposes												
6	Public health, sanitation conservancy and solid waste management												
7	Fire Services												
8	Urban forestry, protection of the environment and promotion of ecological aspects												
9	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded												
10	Slum improvement and up gradation												
11	Urban poverty alleviation												
12	Provision of urban amenities and facilities such as parks, gardens, playgrounds												

Sl. No.	Functions	HD	DVN	BI	SI	YD	CR	UL	BT	KR	LR	HL	SR
13	Promotion of cultural, educational and aesthetic aspects												
14	Burials and burials grounds; cremations, cremation grounds and electric crematoriums												
15	Cattle pounds, prevention of cruelty to animals												
16	Vital statistics including registration of births and deaths												
17	Public amenities including street lighting, parking lots, bus stops and public conveniences												
18	Regulation of slaughter houses and tanneries												
		Fully	Partially	Not Undertaken									

The Article 243W enlists 18 functions for all urban local bodies across the country. These functions can be categorized as:

- 1) Core Functions
- 2) Welfare Functions
- 3) Development functions

It has been observed that all 12 ULBs are carrying out most of the core functions, while the welfare and the developmental functions are being carried out only partially in the case of municipal corporations and municipal councils. As for TMCs none of the welfare and developmental functions is being carried out.

Core functions of local bodies: Details

• Roads and bridges

All the 12 ULBs carry out the function of construction of roads and bridges. The construction/repair works are mostly carried out through outsourcing contracts.

• Water supply

The 12 ULBs are primarily responsible for water supply in their respective cities and towns. Out of the 12 ULBs, Hubli-Dharwad Municipal Corporation (8 wards) and Haliyal TMC are supplying water on 24x7 basis through Public Private Partnership model. Sakleshpur and Bidar have built/completed the infrastructure arrangements for 24x7 water supply scheme but are yet to be operational.

• Public health, sanitation conservancy and solid waste management

ULBs mostly undertake waste management (from collection to disposal), maintain public toilets and undertake road sweeping. The primary collection of waste is mostly done through private contractors, while road sweeping is undertaken by Pourakarmikas. While the local body manages the construction of public sanitation facilities, the O&M is usually outsourced to third parties.

• Burials and burial grounds, cremation grounds and electric crematoriums

While the TMCs only sanction/offer land for the burial/cremation ground whenever there is a demand for it, the Municipal Corporations maintain a few of the cremation and burial grounds along with sanctioning of land for the same.

- **Public amenities including street lighting, parking lots, bus stops and public conveniences**

Streetlights remain an exclusively municipal function in all the local bodies. Most of the ULBs have switched to light emitting diode (LED) lighting for streets. Local bodies own public parking spaces, bus stops, in most cases the maintenance, and collection of fees from the parking are outsourced.

Welfare functions of local bodies

- **Safeguarding the interests of the weaker sections of society**

In order to protect the interests of the weaker sections of the society some ULBs have formed Self Help Groups comprising of the poor, the local body provides financial assistance in the form of loans and revolving funds. The ULBs also provide for assistance and infrastructure to the physically and mentally challenged.

- **Slum improvement and upgradation**

The ULBs are the nodal agency in implementing the slum rehabilitation programmes as outlined by the central and state government. They also provide basic infrastructure in the slums areas (notified and non-notified). In some cities; the Slum Development Authority is completely responsible for all slum rehabilitation and redevelopment.

- **Urban poverty alleviation**

All the ULBs have undertaken the function of urban poverty alleviation under the National Urban Livelihood Mission (NULM).

- **Provision of urban amenities and facilities such as parks, gardens and playgrounds**

The ULBs own and maintain the urban amenities/public spaces - parks, gardens and playgrounds

- **Cattle pounds and prevention of cruelty to animals**

In order to control attacks by stray dogs and pigs the ULBs undertake the sterilization process.

Development functions of local bodies

• Urban planning, including town planning

The respective Urban Development Authorities' drafts the development plan for city; the ULBs give their suggestions and recommendations on the same. The ULB is responsible for implementing the development plans.

• Regulation of land use and construction of buildings

The local bodies play a regulating role and give approval/license for new developments. The ULBs also have a key role in formulating the zonal regulations in the respective city/town.

• Fire services

Except for in the municipal corporation, district level fire and emergency services department carry out the fire safety services in the ULBs.

• Urban forestry, protection of the environment and promotion of ecological Aspects

The ULBs are involved in the process of avenue plantation and maintenance of greenery in public spaces- roads, gardens, parks, playgrounds and graveyards.

• Vital statistics including registration of births and deaths

The ULBs are involved in collecting, verifying, issuing birth and death certificates this function is being undertaken by the health department.

• Regulation of slaughterhouses and tanneries

The municipal corporations undertake the regulation of slaughterhouses and tanneries. Some of the municipalities deal with it partially as a part of their SWM function.

Overview of Municipal Staffing in Karnataka

Karnataka has classified ULBs under five heads –City Corporations, City Municipal councils, Town Municipal councils, Town Panchayats and Notified Area Councils [NAC]. Population based on latest Census constitutes the key criterion for classifying ULBs in all states studied. However, other criteria also are considered such as –

- Annual Revenues of ULB [Karnataka, TN]
- 50% employment from non-agriculture activity [Karnataka] (Source: Approaches to Establishing Municipal Cadre in India)

Cadre strength, recruitment procedure, positions, postings of officers and employees for urban local bodies and corporations in Karnataka is governed by two guiding acts. The

Karnataka Municipalities (Recruitment of Officers and Employees) Rules, 2010 rules apply to the recruitment of officers and employees to all posts in connection with the affairs of the urban local bodies in the State of Karnataka. However, it does not include recruitment of the Karnataka Municipal Administrative Service and the persons employed in work charged establishment or menial establishment or on daily wages or on contract or consolidated pay or in casual employment.

The Karnataka Municipal Corporations (Common Recruitment of Officers and Employees) Rules, 2011 applies to the recruitment of Officers and Employees to City Corporations/Mahanagara Palike in the State of Karnataka. It does not include recruitment of BBMP, recruitment to the Karnataka Municipal Administrative Service, Government Officers and Officials deputed to the Corporations.

Currently all the posts for staff under the Karnataka Municipal Corporations (Common Recruitment of Officers and Employees Rules, 2011 and the Karnataka Municipalities (Recruitment Officers and Employees) Rules, 2010 are classified based on pay scales (Table 17).

Table 16: Classification of Municipal Staff

Various Categories	Pay Scale	Appointing Authorities
Group A	Rs. 14050- 25050	Government
Group B	RS. 10800- 20025	Director of Municipal Administration or an Officer empowered by the Government
Group C	Rs. 5200- 8200	
Group D	Rs. 4800-7275	Commissioner or an Officer empowered by Government

It has been observed that the unified system of having exclusive municipal cadre for many years in Karnataka has led to significant progress in urban development as compared to other states in the country.

In order to assess the staffing norms and identify gaps in the ULBs thereof the following methodology undertaken (Figure 82):

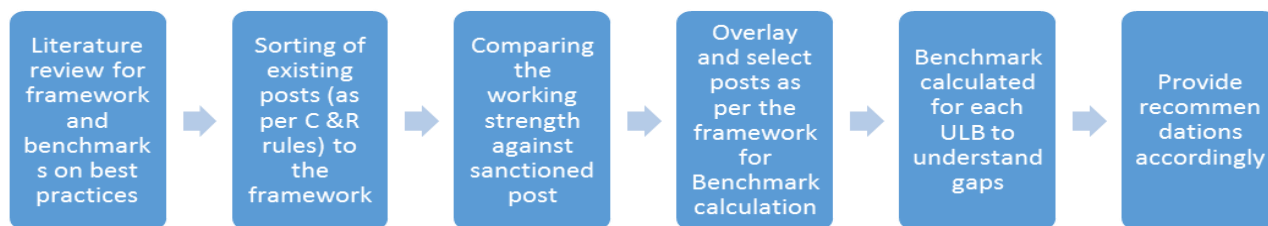


Figure 81: Methodology undertaken for analysing staffing norms

The methodology included identifying a model-staffing framework to analyse the staffing pattern and strength in the municipalities as per the functions carried out.

Once the framework was selected, all the posts as per the KMA and KMCA were sorted according to the framework. A comparison between the sanctioned posts and currently working posts was carried out as per the services provided. The benchmarks for best practices of staffing for the functions of- ‘Revenue and Financial Services’, ‘Engineering Services’ and ‘Sanitation Services’ were identified from literature. The gap in terms of number of staff recommended by the benchmarks for each function and the number of staff sanctioned was mapped and analysed. This analysis was used to assess the degree of staffing under-supply or over-supply, and the extent of correlation between staffing and current service levels (coverage and/ or quality). This process was carried out for all the 12 ULBs. Recommendations have been thus provided based on the approximate status of staffing levels and gaps for key municipal service delivery functions.

Framework adopted for the analysis

Among several other states in the country, Karnataka has adopted a municipal cadre for more than 6 years now but the vacant positions are significantly high. The table 12 gives an overview of the current working strength of the 12 ULBs (2 Municipal Corporations, 5 City Municipal Councils and 5 Town Municipal Councils) selected for this study. High vacant of posts has been observed in most of the 12 ULBs.

