An Overview on Income Experiences and Procedures of Municipalities with an Emphasis on Their Sustainability

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Abstract

Nowadays, lack of financial resources is the most important constraint to overcome increasing municipal issues and service insufficiencies, especially in cities of developing countries such as Iran. This leads to failing of urban predicted prospects and citizens’ dissatisfaction. Unsustainable income sources and inappropriate procedures highlight the necessity of developing the strategies and solutions to achieve proper, adequate and sustainable financial resources for municipalities. Therefore, income resources of municipalities must be reliable, continuous and proportionally adequate for increasing needs and providing urban services. In addition, income procedures should not present threats to sustainable urban development. For this, it is necessary to implement the principles of sustainable income, income sources, solutions to increase revenue and sustainable municipal income in the country. The present paper has used a descriptive-documentary survey method. Based on the research findings, three main sustainable income principles include utility, sustainability and flexibility. Sustainable income areas of the municipalities were characterized in Iran and countries studied. Based on principles of sustainable revenues, finally, several solutions were presented to increase revenue.

Keywords: Municipality, Income Procedures, Sustainable Income, Tax, Duty

Introduction

According to the contents of national reports presented in 12th congress on UN sustainable development (CSD12), limited financial resources of urban management is a major challenge faced by human settlement in Iran, preventing the urbanism goals and ideas to be realized (Salehi, 2012). Indeed, addressing the municipalities’ self-reliance in 2003 regardless of theoretical basis of the financial relationships between the governments and municipalities and continuing these policies in later years made a crisis for municipalities, reducing their governmental budget shares. Reduced income dependence of municipalities on the government and intensive municipal problems resulting from the population growth and migration, excessive demands for municipal services and municipalities reliance on non-sustainable incomes have made difficult situations for municipal officials. Absence of continuous income resources (at least to meet the permanent costs), therefore, has disturbed financial and budgetary planning of municipalities. Accordingly, current income resources will not satisfy the increasing costs of municipalities in coming years. Thus, given the varied needs and increasing urban populations, it is necessary to move towards sustainable incomes in form of pre-designed programs and documents (the strategic approach) in accordance with municipal capabilities and limitations (natural-environmental structure and conditions, physical structure, economic and social structure) and analysis and examining the issues (internal and external environment of the city) with a future-oriented perspective and establishing a financial balance between municipal incomes and costs. Sustainable urban development highlights achieving sustainable municipal income, entailing balanced conditions in realizing municipal plans. For this,
sustainable urban resources play a determinant role (Shahrara, the cultural – social- Informational newspaper, 2010). In a long run, municipalities’ dependence on unsustainable revenues will pose many problems in various areas with costly or impossible solutions.

**Definition of key terms and research variables**

Sustainable income: Sustainable revenue means earning from resources in the ways maintaining future generations’ rights, not reducing the quality of municipal lives or destroying vital resources required for the future generations (Yeganegi Dastgerdi, 2011). According to the Hix’s definition, sustainable revenues means the maximum revenues available in a certain period, ensuring the same level of income in the next period in an economic system facing restrictions on resource, labor, human produced capital and natural capital. In the neoclassical economists’ perspective, sustainable revenue is defined as the maximum expenditures in a period without causing a decline in real expenditures in the next periods. In economic literature, sustainable revenue is dependent on sustainable development as its perquisite. Moreover, the sustainable development in the urban economy is a function of natural resources, the urban ecosystem protection and conserving the resources such as water, air and green spaces in the city. Table 1 summarizes the characteristics of sustainable revenues.

