

Brihanmumbai Municipal Corporation (BMC) Budget – 2015-16

The ruling Shiv Sena - BJP combination at the Brihanmumbai Municipal Corporation presented a populous budget on 4th February 2015 by the Municipal Commissioner.

Highlights

- The total size of the budget estimate for 2015-16 is Rs 33,514 crore which is 27.2% higher than last year's budget of Rs 26,337 crore.
- No hike in bus fares and no new taxes in this year.
- Continuation of Octroi regime
- The civic body has decided to extend the various civic services to the urban poor and has allocated Rs 7,923 crore.
- The civic body has made a provision of Rs 2,500 crore for reconstruction and improvement of roads in city.
- The civic body has made the provision of Rs 542 crore for structural repairs, demolition and reconstruction of the civic body owned buildings.
- The civic body has proposed to construct ladies public toilets at crowded areas in the city and has made provision of Rs 1 crore.
- It has proposed to develop two theme gardens- Sanyukta Maharashtra Memorial Garden in Lower Parel and Sardar Vallabhbhai Patel Garden in Lallubhai Park in Andheri (W).
- It has proposed to create a new department for business development to provide single window clearances attracting new investments in Mumbai

Budget 2015-16

We examine Budget 2015-16 for the municipal with respect to its revenue and capital accounts;

Revenue Account Profile – Revenue Receipts

- Octroi accounts for the highest share (32.9%), followed by development plans (24.8%) and property tax (19.2%) in the revenue receipts. Thus, Octroi continues to be the prime revenue source of MCGM
- The main features of octroi are liquidity and buoyancy which enables BMC to maintain cash flow and keep economically self-dependant
- With the introduction of GST (and abolition of octroi), which has remained the major source of revenue and the crucial factor in budgetary planning since last several years, will adversely impact BMC revenues.

- The new taxes like Property Taxes on slums, Transport Cess, Conservancy Cess and Fire Cess may be some of the available alternatives for augmenting the municipal revenue to meet future revenue and capital expenditure requirements.

Table 1: Revenue Receipts FY16 (Rs crore)

Revenue A/c Heads	FY16 (BE)	Share (%)
Octroi	7,725	32.9
Property Tax	4,514	19.2
Receipts from Development Plan	5,824	24.8
Water & Sewerage Charges	1,367	5.8
Interest on Investment	1,344	5.7
Receipts from Roads & Bridges	546	2.3
Supervision Charges	503	2.1
Grant-in-aid from Government	251	1.1
Receipts from License Department	164	0.7
Receipts from Hospital & Medical Colleges	152	0.6
Solid Waste Management	112	0.5
Receipt from Markets & Deonar Abattoir	59	0.3
Other Receipts	948	4.0
Total	23,509	100.0

Source: BMC Website

Revenue Account Profile – Revenue Expenditure

Table 2: Revenue Expenditure FY16 (Rs crore)

Revenue A/c Heads	FY16 (BE)	Share (%)
Establishment Expenses	11,217	51.8
Administrative Expenses	1,037	4.8
Operation & Maintenance	3,436	15.9
Interest & Finance Charges	92	0.4
Programme Expenses	189	0.9
Revenue Grants, Contributions & Subsidies	5,082	23.4
Provisions & write-off	382	1.8
Other Expenses	101	0.5
Refund of Property Tax	139	0.6
Total	21,675	100.0

Source: BMC Website

- Establishment expenditure which comprises of the expenses incurred on salary and pension accounts of more than 50% of the revenue expenditure
- Revenue Grants, contribution & subsidies accounts for 23.4% of the expenses, followed by operations & maintenance (15.9%) and administrative expenses (4.8%)
- Owing to seventh pay commission that comes into effect this year, it would result in increase in the salary and pension expenditure

Revenue Surplus

BMC is expected to register a revenue surplus of Rs 1,834 crore in FY16, most of which is transferred to the capital account.

Capital Account Profile – Capital Receipts

Table 3: Capital Receipts FY16 (Rs crore)

Capital A/c Heads	FY16 (BE)	Share (%)
Loan	2,720	23.0
Grants	223	1.9
Contribution from development fund	575	4.9
Receipts from Premium of land & building	170	1.4
Contribution from Revenue a/c	1,833	15.5
Accumulated surplus	434	3.7
Withdrawal from special fund	5,269	44.5
Other receipts	615	5.2
Total	11,839	100.0

Source: BMC Website

- Capital Receipts are mostly come from the withdrawal from special fund. Special fund include asset replacement fund, land acquisition & development fund, school building maintenance fund, urban transport fund and infrastructure development fund on account of fungible compensatory FSI.
- Loan accounts for 23% of the capital receipts

Capital Account Profile – Capital Expenditure

Table 4: Capital Expenditure FY16 (Rs crore)

Capital A/c Heads	FY16 (BE)	Share (%)
Traffic Operations, Roads & Bridges	3,858	32.6
Water Supply	1,862	15.7
Storm Water Drains	1,098	9.3
Health Budget	799	6.8
Sewage Disposal	674	5.7
Solid Waste Management & Transport	423	3.6
Fire Brigade & Disaster Management	274	2.3
Information Technology	129	1.1
Market & Deonar Abattoir	53	0.4
Repairs to Municipal Properties & Slum Improvement	448	3.8
Repairs to Primary School Building	357	3.0
Others	1,862	15.7
Total	11,837	100.0

Source: BMC Website

- Capital Expenditure is mostly incurred on account of traffic operations, roads & bridges (32.6%), water supply (15.7%), storm water drains (9.3%), health (6.8%) and sewage disposal (5.7%)
- A major chunk of the water supply budget will be utilised in laying surface water pipeline and connecting those with water main
- Also, it needs to be noted that no new infrastructure projects were announced this year.

Capital Surplus

BMC is expected to register a capital surplus of approximately Rs 2 crore in FY16.

Reforms Announced

- Mandatorily e-tendering system for any tender costing above Rs 3 lakh
- Up gradation of the infrastructure facilities in MHADA Colonies
- Implementation of Bill Tracking System
- Implementation of scheme of Group Insurance for BMC employees
- Structural audit and structural repairs and reconstruction of municipal properties
- Standard Operating Procedure (SOP) for Systematic Improvement of Slum Infrastructure
- Creation of a new “Department of Business Development”
- Extension of civic services to the urban poor
- Early Bird Incentive scheme in order to induce the tax payers and encourage them for making early payments

The major challenges would be the resolution of revenue flows once GST comes in and whether the Corporation will be able to have these funds substituted through other means. Also the pressure on expenditure would increase once the Pay Commission recommendations are implemented. These will be the two challenges going ahead for the Corporation.

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