Table 17: Total sanctioned posts vs. current occupied posts

	Sanctioned	Working strength	Vacancy
HDMC	3794	3453	341
Davangere	1725	917	808
Bidar	402	416	-14
Ullal	236	34	202

	Sanctioned	Working strength	Vacancy
Sira	236	85	151
Yadgir	236	615	-379
CR Nagar	236	85	151
Bangarapete	97	50	47
Lingasagur	97	30	67
Sakleshpur	97	102	-5
Haliyal	97	37	60
KR Nagar	97	44	53

A deeper analysis is needed to understand the working strength required for core functions to be carried out by the municipalities. The proposed framework for analysing the staff strength borrows the outline from a report by MoUD and the World Bank (2007). Based on the functions of the ULB, the framework is broadly grouped into three functional groups and each functional group consists of more than one service (Table 19).

Table 18: Broad framework adopted for the analysis

Municipal Administrative Service	Municipal Executive Service
	General Administration
	Municipal Social Development Service
Municipal Technical Service	Municipal Engineering services
	Municipal Sanitation service
	Urban planning and transportation service
	Municipal fire service
	Municipal e-governance services
Municipal Finance Service	Municipal accounts service
	Municipal revenue and financial service

The detailed framework with the classification is attached in the Annexure2 of this report. The framework guides the sanctioned post for analysis and other posts are classified under certain posts based on the author's discretion.

Table 19: Vacancy calculated for all the services across the 12 ULBs

		HDMC	Davangere	Bidar	Ullal	Sira	Yadgir	CR Nagar	Bangarapete	Lingasagur	Sakleshpur	Haliyal	KR Nagar
Municipal Executive Service	Sanctioned	17	10	2	2	2	2	2	1	1	1	1	1
	Working	7	7	2	2	2	5	1	1	1	1	1	1
	Vacancy	10	3	0	0	0	-3	1	0	0	0	0	0
	Vacancy (%)	58.82	30.00	0.00	0.00	0.00	-150.0	50.00	0.00	0.00	0.00	0.00	0.00
General Administration	Sanctioned	652	356	40	30	30	30	30	13	13	13	13	13
	Working	474	228	37		21	76	14	11	6	6	1	10
	Vacancy	178	128	3	20	9	-46	16	2	7	7	12	3
	Vacancy (%)	27.30	35.96	7.50	66.67	30.00	-153.3	53.33	15.38	53.85	53.85	92.31	23.08
Municipal Accounts service	Sanctioned	22	12	2	2	2	2	2	1	1	1	1	1
	Working	4	5	2	0	2	7	2	0	0	0	0	1
	Vacancy	18	7	0	2	0	-5	0	1	1	1	1	0
	Vacancy (%)	81.82	58.33	0.00	100.00	0.00	-250.0	0.00	100.00	100.00	100.00	100.00	0.00
Municipal Social Development service	Sanctioned	35	15	4	3	3	3	3	2	2	2	2	2
	Working	14	7	2	1	2	5	3	0	2	1	2	2
	Vacancy	21	8	2	2	1	-2	0	2	0	1	0	0
	Vacancy (%)	60.00	53.33	50.00	66.67	33.33	-66.67	0.00	100.00	0.00	50.00	0.00	0.00
Municipal revenue and financial service	Sanctioned	183	79	13	7	7	7	7	4	4	4	4	4
	Working	176	40	7	3	4	17	4	2	4	3	2	3
	Vacancy	7	39	6	4	3	-10	3	2	0	1	2	1
	Vacancy (%)	3.83	49.37	46.15	57.14	42.86	-142.8	42.86	50.00	0.00	25.00	50.00	25.00
	Sanctioned	999	434	78	58	58	58	58	23	23	23	23	23
	Working	129	276	84	5	24	106	17	10	3	23	9	4

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		HDMC	Davangere	Bidar	Ullal	Sira	Yadgir	CR Nagar	Bangarapete	Lingasagur	Sakleshpur	Haliyal	KR Nagar
Municipal Engineering services	Vacancy	870	158	-6	53	34	-48	41	13	20	0	14	19
	Vacancy (%)	87.09	36.41	-7.69	91.38	58.62	-82.76	70.69	56.52	86.96	0.00	60.87	82.61
Municipal Sanitation service	Sanctioned	1879	814	279	134	134	134	134	52	52	52	52	52
	Working	2644	354	282	11	29	391	44	26	13	64	24	25
	Vacancy	-765	460	-3	123	105	-257	90	26	39	-12	28	27
	Vacancy (%)	-40.71	56.51	-1.08	91.79	78.36	-191.7	67.1	50.00	75.00	-23.08	53.85	51.92
Urban planning and transportation service	Sanctioned	6	3	0	0	0	0	0	0	0	0	0	0
	Working	4	0	0	0	0	0	0	0	0	0	0	0
	Vacancy	2	3										
	Vacancy (%)	66.67	0.00										

‘Municipal Accounts Services’ and ‘Municipal Engineering Services’ are observed to have the highest vacancy in comparison to other services. Yadgir can be considered as an outlier in this case because of the exceptionally high numbers of working staff and therefore will not be dealt in detail.

In Municipal Corporations, HDMC has a higher vacancy than Davangere in its ‘Municipal Executive Service’, ‘Municipal Accounts Service’, ‘Social Development Service’, and ‘Engineering Service’ and in ‘Urban Planning and Transportation Service’. Davangere shows vacancy of about 50% and more in its ‘Accounts Services’, Social Development Service’, ‘Revenue and Financial Service’, ‘Sanitation Service’ and ‘E-governance Services’.

All the CMCs show high vacancy in their working staff posts (not considering Yadgir). Ullal has a vacancy of nearly 85% overall in its working strength as compared to the posts sanctioned. It has 100% vacancy in the ‘Municipal Accounts Service’ and 91% vacancy in ‘Municipal Engineering Services’ and as well as ‘Sanitation Services’ which are very crucial to the ULB. Both Sira and CR Nagar have an overall vacancy of nearly 64%. Sira and CR Nagar also show high vacancy in ‘Municipal Engineering Services’ and ‘Sanitation Services’.

Among all the TMCs, Lingasagur has the highest vacancy overall (69%) followed by Haliyal (61%). Except for KR Nagar, 100% vacancy is observed in Municipal Accounts Services in Bangarapete, Lingasagur, Sakleshpur and Haliyal. Only 1 post in the ‘General Administration’ of Haliyal is occupied in the 13 sanctioned posts. High vacancies are observed in the ‘Engineering Service’s except for Sakleshpur. Lingasagur also has the highest vacancy in ‘Sanitation Services’ as compared to the other TMCs.

Analysing Staffing Norms

There are several factors influencing the staffing norms of different states across the country. Literature points out that there are no “ideal” norms in any state and some of the factors influencing staffing size include:

- Level of decentralisation
- Existence of Water and Sewerage Boards and other parastatals
- Technology interface- level of IT, GIS, GPS adaptation
- Level of outsourcing, contract and casual employees in service delivery
- Extent of PPP interventions in the state
- Nature of geography

Taking all this into consideration, benchmarks for an ideal staffing range in three core functions that PAC is interested to analyse has been identified. The chosen benchmarks have been calculated after careful assessment and estimation of optimal staffing levels required in performing key roles and tasks in an efficient and in an effective manner. The exercise will examine the current levels and norms and the prevailing degree of under- or over- staffing. It captures the number of staff and skills deemed optimal for different categories of cities to provide services adequate standards across respective service areas. The differentiated

gaps against a benchmark will allow us to see where best to direct resources and what levels of recruitment and capacity development.

The three core functions have been identified as important functions to maintain quality of service and for revenue generation accordingly. The three core functions compared against ideal benchmarks are:

1. Municipal Engineering Services
2. Municipal Revenue and Financial Services
3. Municipal Sanitation Services

Staffing Review:

Municipal Engineering Services:

The benchmark for this has been adopted from the Human Resources Capacity Benchmarking tool kit developed by Cities Alliance (A global partnership between UN and World bank on developmental issues in cities) (Table 20). It is the most comprehensive benchmark developed using several layers of information. The toolkit was developed targeting the ULBs and policy makers in Africa but is adaptable to other continents like India. The toolkit by Cities Alliance to develop the benchmark for each city understanding the variations in terms of population, area, finance, and service levels.

Among the various variables, the key impacting/ driving variable in this functional area has been the population. An example of calculating the benchmark for Davangere gives an idea on how it is done across other ULBs (Figure 82).