<table>
<thead>
<tr>
<th>Table 1. Characteristics of sustainable income in different sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Non destroyable or substitutable resource. 2. Steadily achievable. 3. Without sever fluctuations in various financial periods. 4. Permanent rising with costs increasing. 5. Not causing damages to urban development (Dadras, Nasr Esfahani, 2010).</td>
</tr>
<tr>
<td>Comprehensiveness: 1. Most people should be directly or indirectly contributed in its supplying. 2. Reliability: Accessible income in a time period, guarantying the same income level in the future period and the increment ability with increased costs 3. Continuity: Stable, without fluctuations (Shahrara, The cultural – social-Informational newspaper - 2012).</td>
</tr>
<tr>
<td>Continuity: Stable, without fluctuations in short term periods. 2. Desirability: (promoting justice directed approach, without damages to environmental, physical, social and economic structures of the city. 3. Flexibility (expanding of income basis over time along with expenses increasing to avoid financial hardship and its necessary executive plans defined (text of the approval: &quot;a comprehensive plan for sustainable earnings and other financial resources of Tehran municipality&quot;, 2007).</td>
</tr>
</tbody>
</table>

In general, it can be said that the continuity of earning increment and future production of goods and services must maintain the quality of the urban environment without reducing the citizens’ welfare. In other words, sustainable municipal revenues has at least two characteristics including "continuity and maintaining the quality of the urban environment and space". Municipal income items should be trustworthy and programmable to achieve in different times. Unsustainable revenues are the items influenced by financial crisis, sever economic fluctuations and regulation changes, suffering future uncertainty. Furthermore, sustainable income items should be desirable and safe and do not threaten qualitative and biological conditions of the city as a living organism.

Municipality: There are too many definitions for the concept of Municipality. Thus, it is difficult to extract a comprehensive definition but common points in all these definitions include as follows (Saeednia, 2003).

Duties: In terms of financial entities and municipalities, duties include money or other assets paid to the state or local government for a specific service. Municipalities’ duties are funds paid for urban affairs such as city cleansing, supplying of water and electricity, street construction and passageways development (Bidram, 2011); It can also be defined as the funds collected by the municipalities from the natural and legal persons in accordance with the general and specific legal

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authorities to supply general or specific costs through preventive or encouraging policies (Text of the approval "The comprehensive plan for sustainable revenues and other financial resources of Tehran municipality", 2007). Indeed, these duties are the costs of municipal services provided for the citizens. They can be divided into three major categories:

**Table 2. Definitions of Municipality**

<table>
<thead>
<tr>
<th>Urbanity</th>
<th>Municipality is an active organization in the city. There are various criteria to define a place as the city (the population of more than a certain extent, urban landscape, urban relationships, and so on).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being Non-governmental</td>
<td>Municipality is the organization with managers elected and authorized by the city residents for municipal decision-makings and administrations. Municipalities, therefore, are non-governmental organizations under governmental supervision.</td>
</tr>
<tr>
<td>Independence</td>
<td>The municipalities are non-government organization with officials elected by the people; they are thus, independent in their functional area.</td>
</tr>
<tr>
<td>Selectiveness</td>
<td>The Citizens choose individuals as municipal directors, entrusting their natural administrative rights with them.</td>
</tr>
<tr>
<td>Formality</td>
<td>As a legal person, the municipality has been formed based on the Constitution and other related regulations.</td>
</tr>
<tr>
<td>Local administration and public services provision to the residents</td>
<td>The municipalities perform tasks such as municipal development mapping, construction control, protecting the environment, etc. These are beyond the citizens’ responsibility. Given the perspective assuming the municipal management identical to the municipality, it is defined as administrating a non-government organization established by the citizens based on the law, to meet their municipal common needs, possessing organizational independence within its functional area.</td>
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</table>

Costs of the services provided by the municipality: costs of the services provided by the municipality to the private sector (returned to the public sector). These services include various municipality issued permits such as vehicle registrations, construction licenses, business licenses, etc. Municipalities usually use these duties as the control tools especially in cases such as keeping the number of vehicles or construction in a constant level.

Costs of using specific municipal products: The municipalities’ incomes from private products sale. They are used in cases of private service or products with easily computable consumptions like the entrance fees of parks, highways tolls, etc.

Costs of municipal public facilities: These duties are not obtained by service providing or sale to certain citizens. In fact, they are earned through citizens’ payments for public services such as security and police services in cities where this is the responsibility of municipalities, safety and the fire department services, public lighting, beautification, etc. (Naraqian, 2011).

