

MCGM Budget 2020-21

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The Municipal Corporation of Greater Mumbai, has drawn a budget of Rs. 33,441 crore for FY21, which is a 11% increase from year ago. The thrust of the budget this year is on providing civic services to meet its vision of Mumbai 2030 with a focus on infrastructure building, education and healthcare.

There has been a decline in the income of MCGM in the current financial year (as per the revised estimate for 2019-20), owing to a fall in development plan fees and interest on investments. The Corporation however continues to have a revenue surplus (of Rs.4606 crs 2019-20 revised estimates) and has sufficient reserves to meet the requirements of its various infrastructure projects. The reserves of the Corporation as on 31 Dec'19 stood at Rs. 78,669 crore (including reserves towards committed liabilities), are 4% higher than a year ago.

Faced with a fall in revenues from the major sources of income in 2019-20 and to reduce its overreliance on continuation of GST compensation at an increasing rate, the Corporation plans to adopt innovative measures for resource mobilization and rationalization of expenditure.

Vision of Mumbai 2030

The budget 2020-21 is seen as the first step towards achieving the improvement in indicator of civic services under vision Mumbai 2030 such as

- (1) Providing world class roads, bridging missing links and robust public transportation,
- (2) Pure and reliable water supply
- 3) Environmentally sustainable and climate resilient city
- (4) Primary education
- (5) Preventive and primary healthcare services
- (6) Business development through ease of doing business and promoting tourism to create more jobs
- (7) IT enabled governance

Budget Snapshot

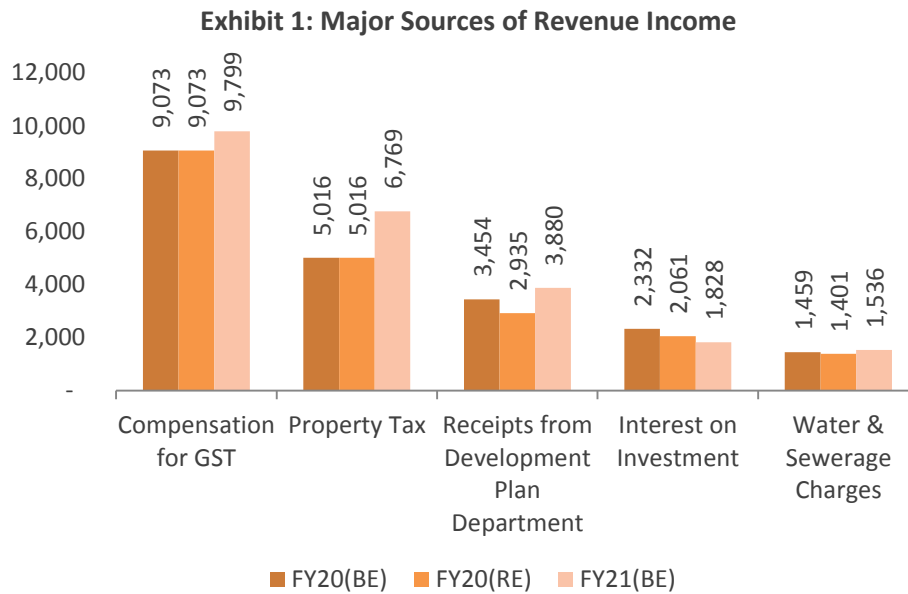
Table 1: Major Heads of Budget

	FY20 (BE)	FY20 (RE)	FY21 (BE)
Revenue Income	24,984	23,846	28,448
Revenue Expenditure	19,206	19,240	18,797
<i>Revenue Surplus</i>	<i>5,778</i>	<i>4,606</i>	<i>9,652</i>
Capital Receipts	509	147	612
Capital Expenditure	11,480	10,785	14,638
Net withdrawals from Funds	5,200	6,036	4,381
Total Income	30,693	30,030	33,441
Total Expenditure	30,686	30,025	33,435
Surplus	7	4	7
Total size of the budget	30,693	30,030	33,441

Source: BMC Budget

- The total size of the budget for FY21 is Rs. 33,441 crore, which is 11% higher than Rs. 30,030 crore in FY20 (RE) and 9% higher than that in FY20 (BE).
- The share of revenue income in total receipts has increased from 79% in FY20 (RE) to 85% in FY21 (BE) and is expected to grow by 19% to Rs. 28,448 crore in FY21 (BE).
- The revenue expenditure accounts for 56% of the total expenditure and is expected to decline by 2% in FY21 (BE) compared with FY20 (RE).
- Capital expenditure, accounting for 44% of total expenditure in FY21 (BE), is slated to grow by 36% in FY21 (BE) compared with that in FY20 (RE) suggestive of focus on infrastructure improvement by the Corporation. However, as per the revised estimate for FY20, the Corporation had lowered its CAPEX by 6% when compared with the budgeted CAPEX for FY20.
- With the growth in the revenue receipts and contraction in the revenue expenditure in FY21 (BE), the revenue surplus of the Corporation is estimated to more than doubled from Rs. 4,606 crore in FY20 (RE) to Rs. 9,652 crore in FY21 (BE).
- Compensation for GST, which has the highest share in total revenue income of 34% is proposed to grow by 8% to Rs 9,799 crs over the revised estimates of FY20.