Table 20: Calculating Benchmarks for engineering services

Sectors	Position	Benchmark (x)	Variable Linked to Benchmark	Davangere
Public Works Department (PWD)	Chief Engineer	50,000	1 if population is > x	1
	Superintending Engineer	2	1 per x Executive Engineer, minimum of 1	1
	Executive Engineer	2	1 per x Assistant Engineer, minimum of 1	2
	Assistant Engineer	2	1 per x Sub-Engineer	3
	Sub-Engineer	15,000	1 per x, minimum of 2	7
	Sub-Professional	10,000	1 per x, minimum of 2	10
	Operational Staff	20,000	6 for every x population	148
Total staff members for PWD				171

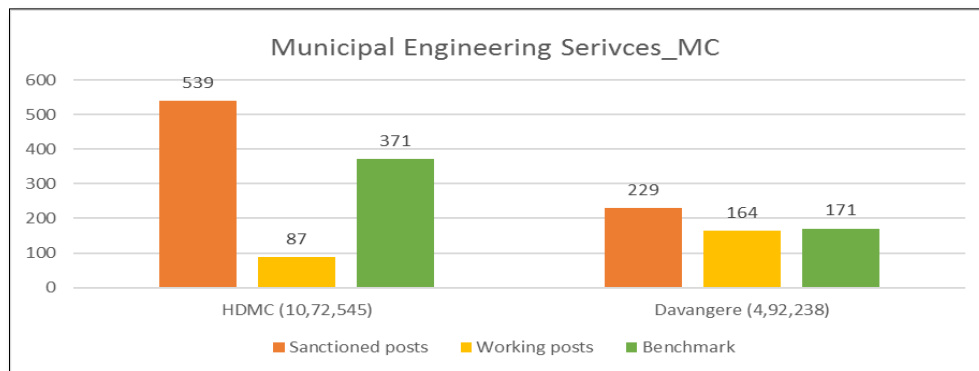


Figure 82: Staffing Analysis of Municipal Engineering Services_MC

In this case, Public Works Department (PWD) is assumed to be water supply and civil engineering. The benchmark calculated as per the population in the ULBs is seen to be much lower than the sanctioned posts. For a Municipal Corporation like HDMC with a population of 10,721,545 (population for 2018- projected using potential growth method) the benchmark indicates HDMC to have 371 staffing posts in the Engineering Services. This is a little lower than the sanctioned posts as per the C&R rules. The posts analysed by the C&R Rules also include functions of water supply, electrical and civil engineering. Either ways, the working staff strength is as low as 87 compared to the benchmark as per the toolkit or to the sanctioned posts as per Cadre and Recruitment(C&R) Rules.

The benchmark for Davangere is 58 posts shorter as specified by the tool kit when compared to the sanctioned posts under C&R Rules. The continued gaps could impact service delivery and reforms.

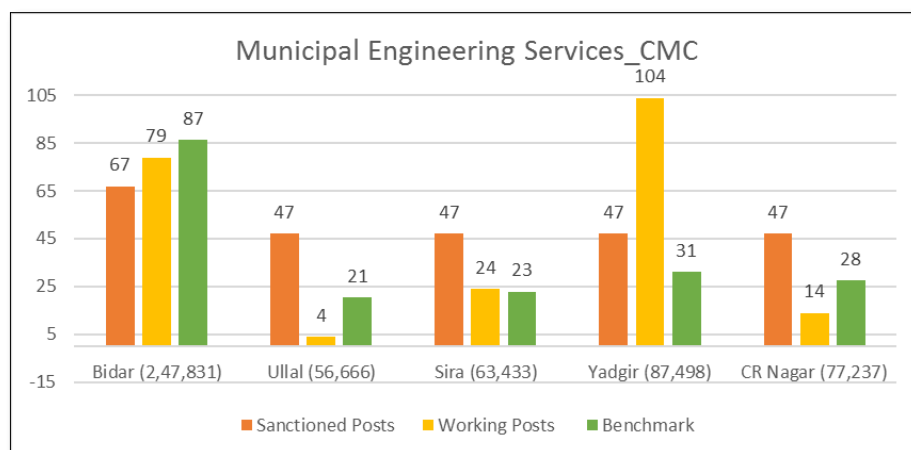


Figure 83: Staffing Analysis of Municipal Engineering Services_CMC

The population for the CMCs selected for the study ranges from 2,47,831 to 56,666 and are important cities in the State. Except for Sira, the current staffing levels in other cities are not adequate for performing its engineering- related function (except for Yadgir, which is an outlier) (Figure 83). The current levels of sanctioned posts short fall of benchmark in Bidar. However, in Ullal, Sira and CR Nagar the current staffing levels are more than adequate for

performing its engineering-related function as per when compared to the benchmark. Ullal shows exceptionally low working staff strength.

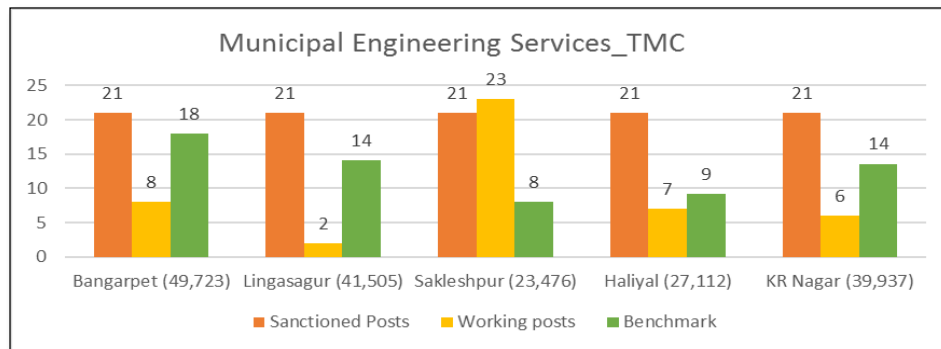


Figure 84: Staffing Analysis of Municipal Engineering Services_TMC

Only Sakleshpur shows staffing higher than the sanctioned posts while the benchmarks show that the city's current staffing levels are more than adequate for performing its engineering-related function. Sakleshpur and Haliyal exceed its stipulated benchmarks quite significantly in this function. Low working strength is a common trend observed in these cities (Figure 84).

Municipal Revenue and Financial services:

Table 21: Calculating benchmarks for Revenue and Financial Services

Sectors	Position	Benchmark (x)	Variable Linked to Benchmark	HDMC
Revenue	Deputy Commissioner/Chief Revenue officer	-	1 in case Revenue Officers are more than 1	1
	Revenue Officer	2	1 for every x Assistant Revenue Officers	11
	Assistant Revenue Officer	2	1 for every x Revenue Inspectors	21
	Revenue Inspector	5	1 for x number of Tax Collectors	43
	Tax Collector/Assistant	1,000	1 for x number of households (average household size of 5)	215
	Data Operators/Operational Staff	2,000	1 for x number of households (average household size of 5)	107
			No. of HHs (assuming avg HH size of 5)	214509
Total staff members for Revenue sector				398

Revenue-related function is very important and plays an important role in collecting revenue for the ULB. The tool kit developed by Cities Alliance has been referred in this section to calculate the benchmark (Table 21). The core staffs here are the operational staff, tax collectors and revenue inspectors and senior supervisory grades based on level of authority, function and task, and control span are then calculated. The key impacting/ driving variable in this function area for calculating the benchmark is the number of households.

The calculations reveal a significant shortfall in municipal staffing against benchmarks. The continued gaps could affect service delivery, reforms and collection efficiencies (Figure 84).

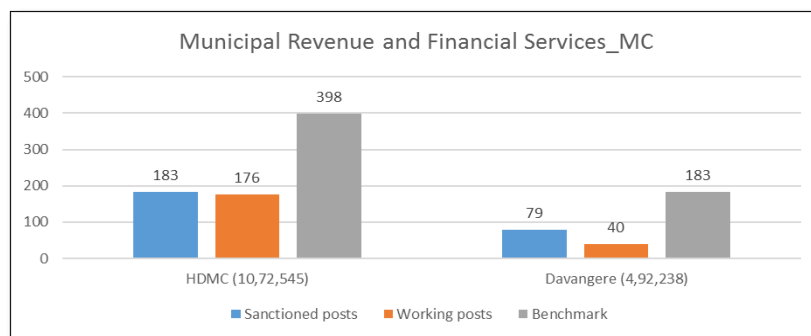


Figure 85: Staffing Analysis of Municipal Revenue and Financial Services_MC

CMCs show a similar trend of shortfall in current municipal staffing against benchmarks. The current working staff strength is also very low except for Yadgir (Figure 85).

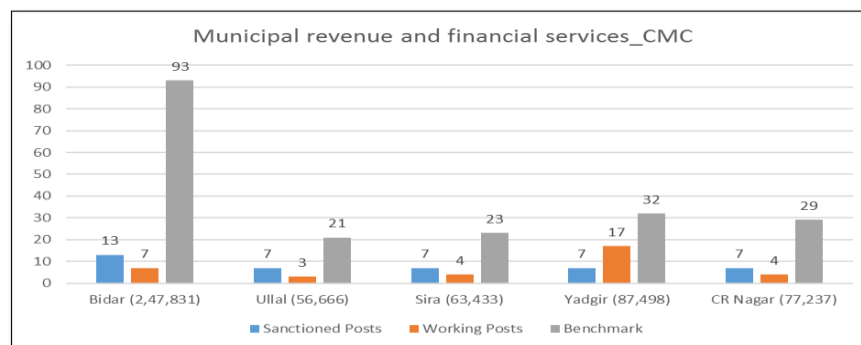


Figure 86: Staffing Analysis of Municipal Revenue and Financial Services_CMC

It can be observed that there is a shortfall in the municipal staffing against benchmarks. Two cities are also functioning with 50% of the sanctioned staff (Bangarapete and Haliyal). The revision of municipal staffing can help bridge the gap in providing better service delivery and tax collection (Figure 86).

