

## Municipal Corporations Newsletter: July'15-September'15

*This newsletter is a compilation of the latest activities and developments taking place in the domestic and global Municipal Corporations space during the last 3 months.*

### India

- ❖ **The Securities and Exchange Board of India (Sebi) has brought out regulations on the issue and listing of debt securities by municipalities.**  
According to the regulations,
  - A municipality looking to issue debt should not have a negative net worth in past three preceding financial years
  - The issuer should not have defaulted in repayment of debt securities or loans obtained from banks or financial institutions, during the last 365 days
  - Bonds intended to be issued shall have a minimum investment rating and should have a minimum tenure of 3 years and maximum of 30 years
  - In the event of non-receipt of minimum subscription all application money shall be refunded within 12 days *(Source: Financial Express)*
  
- ❖ **Finance MNC to handle Pune Municipal Corporation (PMC) accounts**  
PMC is to appoint a multinational financial consultancy firm to do its accounting. The corporation will consult the firm to help it in filing error-free tax proposals, update the civic administration on the changes in tax policies, timely tax returns and creating better database of accounting. *(Source: The Times of India)*
  
- ❖ **Kolkata Municipal Corporation estimates Rs 168 cr deficit budget for 2015-16**  
The Kolkata Municipal Corporation (KMC) has estimated Rs.168 crore deficit budget for the year 2015-16. KMC's projected expenditure for the year is Rs 2,904.54 crore and income is Rs 2,736.54 cr. The reason for deficit is being attributed to a revenue loss of about Rs 90-100 crore due to a ban on the regularisation of illegal buildings in Kolkata. Another reason for the revenue loss was the restriction imposed by the defence authorities on construction of high rises within 500 m of defence buildings, leading to revenue loss of Rs 100 cr. Plans are on the anvil to present a zero-deficit budget for which the different departments have been asked to increase income. *(Source: Niti Central)*
  
- ❖ **Factory licences to be abolished by municipal corporations in Delhi**  
The municipal corporations have decided to do away with their licensing formalities altogether in order to improve the ease of doing business in the city, which is a step towards Prime Minister's 'Make in India' programme. *(Source: The Hindu)*

- ❖ **The North Delhi Municipal Corporation (NDMC) has decided to end the family welfare programme for the lack of funds.**  
Family planning programme is one of the oldest nationally sponsored programmes for which the state government receives funds under the 5 year plan. According to the corporation data, Delhi government has not paid the corporation Rs 76.77 crore from 2006 up to March'15 and owing to lack of funds the corporation is unable to pay salaries of medical officers, midwives, educators and store keepers under the programme. (Source: Times of India)
- ❖ **North Delhi Municipal Corporation (NDMC) to Digitise all Property Tax Records**  
NDMC has decided to digitise all tax-related records that would bring in greater transparency and help the municipal body in identifying defaulters. Through this process property tax department will be able to "synchronise old and new data" and it will help maintain the record of property tax-payer. (Source: India Today)
- ❖ **Thane Municipal Corporation proposes sewerage treatment plants for city**  
To deal with the sewerage water, the civic body has proposed to install sewerage treatment plant (STP) with the capacity of 2MLD to 5MLD at various areas in the city (usually for one1MLD, Rs1 crore is incurred). The plants will be installed on built-on-transfer (BOT) basis and the company investing will get an option of buy-back treated water. The corporation will be providing land, electricity and sewerage with a payback assurance for treated water. (Source: DNA)
- ❖ **Lucknow Municipal Corporation prepares roadmap to Smart City**  
Lucknow Municipal Corporation is taking steps in mapping the Smart City proposal for Lucknow by including features like emphasis on use of recycled water for cleaning, installing LED lights to reduce electricity expenses and planning to integrate government's ambitious project- IT city on Sultanpur Road with the "Smart City' plan. (Source: Times of India)
- ❖ **Brihanmumbai Municipal Corporation gets 6 months extension to revise development plan 2034**  
The Development Plan 2034 was first announced in February only to be withdrawn in April after being criticised for errors with regard to wrong reservations applied to certain zones and plots. (Source: Economic Times)
- ❖ **Kolhapur Municipal Corporation gets Rs 6.43cr as second instalment of LBT compensation**  
The state government has sanctioned the second monthly instalment of Rs 6.43 crore to the city's municipal corporation to compensate the losses for partly abolishing local body tax (LBT). The government has decided to provide monthly grants to the civic bodies after the LBT system was abolished for the traders having annual turnover of less than Rs 50 crore. The officials of the Kolhapur Municipal Corporation (KMC) are unhappy that the government has not accepted their demand to increase the monthly grant to Rs 12 crore. Besides, the government has also not released Rs 2.39 crore generated through 1% additional tax on stamp duty. (Source: Times of India)

## Other Countries

- ❖ **Detroit sells first municipal bonds since emerging from bankruptcy**  
Detroit returned to the municipal-bond market for the first time since the city emerged from bankruptcy, selling \$245 million of bonds to investors demanding a premium for the securities despite extra protections for bondholders. (Source: Marketwatch)
  
- ❖ **Municipal Bonds Save Governments More than \$700 Billion in Interest**  
A new white paper issued by the International City/County Management Association (ICMA) and the Government Finance Officers Association (GFOA) states that US State and local governments would have paid \$714 billion in additional interest expenses between 2000 and 2014 without tax-exempt municipal bonds. (Source: Marketwatch)
  
- ❖ **U.S. SEC fines 22 municipal bond underwriting firms**  
The U.S. Securities and Exchange Commission has fined 22 municipal bond underwriting firms more than \$4 million for selling bonds with offering documents that contained false statements or omissions (Source: Reuters)
  
- ❖ **Puerto Rico Misses Debt Deadline, Slides Into Default**  
Puerto Rico failed to meet a \$58 million debt repayment deadline Monday, triggering one of the most significant municipal bond defaults in U.S. history. Puerto Rico took on massive debt in recent years by issuing an unsustainable amount of municipal bonds. Investors bought up these bonds – which have been particularly popular because of their so-called triple tax exemption – with the expectation that Puerto Rico would be able to repay its debts, with interest, when the time came. (Source: US News)
  
- ❖ **U.S. municipal bond market grows to \$3.714 trln in second quarter**  
The U.S. municipal bond market grew to \$3.714 trillion during the second quarter from \$3.694 trillion in the first quarter, according to a quarterly report from the Federal Reserve. Retail investors, the biggest buyers of debt sold by states, cities, schools and other issuers, shed \$17.1 billion of muni assets after increasing their holdings of muni debt by \$19 billion in the prior quarter. As for institutional investors, property and casualty insurance companies bought \$5.5 billion of munis in the second quarter, while life insurance companies acquired \$3.5 billion. U.S. banks increased their muni holdings by \$46 billion, which was down from a \$67.4 billion jump in the first quarter. U.S. mutual funds added \$34.7 billion of munis in the second quarter, while exchanged-traded funds added \$2.2 billion and closed-end funds dropped \$2.2 billion. (Source : Reuters)

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