Tax: Based on the law, taxes are parts of people’s income or wealth paid to the government for public costs and conserving the social, economic and political interests. For achieving a durable society with social services, all the community members are bound to pay the cost of such services to the government, participating in efforts towards growth, prosperity, human dignity and welfare. Various types of local taxes used in different countries worldwide include the property tax; taxes on natural persons’ income; taxes on legal persons’ income; payroll tax; general consumption taxes; taxes on the most commonly consumed goods; vehicle tax; hotel occupancy percentage tax. Taxes are costs collected by the governments to finance their expenditures such as inheritance taxes, stamp duty, property income taxes, payroll tax, taxes on legal persons’ income; taxes on chance income etc. In terms of financial entities and municipalities, duties include money or other assets paid to the state or local governments for a specific service. The duties are conditioned to the corresponding
services. The duty takers should prove this consumption but municipal duties are not monitored by the governmental financial systems as the part of their budgets.

**Theoretical foundation of the study**

The most important prerequisites of sustainable income for municipalities are:

1. A joint administration between city managers and citizens;
2. Creating a new image of the city: today's world involves cities’ competitions. Each city tries to provide people with more, better and more diverse facilities. International studies indicate a direct relationship between attracting global capital and people’s subjective image of the city; so the financial institutions, firms, professionals and tourists attempt to settle in the city. Istanbul and Dubai are considered as the successful examples of the tourism poles as well as the base of financial institutions in the Middle East. This was possible through creating a new image of the city in the world.
3. Increased communications in local, regional, national and international levels: information collecting on various fields especially economics will contribute significantly to financial decision-making of city managers. On the other hand, increased communications with cities and institutions result in introducing different areas of the city. Well known cities attract more investments.
4. Redefining the city’s role and its regional, national and international status: the establishment of new service, educational, health and recreational centers attract investments, improving the income state of the municipality.
5. Providing necessary infrastructures: It is impossible to achieve sustainable urban incomes without the necessary infrastructures. For instance, tourism incomes entail the creation and improvement of tourist pedestrian paths. Municipal investment funds are of the most important infrastructures for sustainable income. In addition, municipalities must have the exploit direct connections with specialized financial and economic research centers, received advices in financial and investment areas.
6. Enhancing people’s participation: participating with the private sector reduces the financial pressure on municipalities and financing many projects beyond their budgets as well as improving the municipality’s image to citizens.
7. Preparing a Roadmap: In the wake of comprehensive studies and professional sessions, municipal officials need to prepare a roadmap towards sustainable income. This written document includes clear descriptions of income types, income sources and revenue methods (Yeganegi Dastgerdi, 2011).

Prerequisites of achieving sustainable revenue for municipalities can be listed as follows: identifying all revenue codes, Complication-finding, Capacity measurement, Revising the definitions and calculation basis;, combining of similar income codes and reducing their number, Defining duties and the costs of new services, Income sources with national approval, attracting foreign and home contributions and investments (Shahrara. Cultural-social Newspapers. Informational, 2012).

A glimpse to revenue sources of the world municipalities

There are significant differences between financing methods in large cities of the developed countries and our country’s ones. In the most municipalities of developed countries, tax amounts and their levying methods are characterized based on municipal representatives approved costs and budgets, definitely determining municipalities annual income. Tax systems are designed in the way that citizens are obliged to timely pay them. These taxes are levied on many consumptive goods, services, lands, housings, also including costs of municipal cleaning and so. The citizens have
advisedly obligation to their timely payment (Abbasi Kashkouli, Bagheri Kashkouli, 2010). Table 3 summarizes the financing methods of different countries worldwide.