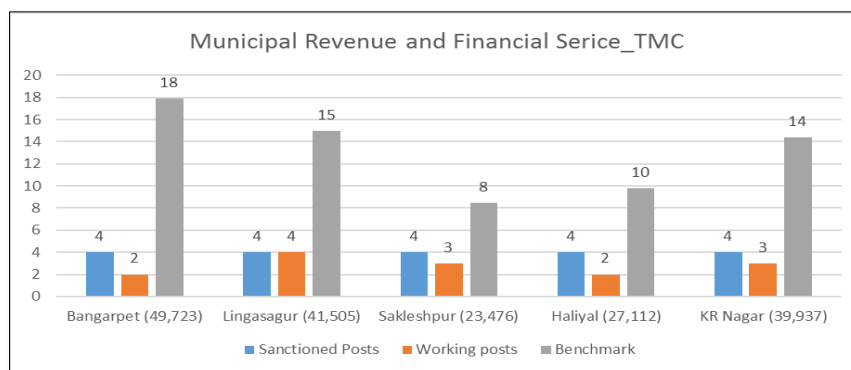


Figure 87: Staffing Analysis of Municipal Revenue and Financial Services_TMC

Municipal Sanitation Services:

Table 22: Calculating benchmarks for Municipal Sanitation Services

HDMC		Sanctioned	Current Strength	Posts as per Benchmarks	Benchmarks	Source
Municipal Sanitation Service	Corporation Health Officer	1	0	Sanitary officer	2	MoUD and World Bank Report
	Health Officer	2	3	Sanitary supervisor	10	
	Veterinary inspector	1	0	Sanitary inspector	36	
	Food inspector	2	0			
	Environmental Engineer	9	4			
	Technical Assistant (Env)	2	1			
	Veterinary officer	1	1			
	Sanitary Supervisor	58	15			
	Pourakarmika	1474	2437	Pourakarmikas	1532	Municipal Administrative Revision (Proceedings of 5th High Power Committee)
	Watchman	17	2			
	Chemist	0	0			
	Cleaner	51	86			
	Loader	210	69			
	Driver	51	26			

Total		1879	2644		1580	
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The benchmarks for supervisory roles have been borrowed from the report called “Approach towards Establishing Municipal Cadres in India” by MoUD, GoI and The World Bank (2006). The benchmarks for SWM have been as calculated as per the latest proceedings from the 5th High Power Committee (SBM) meeting held on 11.09.2017 under the Chairmanship of Chief Secretary to Government of Karnataka. As per Agenda No. 5 in this proceeding, 1 Pourkarmika per 700 population has been considered optimal. Pourkarmikas will include loaders, helpers, cleaners and who are involved with direct handling of wastes excludes supervisors, plant and machinery operators, drivers and security guard.

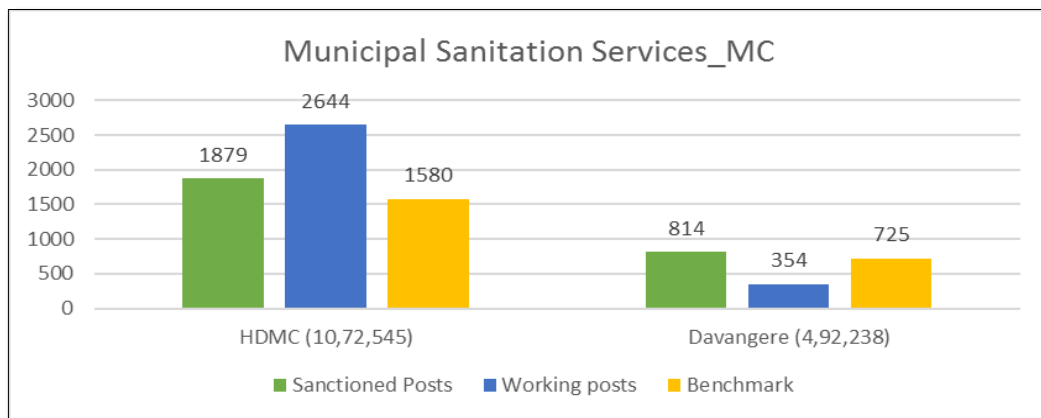


Figure 88: Staffing Analysis of Municipal Sanitation Services_MC

The bulk of these posts are due to the number of Pourakarmikas. The working staff in HDMC is higher than the sanctioned posts and the benchmark specified. Davangere reveals significant shortfall in current working strength compared the sanctioned posts and against benchmarks. The continued gaps could affect service delivery and reforms (Figure 88).

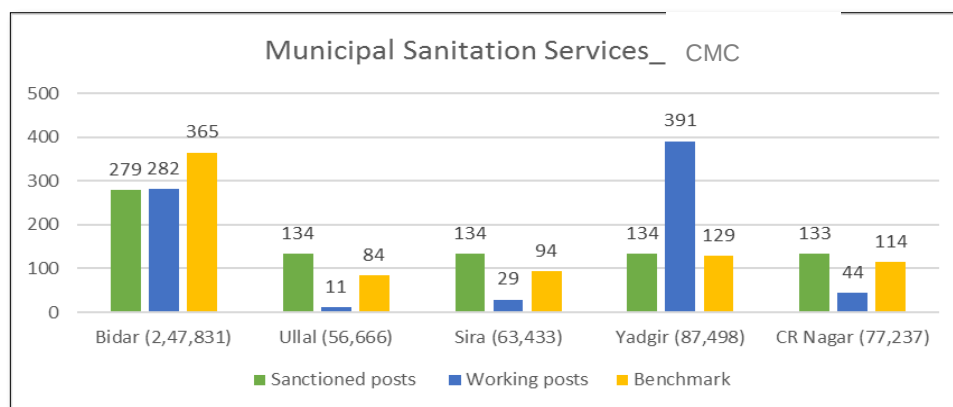


Figure 89: Staffing Analysis of Municipal Sanitation Services_CMC

The benchmark in Bidar is significantly higher than the municipal sanctioned staffing norms. Other cities short fall majorly in the current levels of working strength as compared to the sanctioned posts and benchmarks. The gaps need to be addressed to improve service delivery (Figure 89).

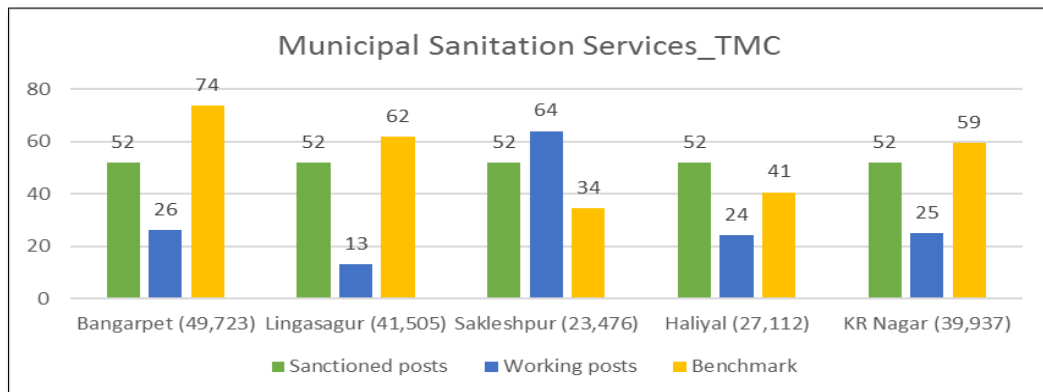


Figure 90: Staffing Analysis of Municipal Sanitation Services_TMC

Bangarapete, Lingasagur and KR Nagar fall short of benchmarks while Sakleshpur and Haliyal exceed the benchmark. The difference between the numbers of staff recommended through the benchmark is a little close to the already existing norms (Figure 90).

Table 23: Summary Table Municipal Corporations

		HDMC (10,72,545)	Davangere (4,92,238)	Source of Benchmark
Municipal revenue and financial service	Sanctioned	183	79	C&R Rules, 2011
	Working	176	40	
	Benchmark	398	183	Cities Alliance, UK Aid
Municipal Engineering services	Sanctioned	539	229	C&R Rules, 2011
	Working	87	164	
	Benchmark	371	171	Cities Alliance, UK Aid
		HDMC (10,72,545)	Davangere (4,92,238)	Source of Benchmark
Municipal Sanitation service	Sanctioned	1879	814	C&R Rules, 2011
	Working	2644	354	
	Benchmark	1580	725	MoUD and World Bank Report and Municipal administrative revision (Proceedings of 5th High Power Committee)

Table 24: Summary Table City Municipal Councils

		Bidar (2,47,831)	Ullal (56,666)	Sira (63,433)	Yadgir (87,498)	CR Nagar (77,237)	Source of Benchmark
Municipal revenue and financial service	Sanctioned	13	7	7	7	7	
	Working	7	3	4	17	4	
	Benchmark	93	21	23	32	29	Cities Alliance, UK Aid
Municipal Engineering services	Sanctioned	67	47	47	47	47	
	Working	79	4	24	104	14	
	Benchmark	87	21	23	31	28	Cities Alliance, UK Aid
Municipal Sanitation service	Sanctioned	279	134	134	134	133	MoUD and World Bank Report and Municipal administrative revision (Proceedings of 5th High Power Committee)
	Working	282	11	29	391	44	
	Benchmark	365	84	94	129	114	

Table 25: Summary Table Town Municipal Councils

		Bangarapete(49,723)	Lingasagur (41,505)	Sakleshpur (23,476)	Haliyal (27,112)	KR Nagar (39,937)	Source of Benchmark
Municipal revenue and financial service	Sanctioned	4	4	4	4	4	
	Working	2	4	3	2	3	
	Benchmark	18	15	8	10	14	Cities Alliance, UK Aid
Municipal Engineering services	Sanctioned	21	21	21	21	21	
	Working	8	2	23	7	6	
	Benchmark	18	14	8	9	14	Cities Alliance, UK Aid
Municipal Sanitation service	Sanctioned	52	52	52	52	52	MoUD and World Bank Report and Municipal administrative revision (Proceedings of 5th High Power Committee)
	Working	26	13	64	24	25	
	Benchmark	74	62	34	41	59	

Discrepancies in staffing norms as per KMA and KMCA Act:

This section compares some of the staffing norms as per the guiding acts of KMA and KMCA and the sanctioned posts accordingly. The important staffing norms for operational staff in different functions are as follows:

- The numbers are indicative, actual numbers shall be based at the rate of one FGRI per 15000 properties and one Bill Collector per 5000 properties
- Sanitary supervisor- actual numbers shall be based at the rate of one per 25 Pourakarmikas
- Pourakarmikas- actual numbers shall be based at the ratio of one per 1000 population
- Helper/Water Supply Valve man- shall be based at the rate of one per 500 connections or 3000 population

High discrepancies can be observed especially in HDMC and Davangere. Low working strength is a common trend observed across the ULBs and in most of the functions. The number of helper/water supply valve-man recommended by KMA & KMCA acts shows very high difference on what is in the Act and on ground (Table 26).