Sources of Income



Source: BMC Budget

- These top 5 major sources of income for the MCGM accounts for almost 85% of the total revenue income (Rs 28,448 crs in FY21). These include compensation for GST (34% share), property tax (24%), development plan fees (14%), interest on investments (6%) and water & sewerage charges (5%)
- The revenues of the Corporation have declined in FY20. The revenue income for FY20 was budgeted at Rs. 24,984 crore. However, the revised estimate of revenues is 5% lower at Rs. 23846 crore. This is mainly due to lower receipts from development plan fees and interest income.
- Development Plan fee receipts decline due to the slowdown in the real-estate sector has adversely affected the income from this source.
- Income from investments (6%) is budgeted to contract by 11% to Rs 1,828 crs in FY21 from the revised estimate a year ago owing to reduction in interest rates.
- Revenues from property tax in FY20 were 4% lower than year ago (FY19 BE). The lower revenues on this account are mainly due to exemption from general tax (under property tax) for residential tenements having carpet area up to 500 sq.ft. The income foregone on this account was Rs.335 crore. Further with the slowdown in real estate sector and other markets, the quantum of default of payments of Property Tax increased (cumulative outstanding amount approximately Rs.15,000 crore).
- MCGM continues to be self-reliant (96% of revenues from own sources of revenue including GST compensation and 61% excluding GST compensation) and has been providing all its obligatory / discretionary services from its own sources of income without relying on grants from the Government

Expenditure to be incurred

- Total revenue expenditure at Rs 18,796 crs in FY21(BE) has been budgeted 2% lower compared with FY20 (BE).
- The two main heads of revenue expenditure which account for almost 90% of the total revenue expenditure are establishment expenses and operation & maintenance expenses.

- Establishment expenses (67% of the total revenue expenditure) are budgeted at Rs. 12,607 crs, 5% higher than the allocations budgeted last year.
- Operation and Maintenance expenses which have the second highest allocation of Rs. 3,876 crs in FY21 (BE) is budgeted to contract by 12% from a year ago.
- Of the total capital expenditure of Rs. 14,638 crs budgeted in FY21 (BE), the top 5 heads of capital expenditure account for 60% of the capex allocation. These 5 heads include roads & bridges, traffic operation, coastal roads, water supply, storm water drains and financial aid to BEST.
- Within Capital Expenditure,
 - The traffic operations, roads & bridges which account for the highest share in capital expenditure of around 20% is budgeted to grow by around 21% in FY21(BE) from the budget estimate a year ago.
 - Capex allocation towards water supply (12%) has also witnessed robust growth in allocation of 35% in FY21 (BE).
 - Similarly, capital expenditure on the coastal road project, which accounts for 14% of total capital expenditure, has seen a notable growth of 25% in FY21 and is envisaged to be completed in 4 years.
 - Financial aid of Rs 1,500 crs has been provided to BEST service to assist the transport operator to overcome its present financial crisis and upgrade bus transportation systems in the city.

Table 2: Capital Expenditure (Rs. Crore)

Components	FY19 (BE)	FY20(BE)	FY21(BE)
Traffic Operations, Roads & Bridges	1,770	2,221	2,700
Coastal Road Project	1,500	1,600	2,000
Water Supply	1,021	1,280	1,729
Financial Grant in aid to BEST	NA	NA	1,500
Storm Water Drains	566	825	912
Health Budget	732	806	1,049
Sewage Disposal	760	868	871
Solid Waste Management & Transport	401	441	619
Fire Brigade & Disaster Management	192	214	135
Information Technology	112	173	158
Market & Deonar Abattoir	108	154	230
Repairs to Mun.Properties & Slum Improvement	297	325	506
Repairs to Primary School Buildings	386	261	403
Others	1,684	2,312	1,825
TOTAL	9,528	11,480	14,638

Source: BMC Budget

Measures to increase the revenue income

- Increase revenue from property tax – (1) include garbage collection fees, sewage collection fees and water taxes under the gamut of property tax. (2) Measures to recover outstanding dues of Property Tax and Water Tax by way of issuance of notices to defaulters, disconnection of water connections, attachments and auction of properties
- Adopting a prudent Investment Policy to increase interest income - explore new investment avenues to increase return on deposits.

- Revision of Municipal Services fees - some of the Municipal charges/fees that have not been revised since the last 10 to 15 year are to be raised. Trade License, Market License, Birth Certificate, etc be increased by a flat 5% every year.
- Revised capitalised value for pending redevelopment projects - for delayed redevelopment on Municipal Tenanted plots the corporation to receive capitalised value at Stamp/Ready Reckoner Rate effective on the date of actual payment.
- Renewal of expired lease - subject to removal / regularization of breaches in next three years. This will promote redevelopment of old tenanted leasehold properties and enhance municipal revenue by way of breach penalty, premium, lease rent at higher rate etc.
- Regularization of unauthorized construction / breaches of leased plots
- Granting lease of Vacant land Tenancy