Table 3. Financing methods of different countries worldwide

<table>
<thead>
<tr>
<th>Country Name</th>
<th>Financing Methods</th>
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<tbody>
<tr>
<td>England</td>
<td>Most revenues of London municipality are derived from government grants. In addition, local government revenue comes from taxes. Compared to impoverished areas, rich areas pay higher taxes. London municipality mainly relies on taxes on immovable properties (similar to renewal taxes in Iran) (Mahdavi, Saremi, 2011). As a developed country, the Britain local governments (municipalities) provide their financial from three main sources: 1- Governmental donations (40%) 2. Local taxes duties (30%) paid by the owners of lands and buildings. 3. Funds collected from rent values of tenant housing units owned by the local governments. Basically, a fifth of the local governments’ costs are funded through borrowing. In order to compensate their sectional financial deficiencies and provide public services, local governments can take loans through borrowing from the treasury and issuance of securities (Shahrara, the cultural - social – Informational Newspaper, -2012).</td>
</tr>
<tr>
<td>France</td>
<td>Taxes and duties are the first and the most important municipal finance sources in France (Ziyari, 2013). There are two types of taxes (direct and indirect): Direct taxes are composed of four kinds of duties, involving nearly 75% of municipalities’ total revenues. 2- The second income source is the state grant in form of funding the current budget of the local governments and local facilities. In France, nearly 34% of municipal revenue sources are provided by the state. 3- Borrowing is defined as the third income source in France. Cities and regions can freely choose their loaner references (no need to the French government permission); but the borrowed funds must be only be used for new investments. 4. Other financial sources include tariffs; revenues derived from the sale; rental or any exploitation from the national heritages and financial assistances received from institutional funds of the Europe Union. Tariff Sources have been yielded from the sale of goods and services to the urban consumers. 5. Local heritage revenues (such as hardwood sales) are another income source for municipalities and other local managements. 6. Institutional funds have undertaken the most important contribution of the Europe Union in local financial affairs. They are considered as a main financial source for cities or regions receiving their aids (Ayatollahi, 2012).</td>
</tr>
<tr>
<td>Los Angeles (USA)</td>
<td>Sewer revenues, gas taxes and gifts constitute 42.95% of the LA municipality income; 57.05% is earned from police, fire department, public activities, transportation, parks, recreation and constructions. In addition, citizens having more participation in decision makings will be more responsible. In America, the State and the local governments rely on three major revenue sources to fund capital expenditures: bonds, grants and commission fees, duties and other local taxes. To avoid probable abuse and monopolies, many facilities are built and...</td>
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owned by the government in America. Taxes on immoveable properties (similar to renewal taxes in Iran) are the major municipal income resources (Mahdavi, Saremi, 2011).

In the US, about 30% of municipal revenues are supplied from transitional aids of the federal government, invested in education, social security and housing, health, transportation and municipal management (Mahmoudi, 2011).

In some cities, taxes on lands and real estates are the major revenues at the local level. Various cities of the USA have different tax patterns. Through these taxes, many of the policies related to land use and constructions are applied. Federal credit assisances are allocated to local organizations for implementing the specific policies (Abbasi Kashkouli, Bagheri Kashkouli, 2010).

<table>
<thead>
<tr>
<th>Country</th>
<th>Major Municipal Income Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada - South Africa</td>
<td>Taxes on immoveable properties (similar to renewal taxes in Iran) are the major municipal income resources (Mahdavi, Saremi, 2011). Relying on local taxes, interstate transactions and user costs (Nasr Esfahani, 2011).</td>
</tr>
<tr>
<td>Austria</td>
<td>Duties on nonprofit institutions and business places (Mahdavi, Saremi, 2011) Duties on plans, auctions and animal keeping (Saeednia, 2003)</td>
</tr>
</tbody>
</table>
| Germany      | Duties on nonprofit institutions and business places are a major resource (Mahdavi, Saremi, 2010)
|              | As a developed country, Germany has about 16 thousand cities with various methods of municipal financing. Approximately 27% of spent expenditures between different levels of government are returned to the municipalities. This indicates the high importance of municipalities in the country structure. 88% of public sector employees are municipalities’ labors, namely the most executive tasks of the governments are performed by the municipalities. Budgets of local institutions and governments are composed of two current and capital parts. Current and capital incomes are the sources of the current and capital budgets, respectively. These incomes are provided through government donations and proceeds of sale (Resource separation principle). Tax revenues are another source for municipalities. Municipalities incomes are funded from donations, net service sales, borrowing, banking facilities and in some cases, other sources (Shahrara, The cultural - social - Information Newspaper-2012)
|              | In Germany, property taxes are not allocated to all local states. Nearly 200 large municipalities out of 435 ones receive these taxes (Nasr Esfahani, 2011). Because of inability to fund all municipal costs, German municipalities use sectional government aids. Accordingly, the central government applies its favorite policies on municipal administration (Abbasi Kashkouli, Bagheri Kashkouli, 2010) There are also duties on hunting, fishing and ice cream (Saeednia, 2003) |
| Finland      | A significant proportion of their income is provided from taxes on personal and corporate incomes. (Mahdavi, Saremi, 2010) There are also dog keeping duties in Finland (Saeednia, 2003) |
| Sweden       | A significant proportion of their income is provided from of taxes on personal and corporate incomes. According to the information on municipal administration method collected from a Sweden municipality, government assisances to the municipality are in the frame of certain programs; the government applies general policies on municipal administration and development. For instance, in 1990 the congress served a law to the municipalities; based on this law, municipalities were obliged to present... |
their strategic plan on industrial and non-industrial wastes and implement it from 1991. The plan involved minimizing the amount of municipal solid waste, waste recycling and re-conversion, and energy production from the wastes (Abbasi Kashkouli, Bagheri Kashkouli, 2010).