Table 26: Discrepancies in staffing norms as per KMA and KMCA Act

	HDMC	Davangere	Bidar	Ullal	Sira	Yadgir	CR Nagar	Bangara-- -pete	Lingasagur	Sakleshpur	Haliyal	KR Nagar
Population	10,72,545	4,92,238	2,47,831	56,666	63,433	87,498	77,237	49,723	41,505	23,476	27,112	39,937
# of properties	209617	143942	53702	17526	24071	23447	23556	15499	17697	6140	7135	12384
# of bill collectors recommend ed by C& R rules	42	29	11	4	5	5	5	3	4	1	1	2
# of bill collectors sanctioned	105	45	9	4	4	4	4	2	2	2	2	2
# of bill collectors present	105	25	7	1	2	11	2	2	2	2	1	1
# of FGRIIs recommend ed by C& R rules	14	10	4	1	2	2	2	1	1	0	0	1
# of FGRIIs sanctioned	28	12	3	2	2	2	2	1	1	1	1	1
# of FGRIIs present	3	9	0	2	1	4	1	0	1	0	0	1

	HDMC	Davangere	Bidar	Ullal	Sira	Yadgir	CR Nagar	Bangara-- -pete	Lingasagur	Sakleshpur	Haliyal	KR Nagar
# of Pourakarmi kas recommend ed by C& R rules	1073	492	248	57	63	87	77	50	42	23	27	40
# of Pourakarmi kas sanctioned	1474	633	225	100	100	100	100	35	35	35	35	35
# of Pourakarmi kas present	2437	273	240	2	21	318	38	24	11	58	15	20
# of sanitary supervisor recommend ed by C& R rules	43	20	10	2	3	3	3	2	2	1	1	2
# of sanitary supervisor sanctioned	58	26	9	4	4	4	4	2	2	2	2	2
# of sanitary supervisor present	15	8	11	2	2	1	3	0	1	2	1	2

# of helper/ Water supply valveman recommend ed by C& R rules	358	164	83	19	21	29	26	17	14	8	9	13
# of helper/ Water supply valveman sanctioned	231	99	2	2	2	2	2	2	2	2	2	2
# of helper/ Water supply valveman present	16	87	0	1	0	3	0	0	0	0	0	0

Recommendations:

1. Most states use experience and historical data to determine staffing norms instead of engaging scientific manpower planning techniques such as time and motion study. Assam, it appears, happens to be the only state which, under the third State Finance Commission (2004 onwards), got a study conducted on Model Staffing Pattern by an external agency to measure the work carried out using work /time study principles to arrive at the staff strength.
2. For specialist positions, lateral entry is adopted in Punjab, Gujarat, and several other states from other state government departments at senior levels [Urban Planning, Finance, Infrastructure, Engineering etc.]. It is also important to attract experts from Private and Public Sector organizations for managing exclusive reform units proposed [e-governance unit, technology unit, procurement unit, HR management unit] on consultancy or Public-Private-Partnership mode to foster critical competencies needed.
3. To meet the future challenges in urban governance, high quality talent and expertise is needed. It is thus recommended that a staff augmentation plan be developed for augmenting and strengthening the Municipal Cadre. However, there are many areas of expertise that require professional skills like urban planning, climate change, green city initiatives, financial modelling etc. These talents are neither to be attracted nor retained by ULBs in their regular staffing. Hence a model Staff Augmentation Plan is proposed here:
Urban Development's Human Resources can be drawn from -
 - Regular Cadre staff
 - Deputations from other State government departments
 - Experts as consultants / on contract / on empanelment mode. Lateral entry from open market directly into government [at JS level] for leadership positions.
 - Outsource mode – for non-core functions, field level employees to be phased-out on retirement
4. To ensure enough number of skilled staff available to meet infrastructure and service delivery needs of citizens:
 - Create a medium-term workforce plan and an annual workforce plan, aligned to medium term fiscal plan and annual budgets
 - Evolve adequate financial visibility to fill in required staff vacancies and explore technology and outsourcing based solutions
 - Put in place quantitative performance metrics at staff and department level (Source: ASICS report)

5. A review comprising of an in-depth assessment of the roles and functions of staff in different categories of town and in different municipal environments (population, geographic area, density, budget etc.) needs to be carried out (Sample Time and motion Studies). The assessment should also be supported by sample time and motion studies in complex functions, such as solid waste management, to derive benchmarks for different managerial and technical posts within each department

The secondary technical review to be undertaken can be examined in detailed through the following:

- Function, tasks and business processes within the target departments.
 - Staff and skills required to undertake respective functions and tasks.
 - Estimated volume of work and tasks performed per person per day.
 - Number of staff required to undertake functions and tasks for existing levels of service coverage (pop/ area/ households).
 - Number of staff required to undertake functions and tasks for existing levels of service coverage and levels of non-coverage (pop/ area/ household).
 - Number of staff required to undertake functions and tasks for future levels of service coverage (population/area/household).
- (Source: Cities Alliance paper)
- Citizen participation strongly recommended by the 74th Amendment strongly advocates the need for citizen's participation. There is no secondary data and not much knowledge about this. This needs to be strengthened and institutionalized.

Table 27: Summary of recommendations for Staff Enhancement

Sl. No.	Recommendations for Revenue Enhancement
Recommendation # 1	Scientific method of calculating staffing norms (Model Staffing Pattern)
Recommendation # 2	Lateral Entry for Specialist Positions
Recommendation # 3	Implementation of Staff Augmentation Plans
Recommendation # 4	Implement a Medium Term Workforce Plan
Recommendation # 5	Implement a Performance Appraisal System for all cadres
Recommendation # 6	Undertake time motion studies in complex municipal functions

4 Revenue Optimisation and Sustainable Financing of ULBs

Revenue Enhancement: Guidance Value Analysis and Recommendation

Guidance values are used to assess properties and assign values and decide property tax imposition on buildings and land. Guidance values differ, based on the following criteria:

- 1) Location
- 2) Size of built-upon land
- 3) Type of Building
- 4) Details on building including number of floors, amenities such as car park etc.

To understand the impact of guidance values in different ULBs (I.e. MC, CMC and TMC), a comparative analysis was undertaken. Objectives of the analysis are given below:

1. To identify the average guidance value for a sample residential, built-up area of dimensions 40 x 40 square meters is for an MC, CMC and TMC
2. To identify tax valuation based on these guidance values
3. To understand the variation in guidance values/ tax valuation, based on ULB type
4. To understand the variation in guidance values/ tax valuation, based on adjustment to market value

The methodology for this analysis is detailed below:

1. For each ULB, 5 buildings (following the dimensions and details stated above) were assessed for guidance values, in 5 different areas. These values were sourced from Kaverionline.com which were assumed to reflect 2005 values
2. The average of the 5 buildings' guidance values and tax valuations was used as the average for the respective ULB
3. To adjust tax valuation to market prices, an inflation factor was added.
4. For inflation adjustment, 2005-16 inflation factor equals 2.28; 2005-17 inflation factor equals 2.33

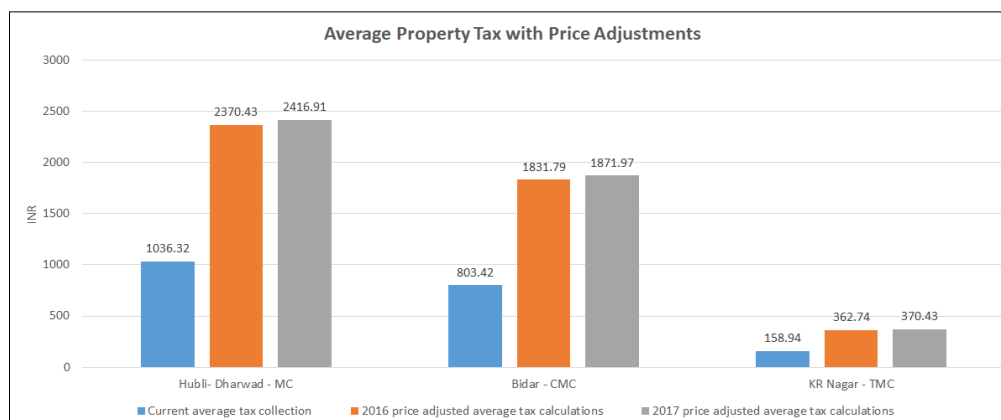


Figure 91: Average Property Tax for Hubli-Dharwad, Bidar and KR Nagar

As is depicted in Figure 111, the absolute values of current property tax valuations and inflation-adjusted tax valuations are the most for municipal corporations and the least for TMCs because of size of ULBs and classification denoting rate of urbanisation. Yet, the potential addition in tax revenue due to market value adjustment is significant for all ULBs.

Recommendations

1. As a result of the findings from guidance valuation comparisons, it is recommended that all ULBs consider adjusting guidance valuations to meet market values. Since there is a risk that this may affect collection efficiency, the adjustment should be piloted in areas with high property tax collection efficiency first. Furthermore, it is recommended to pilot the adjustment in guidance values in ULBs where the absolute change in guidance value is relatively small. In the example depicted here, this pilot ULB could be KR Nagar. Once this idea can be tested, a state-wise adjustment in guidance values must take place.
2. Another recommendation stems from the lack of coverage of properties that are under assessment in ULBs. According to literature sources, it is estimated that at most only 30-40% of properties in ULBs are actually assessed for property tax. Thus, it is recommended that coverage of properties increases to meet the 100% mark. However, there cannot be a one-time jump in properties assessed as this is unfeasible. Therefore, it is recommended to increase coverage in a phased manner. This idea is depicted in the figure below.

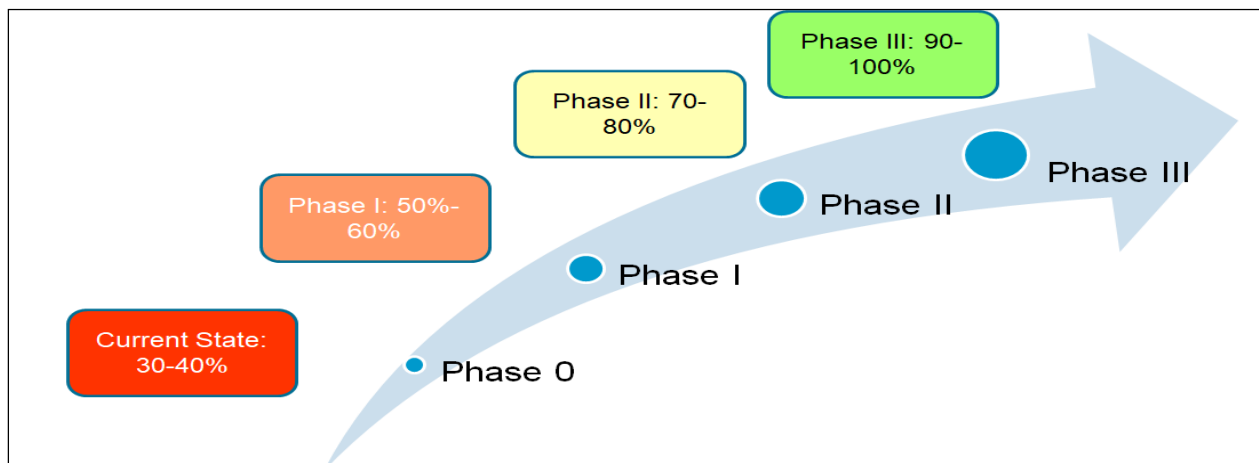


Figure 92: Phased approach to increasing coverage of property tax assessment

Revenue Enhancement: Funded Debt Liability

Given the financial sustainability principles described above, the benchmark for financial sustainability of a ULB will be decided upon its ability to cover human resources (HR) and administrative expenses. Furthermore, the ULB must be able to cover these costs using own source revenue rather than grants (eg. SFC grants). The independence from revenue grants is necessary for a ULB to be able to deploy core functions (I.e. HR and administrative) without external aid. The money from revenue grants can instead be used for public service delivery improvement or other operations.

In order for a ULB to be able to financially sustain core functions using own source revenue, it is recommended that ULBs employ **Funded Debt Liability (FDL)** as a financial instrument. FDL requires the creation of a corpus such that the interest that may be earned through the investment of the corpus can be used to cover certain costs. In this case, the interest from such a corpus should be used to cover HR and Administrative costs for a ULB.

Below is an example of FDL in practice for CMC Bidar.

Example of application for Funded Liability: Bidar	
Statistics (2016-17): 1) HR Costs: INR 5.8 cr. 2) General Expenses: INR 1.7 Cr. 3) Tax Revenue: INR 4.5 Cr. 4) User Charges: INR 6.4 Cr. 5) Collection efficiency: 92% 6) Interest Rate: 6%	
Corpus needed for annual HR+Admin cost coverage, with inflation (10%): ~ 114 Cr*	
* Details on calculation explained below	

Figure 93: FDL for CMC Bidar

Calculations

For an FDL to make Bidar financially sustainable, a corpus will be needed that could result in an annual interest amount of INR 6.82 Cr. (Sum of Administrative and HR Costs with 10% inflation factor). Using the annual simple interest formula shown below, the Total corpus amount was calculated, signifying the amount of own-source-revenue Bidar CMC must raise in order to create the corpus.

$$(Interest\ from\ corpus) / (Interest\ rate \times Number\ of\ Years) = Total\ corpus\ amount$$

Interest rate = 6%; Interest from corpus = INR 6.82 cr.; Number of years = 1 as the ULB will take out interest every year to pay off HR and Administrative expenses

Figure 89: Corpus creation equation

As a result of this calculation, it is estimated that Bidar is required to build a total corpus of INR 113 crores. It is recommended that Bidar ULB raise the amount required for this corpus through a one-time revenue gathering instrument. Examples for these are outlined below.

Table 28: Steps for Developing Finance Instruments

Developing Finance Instruments	Description and details
<u>Development Impact Fees</u>	Charges imposed on developers for extension of infrastructure to reach the needs of developing land. The main advantage of this instrument is that it not only encourages infrastructure development but also allows for large one-time increases in revenue for ULBs. Example: Hyderabad MC was able to collect INR 136 crores in development impact fees in 2012-13. The revenue gathered from this activity was used to improve infrastructure in the developing land in question as well as the city of Hyderabad.
<u>External Betterment Charges</u>	Imposition of charges on developers after infrastructure or other amenities are built on developed land, increasing value of land. The main advantage of this instrument is that it encourages infrastructure build-up and works effectively in cities with high urbanisation rates
<u>Monetisation of Land Assets</u>	Sale of unused land to developers through auction. The main advantage of this instrument is that it can lead to a large, one-time increase in revenue, as is needed for corpus creation. Example: Auction of Mumbai Metropolitan Regional Development Authority(MMRDA) land in Bandra Kurla Complex. This sale resulted in an estimated \$1.2 billion

**Lease-based
Financing**

Auction ULB assets for lease revenue. The main advantage of this instrument is that the ULB can retain the asset in medium-to-long term. Example: Auctioning unused ULB land to private sector players for business purposes. Contract with lessee can be designed such that the ULB can receive commission on revenues collected through the land's use during lease period

Guidelines for FDL

- 1) Funded Liabilities may be most effective in ULB jurisdictions with high collection efficiency
- 2) Funded Liabilities may be most effective in ULB jurisdictions with high rates of development
- 3) Funded Liabilities may be most effective in ULBs when medium- and long-term inflation costs are built into corpus calculations
- 4) ULBs should consider outsourcing the management of the corpus to a private company for sound financially- management of funds

Table 29: Summary of recommendations for revenue enhancement

Sl. No.	Recommendations for Revenue Enhancement
Recommendation # 1	Updating Guidance Values
Recommendation # 2	Increasing coverage of assessed properties
Recommendation # 3	Employing Funded Debt Liability as an instrument for revenue gathering

5 Review of Municipal Acts and the Finance Commission

Karnataka Municipal Corporations Act (1976) and Karnataka Municipalities Act (1964)

The Karnataka Municipal Corporations Act of 1976 (KMCA) is in place to ‘consolidate and amend the laws’ for the formulation of municipal corporations in municipalities located in the State of Karnataka. The act also specifically defines parameters for measurement of urban areas for creation of municipal corporations (i.e. ‘large urban area’). The act includes chapters with details on the formation of a corporation, roles and responsibilities as well as scope of impact, constitution of area sabhas and ward offices, election rules and requirements as well as the devolved powers and functions of the ULBs. There are also dedicated chapters for finance, taxation and imposition of user charges and fees, and public service delivery for corporations to establish themselves and their terms of engagement and procedures.

It was most recently amended in 2001 (Amending act 31 of 2001) to allow for corporations to conduct self-assessment of property taxes and increase the efficiency of this procedure through provisions such as the preparation of a public property register, penalty imposition on property owners who don’t submit returns on time and incentives for those who do. In terms of revenue optimization, Amending Act 21 of 1979, taxation and other such laws are proposed. Also, in chapter two, it is noted that the revenue generated for local administration have a budget floor of ‘Rs. 6 crores per annum or Rs. 200/capita, whichever is higher’.

The appointment of appropriate personnel for corporation functioning and revenue optimisation, such as a Revenue officer, was mentioned along with extended powers to Revenue divisions. The act also goes into details about levying property tax and cash balance required to maintain the General Account Revenue. As a whole, to maintain a balanced account, the act recommends that the corporation look into adjusting income and expenditure during the course of the financial year.

The Karnataka Municipalities Act of 1964 (KMA) was developed for areas to be guided on ‘the management of municipal affairs’. It defines such areas with specific parameters (i.e. ‘smaller urban area’) and applies to town municipal councils (TMC) and city municipal councils (CMC). In a manner similar to that of the KMCA, the KMA includes chapters on the constitution of a municipal area, taxation, roles and responsibilities of leadership, devolved powers and administration procedures. Unlike the KMCA, however, the KMA has a dedicated chapter for councils to take on improvement and betterment schemes regarding public service delivery for their ULB.