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Italy</td>
<td>Indirect duties are the major resources (Mahdavi, Saremi, 2011).</td>
</tr>
<tr>
<td>Indonesia</td>
<td>In Indonesia as a developing country, the municipalities’ revenues are divided into several categories: 1. Current incomes (except loans), dedicated primarily to operate and maintain. 2-Development incomes including other current incomes and loans. The scale of income sources, thus, is divided into several general groups: (A) gratuitous grants from central government (the largest amounts of regional development funding) including: 1. Gratuitous grants paid as self-sufficiency subsidies 2. Gratuitous Grants allocated to development projects. 3. Gratuitous Grants from boundary ministry budget, used by technical organizations of regional states as sector costs. (B) Local revenues: 1. Taxes. 2. Service costs. 3. Profits from local public companies. 4. Departmental revenues. 5. Mixed resources Local revenues are the income sources collected by the regional government, including several subgroups: Corporate income resources (taxes, royalties and other income levied by the central government, partially or fully delegated to the local government. The most important items are property and land taxes. Since there is a relationship between financial status, local land developments and need to local tax status in relation to the development, approximately 65% of these taxes are returned to the collector local governments. Other non-tax revenue sources: These sources include loans for various projects. (Shahrara, The cultural - social - Informational - 2012). Duties on family (based on each family's wealth); Duties on increasing prices of land and real estates; and duties on vocational travelers and tourists (Saeednia, 2003).</td>
</tr>
<tr>
<td>India</td>
<td>Relying on local taxes, interstate transactions and user costs Taxes on goods entry into the region (for use or sale) Property tax (the only local tax) (Nasr Esfahani, 2011). Taxes on pilgrimage, firing safety and arable lands (Saeednia, 2003).</td>
</tr>
<tr>
<td>Spain</td>
<td>Relying on local taxes, interstate transactions and user costs Various types of local taxes including taxes on the land value, vehicles, construction and businesses (Nasr Esfahani, 2011).</td>
</tr>
<tr>
<td>Japan</td>
<td>Local taxes are the most important revenue sources of the local governments in Japan, constituting approximately 35-40% of their revenues. The most important local taxes in Japan include taxes on housing, cars, properties and urban planning (renewal duties) (Nasr Esfahani, 2011).</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>As one of the most important income sources, taxes on lands have supplied 55% of annual investment in infrastructures in Hong Kong during 1970-1991. (Saeednia, 2003).</td>
</tr>
<tr>
<td>Tokyo</td>
<td>40.6% of local taxes from firms, residents, real estates, light vehicles, tobacco, mines, baths etc.</td>
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</tbody>
</table>
35.5%: central government
7.8%: bond issue
Other incomes from services or real estates and assets (Saeednia, 2003).

Osaka
37%: Municipal taxes
19%: central government
19%: Duties on municipal documents
15%: local gifts
2%: Inheritance taxes
18%: other sources (Saeednia, 2003).

Denmark
1. Local duties on incomes of the municipality region residents, based on the percentage approved by the City Council. 2-Duties on licenses of hotels and restaurants, to use music and other programs. 3. Ecclesiastical duties collected by church officials from its members (Saeednia, 2003).