The KMA was most recently amended in 2005 (Amending Act 5 of 2005) to include certain tax exemptions and reductions (namely property tax). In terms of revenue optimisation, the Amending Act 39 of 1976 allowed for taxes to be levied on urban land, in place of other

assessments. In chapter two, it is noted that the revenue generated for local administration have a budget floor of ‘Rs. 9 lakhs per annum or Rs. 45/capita, whichever is higher’.

In addition to fees (such as betterment fees), land revenues and subsequent payment schedules, the KMA also extended powers of the Finance commission to review the position of municipal councils. It also requires municipal councils to have hard budgets that do not allow for unbudgeted expenditure, with some exceptions. The president of the municipal council shall preside over its finances with the Standing Committee. In case the financial position of the council is weak, it is the responsibility of the Improvement Board to step in and help the municipal council.

Recommendations for improvement of the KMCA and KMA

1. Reformation of Central Valuation Committee (CVC) - The Central Valuation Committee (CVC) was formed as a result of the Karnataka Stamps Act of 1957, section 45B. Its objectives are to calculate, publish and periodically revise guidance value figures. The CVC must follow a particular composition form, in terms of members. The CVC must comprise of:

- (i) Directorate of Town planning;
- (ii) Directorate of Survey and settlement
- (iii) Bangalore City Corporation;
- (iv) Bangalore Development Authority;
- (v) Income Tax Department;
- (vi) Karnataka Public Works Department;
- (vii) Karnataka Irrigation Department;
- (viii) Registration and Stamps Department;
- (ix) Institute of Chartered Valuers;
- (x) Federation of Karnataka chamber of commerce and industries;
- (xi) any other person having expertise in the subject;³

Additionally, Market Valuation Sub-Committees (MVSC) at the district, city and town must be created to provide recommendations to the CVC on valuation details for their jurisdiction.

However, there is an opportunity for the KMCA and KMA to strengthen the partnership between the CVC and MVSCs by creating focused terms of reference for the partnership, outlining standard procedures and norms that necessitate frequent interactions between the committee and sub-committee. This will assure that the CVC will make a more informed estimation of the guidance values for the jurisdiction. This

³K.S.SHYLAMMA Under Secretary to Government, Revenue Department (Stamps & Registration). “ ACTS AND RULES: STAMP RULES The Karnataka Stamp (Constitution of Central Valuation Committee for Estimation, Publication and Revision of Market Value Guidelines of Properties) Rules, 2003.” *Karnataka.Gov.in*, Government of Karnataka, 14 Aug. 2014, www.karnataka.gov.in/karigr/Pages/rules-2003.aspx.

is a crucial requirement for Municipal Corporations like Hubli-Dharwad as it has been identified as a top 25 growth hotspot of India, thus signalling rapid development of properties in HDMC as well⁴.

In addition to this, it is recommended that the KMCA and KMA impose more stringent regulations for the CVC to meet periodically and revise guidance values. Currently, the Karnataka Stamps Act rules cite that the committee must interact with the sub-committees annually, "as far as possible" to set guidelines for guidance value estimation and revision⁵. However, this rule must be tightened to necessitate frequent interactions to the guidance value is more accurately and periodically revised.

2. Fortification of the dispute resolution framework, with special reference to property tax disputes – Given that property taxes compose of a significant amount of total tax revenue for municipal corporations, the collection of property tax must be comprehensively bolstered by the KMCA and KMA. Currently, however, there are many gaps in the dispute resolution framework that allow property tax defaulters to take advantage of the system. Specifically, since demand notices are challenged in civil courts, the extended timeline provided by the litigation process allows the defaulter to continue his/her status. Thus, to avoid this issue, it is recommended that a special tribunal for property tax dispute resolution be formed. Furthermore, to more effectively enforce and collect tax, a dedicated enforcement committee can be formed to take ownership of enforcement activities with well-placed agency.
3. Reformation of water charge collection operations and enforcement - Collection efficiency of water charges has been a difficulty faced by ULBs. Thus, the structure of user charges related to water must be reformatted not only to allow for improved collection efficiency of water charges by examining sources of non-revenue water but also to improve public service delivery relating to water. The KMCA and KMA must have rules and guidelines that prevent unnecessary support for non-revenue water and penalties for water charge defaulters. This is necessary so that ULBs can begin to sustainably deliver water without relying on external funds. To maintain this financial sustainability in terms of water delivery, the ULB must also periodically revise structures of water charges. These requirements for periodic revision must be specified in both acts. Furthermore, it should be required to have a specialised committee to enforce charges and taxes instead of adding this role to revenue gathering officers' responsibilities. Another means to this end could include

⁴Srivats, K. R. (30 October 2014). *"McKinsey identifies 49 metropolitan clusters that could be growth hotspots"*. The Hindu Business Line. New Delhi. Retrieved 27 June 2015.

⁵K.S.SHYLAMMA Under Secretary to Government, Revenue Department (Stamps & Registration). "ACTS AND RULES: STAMP RULES The Karnataka Stamp (Constitution of Central Valuation Committee for Estimation, Publication and Revision of Market Value Guidelines of Properties) Rules, 2003." *Karnataka.Gov.in*, Government of Karnataka, 14 Aug. 2014, www.karnataka.gov.in/karigr/Pages/rules-2003.aspx.

expanding the agency of collection officers to be able to enforce rules and law to allow for effective tax collection.

4. Creation of service-level-benchmarking (SLB) committee - In order to ensure that the ULB continues to improve service delivery to its citizens, given high rates of growth among the municipal corporations, city municipal councils and town municipal councils or India, each ULB should have a dedicated SLB committee that will be responsible for setting annual SLB targets for the respective ULB as mandated by the KMCA and KMA. It is recommended that the Act stipulate that the benchmarks should not be absolute values but indicative of incremental changes that result in constant improvement for the ULB. Also, these goals must be carefully designed and scoped for feasibility.

Committee members will not only be responsible for setting benchmarks but also design strategies to achieve these benchmarks. Terms of reference for the SLB committee must be specified by the KMCA and KMA respectively. These rules must include guiding principles for benchmark-setting which could include the 3F framework discussed above: Funds, Functions and Functionaries.

Table 30: Summary of Recommendations from the KMCA and KMA

Sl. No.	Recommendations (included as a rule in KMCA and KMA)
Recommendation # 1	Reformation of the Central Valuation Committee
Recommendation # 2	Fortification of the dispute resolution framework
Recommendation # 3	Reformation of water charge imposition
Recommendation # 4	Creation of charge and tax enforcement committee
Recommendation # 5	Creation of a Service Level Benchmarking committee

Fourteenth Finance Commissions and Recommendations

The Fourteenth Finance Commission (FFC) was constituted by the President on January 2, 2013 to give recommendations on specified aspects of Centre-State fiscal relations during 2015-20. The Commission submitted its Report to the President on December 15, 2014.

The FFC was, inter-alia, mandated to recommend measures needed to augment the consolidated funds of the States to supplement the resources of the Panchayats and Municipalities based on the recommendations of the respective State Finance Commission (SFCs).

The FFC stipulates that a detailed procedure for the disbursement of the Performance Grant to Urban Local Bodies (ULBs) would have to be designed, subject to certain eligibility criteria. Under the 14FC, an amount of Rs. 87,143 crores are to be devolved towards the ULBs over a time period of five years, from 2015-2020. About 80% of this amount forms the Basic Grant and 20% of the amount is the Performance Grant. These funds are only to be devolved for basic services and O&M purposes by ULBs.

Summary of recommendations to strengthen the FFC:

Performance Audits by Comptroller and Auditor General (CAG) of India: The CAG of India either through full-fledged performance audits or Annual Technical Inspection Reports (ATIRs) covers audit of ULBs of many states in India. While most of them make generic observations of the status of audit of accounts and finances, there is no mandatory specific section focussed on audit of annual accounts (timeliness, quality, and responses) and performance metrics. As a result, there is no comprehensive and specific understanding of the state of audit and accountability in ULBs in India.

It has been recommended that the Office of the Comptroller and Auditor General of India should undertake a Performance Audit of select ULBs across States, specifically focused on Financial Reporting (covering Accounting and Audit) and Performance Reporting (covering MIS and Service Level Benchmarks). The CAG of India should also mandate that all performance audit reports and ATIRs of ULBs carried out by offices of the CAG of India should carry a detailed report on the status and quality of audit of annual accounts and performance metrics/equivalent framework in use.

Uniform Accounting Standards for ULBs issued by the ICAI: Currently ULBs in India do not follow a uniform set of accounting standards. The Committee on Accounting Standards for Local Bodies (CASLB) of the Institute of Chartered Accountants of India (ICAI) has so far issued 7 Accounting Standards for LBs, none of which is mandatory. The Accounts of ULBs therefore are neither comparable nor based on generally accepted accounting principles.

The ICAI should issue a full body of Accounting Standards (AS) that would generally be applicable to ULBs based on a pre-defined time table. States should mandate adoption of AS issues by the ICAI through Municipal Corporation Acts.

Standardised format of Annual Accounts/Financial Statements: No standardised format of annual accounts exists for municipal corporations. Each municipal corporation follows the format prescribed under respective MC Act/rules. The absence of a standardised format inhibits comparability.

The Ministries of Finance and Urban Development, Government of India should constitute a task force to draw up and recommend a standardised financial reporting framework for MCs in India as per a pre-defined time table. CAG of India, the ICAI, private sector experts, Commissioners and CFOs of MCs etc. should be key stakeholders in the task force. The task force should also be entrusted with a pilot roll out of the standardised financial reporting framework for major ULBs in India.

Capacity Building of Finance and Accounts personnel: The lack of adequate skilled manpower in Finance and Accounts departments of ULBs is a key driver of poor accounting, audit and reporting in ULBs. There is currently no concerted effort to build capacities of Finance and Accounts departments in Principles of good Budgeting

A 5-year road map for Capacity Building of Finance and Accounts personnel should be mandatorily submitted by all State Governments (including certification and training, lateral recruitment, definition of organisation structure for Finance and Accounts departments, definition of skill sets and competencies for specific positions etc.).

Conclusion

The project report has systematically addressed all the Terms of References assigned the concluding remarks from each are discussed in brief below:

1). The project has been able to make an assessment of the capital and O&M expenditure needs of all the 12 cities based on a normative approach. It has been summarised in the take below.

Table 31: City wise Total Expenditure on Services Required

	WS (24x7, 135 lpcd, 100% coverage)	Sewerage (100% coverage and secondary treatment)	SWM (100% coverage and scientific landfill)	Street Lights (35 mts)	Total (In Rs Crores)
Hubli Dharwad (MC)	871	678	69	283	1901
Davangere (MC)	480	276	33	102	891
Bidar (CMC)	241	139	17	51	447
Sira (CMC)	52	56	2	2	112
Yadgir (CMC)	71	76	3	3	153
Chamarajanagara (CMC)	63	68	3	3	137
Ullal (TMC)	47	50	2	2	102
Bangarapete(TMC)	48	46	2	1	97
KR Nagar (TMC)	39	37	1	1	78
Lingasugur (TMC)	40	38	1	1	80
Haliyal (TMC)	26	25	1	0.5	53
Sakhleshpur (TMC)	23	22	1	0.4	47

2). In order to strengthen the administrative and cadre strength in the state, it has been recommended to engage a scientific manpower planning techniques such as time and motion study. It is also recommended that for specialist positions, lateral entry is adopted such as in states like Punjab and Gujarat several states from other state government departments at senior levels [Urban Planning, Finance, Infrastructure, Engineering etc.]. It is also important to attract experts from Private and Public Sector organizations for managing exclusive reform units proposed [e-governance unit, technology unit, procurement unit, HR

management unit] on consultancy or Public-Private-Partnership mode to foster critical competencies needed.

In order to meet the future challenges in Urban Governance, high quality talent and expertise is needed. Augmenting and strengthening the Municipal Cadre is suggested for implementation that addresses the human resources capacities for performance of core functions. However, there are many areas of expertise that require professional skills like urban planning, climate change, green city initiatives, financial modelling etc. These talents are neither to be attracted nor retained by ULBs in their regular staffing. Hence a model Staff Augmentation Plan is proposed.

3). As a result of the findings from guidance valuation comparisons (w.r.t Property Tax Collection), it is recommended that all ULBs consider adjusting guidance valuations to meet market values. Since there is a risk that this may affect collection efficiency, the adjustment should be piloted in areas with high property tax collection efficiency first. Furthermore, it is recommended to pilot the adjustment in guidance values in ULBs where the absolute change in guidance value is relatively small. Another recommendation stems from the lack of coverage of properties that are under assessment in ULBs. According to literature sources, it is estimated that at most only 30-40% of properties in ULBs are actually assessed for property tax. Thus, it is recommended that coverage of properties increases to meet the 100% mark. However, there cannot be a one-time jump in properties assessed as this is unfeasible. Therefore, it is recommended to increase coverage in a phased manner.

In order for a ULB to be able to financially sustain core functions using own source revenue, it is recommended that ULBs employ Funded Debt Liability (FDL) as a financial instrument. FDL requires the creation of a corpus such that the interest that may be earned through the investment of the corpus can be used to cover certain costs. In this case, it has been recommended that the interest from such a corpus should be used to cover HR and Administrative costs for a ULB.

Several financing tools and options that can be used by the ULBs have been discussed in the report. Development Impact Fees, these are charges imposed on developers for extension of infrastructure to reach the needs of developing land. The main advantage of this instrument is that it not only encourages infrastructure development but also allows for large one-time increases in revenue for ULBs. External Betterment Charges, these charges are imposed on the developers after infrastructure or other amenities are built on developed land, increasing value of land. The main advantage of this instrument is that it encourages infrastructure build-up and works effectively in cities with high urbanization rates. Monetisation of Land Assets Sale of unused land to developers through auction is also discussed in the report. The main advantage of this instrument is that it can lead to a large, one-time increase in revenue, as is needed for corpus creation.

5). In order to ensure that the ULB continues to improve service delivery to its citizens, given high rates of growth among the municipal corporations, city municipal councils and town

municipal councils or India, it has been recommended that each ULB should have a dedicated SLB committee that will be responsible for setting annual SLB targets for the respective ULB as mandated by the KMCA and KMA. It is recommended that the Act stipulate that the benchmarks should not be absolute values but indicative of incremental changes that result in constant improvement for the ULB. Also, these goals must be carefully designed and scoped for feasibility.

Annexure

Annexure 1: City Wise Population Projections

Sl no.	City	2001 (Source: Census 2001)	2011 (Source: Census 2011)	2018 (Calculated projected population)
1	Hubli-Dharwad (MC)	7,86,195	9,43,788	10,72,545
2	Davangere (MC)	3,64,523	4,34,971	4,92,238
3	Bidar (CMC)	1,74,257	2,14,373	2,47,831
4	Sira (CMC)	50,088	57,554	63,433
5	Yadgir (CMC)	58,811	74,294	87,498
6	Chamarajanagar (CMC)	60,558	69,875	77,237
7	Ullal (TMC)	49,895	53,773	56,666
8	Bangarapete(TMC)	38,703	44,849	49,723
9	K.R. Nagar (TMC)	30,633	35,805	39,937
10	Lingasagur (TMC)	27,306	34,932	41,505
11	Haliyal (TMC)	20,653	24,238	27,112
12	Sakleshpur (TMC)	23,176	23,352	23,476

Annexure 2: Municipal Cadre Framework

Municipal Administrative Function	Municipal Executive Function	Commissioner, Additional Commissioner, Deputy Commissioner(Administration), Deputy Commissioner (Dev), Deputy Commissioner (Rev), Municipal Commissioner Grade-I, Municipal Commissioner Grade-II, Chief Officer-I, Chief Officer-II, Zonal Commissioner, Executive Engineer (Electrical), Executive Engineer (Civil), Executive Engineer (WS & UGD)	
	General Administration	Office Manager, Senior programmer, Office Assistant (Administration), Assistant Council Secretary, Assistant Director (Statistics), Assistant Statistical Officer, Assistant Law Officer, Public Relation Officer, Council Secretary, Committee Secretary, Junior Programmer, Inventory engineer Estate officer, Data Entry Operator, Development officer, Record Keeper, Horticulture Inspector, FDA, SDA, Law Officer, Stenographer, Storekeeper, Horticulture assistant, Attender, Office Driver, Office Watchman, Head Gardener, Gardener and Dafedar	

	Municipal Social Development function	Community Affairs Officers and Community Organiser	
Municipal Finance function	Municipal accounts function	Account Superintendent, Chief Accounts Officer, Chief Audit Officer, Auditor, Audit Officer, Senior accounts officer, Accounts officer and Accountant	
	Municipal revenue and financial functions	Revenue officer, Asst Revenue officer, Surveyor, First Grade Revenue inspector, Office Assistant (Revenue), Bill collector	
Municipal Technical Service	Municipal Engineering function	Water Supply/ UGD	Assistant Executive Engineer (WS/UGD), Assistant Engineer (WS), Assistant Engineer (UGD), Water Supply Operator, Junior Engineer (WS), Junior Engineer (UGD),

			Senior Health Inspector, UGD Operator, UGD Inspector, Junior Health Inspector, Senior UGD Helper, Water Supply Inspector, Senior Valve man, Work Inspector, UGD Helper, Asst UGD Operator, Assistant Water Supply Operator, Water Supply Helper, Plumber and Valve man
		Electrical	Assistant Executive Engineer (Electrical), Assistant Engineer (Electrical), Junior Engineer (electrical), Electrician Grade-I and Electrician Grade-II
		Civil	Assistant Executive Engineer (Civil), Assistant Engineer (Civil), Junior Engineer (Civil) and Survey Supervisor

	Municipal Sanitation function	Corporation Health Officer, Health Officer, Sanitary officer, Environmental Engineer, Technical Assistant (Env), Sanitary Supervisor, Veterinary officer, Pourakarmika, Veterinary inspector, Food inspector, Watchman (for landfill sites), Chemist (working at landfill site), Cleaner, Loaders and driver	
	Urban planning and transportation function	Chief town planner, Town Planning Officer, Assistant Town Planning Officer, Assistant Planner and Asst town planner	
	Municipal fire function	Chief fire officer, Fire officer	
	Municipal e-governance functions	Technical Assistant (e-gov)	

Annexure 3: Photos from the field visits







This is the Back Cover of the Report



PUBLIC AFFAIRS CENTRE

Committed to good governance

Jigani-Bommasandra Link Road

Jigani Post, Anekal Taluk

Bengaluru - 560105

Karnataka, India