Netherland
1. Duties on second-degree tenants, renting houses or furnished rooms from owners or first degree tenant. 2- Duties on anchor or rope in the beach. 3. Duties on marriage (Saeednia 2003).

Pakistan
Duties on birth, marriage, child adoption and party, road tolls (Saeednia, 2003).

Using of international grants and loans is a financing method commonly used in large cities. After ensuring of appropriate reputation of the city in international community, municipalities can supply some long-term constant expenditure through international lenders such as international banks, World Bank or private organizations (Saeednia, 2003).

A Glimpse to revenue sources of the world municipalities
In Iran, incomes and financial resources of the municipalities are divided into 9 classes, each of which containing multiple sources (Dadras, Nasr Esfahani, 2010).

<table>
<thead>
<tr>
<th>Table 4. Financial resources of Iran municipalities</th>
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</thead>
<tbody>
<tr>
<td>Income class</td>
</tr>
<tr>
<td>Municipalities’ quotas from the Interior ministry payments</td>
</tr>
<tr>
<td>Duties on buildings and lands</td>
</tr>
<tr>
<td>Duties on communications and transportations</td>
</tr>
<tr>
<td>Revenues from sale and services</td>
</tr>
</tbody>
</table>

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Comparing tables 3 and 4 show that duties, taxes, government grants and cost of services are of the main income sources of the municipalities worldwide. Except government grants, this is true in Iran. Regardless of the cities’ sizes, grants from the central government may occur up to 60% in developing countries having the most active private sectors. Sustainability of this income source for municipalities is completely a function of the central government policies. Since the late 1980s and the early 1990s, the ministry of interior of Iran had based their policies on the movement towards financial self-sufficiency, resulted in a significant reduction of the ministry’s grants. In contemporary rationalist era, tax rules are considered as means to economic growth because they involve incomes for the government as well as providing the most important objectives of executive levy tax in wealth adjustment and social justice. Due to the compulsory nature of the relationships between government and people in our country and their tax aspect, the culture of public participation in social expenditures through taxation has suffered a great weakness. In the current world, three components including asset, costs and consumption constitute the basis of common taxations. Before the new taxation rules in Iran, it was based on the income tax. Given the situation, it could never be realized basically. In third world countries, governments’ expenditures are too high. As the huge organizations, they finance their costs through deficit budget and borrowing from the banking network and etc. Because of these simple premature methods, the governments didn’t pay attention to taxation. Resulted from these decisions, thus, financial pressures such as inflation and reduction of purchasing power have been imposed on people or final consumers. As the main source of financing the administrative costs each country, taxes and duties are driving forces of the economic development. Given the reliance of the Iranian state budget on oil and natural resources derived revenues and municipalities’ dependence on building delinquencies, taxes have not played a pronounced role in financing the government and its administration ever. Whilst, the programs of gradual extrication from oil-based economy and the role of taxation in the country's administration are of increasing attention from authorities and the people. Indeed, government revenues from taxation further refers to the comprehensive economic development such as growth of the business environment, increased quality level of production, employment and above all, attracting the foreign investments in heavy and light infrastructural projects. As seen, officials have planned many efforts for achieving this goal (www. daramad.mashhad.ir).

Some reasons for escaping from tax paying in Iran are:

1. Iran’s environmental conditions influenced by the non-transparent business system aspects such as mediation, purchase and sales without official invoices, many goods lacking economic
coding and underground economy make tax system non-transparent; 2. Given the Iran’s oil based economy, the legislator has no serious intention to create a healthy robust taxation system; 3. Few serious expert works are performed in approval and amendment of tax rules, leading to issuing of multiple taxation circulars and rules, resulting in a weak tax law; 4. The complexity of various scattered taxation rules, circulars and guidelines have resulted in different perceptions and interruptions, ultimately creating a conflict between the tax payers and assessors; 5. Poorly arbitrary implementation of laws and circulars up to different sentences on tax cases in different parts; 6. An unjust taxation system; 7. Inappropriate informing and accountability to the taxpayers' rights (Moradi, Rostami, Taghizadeh, 2013); 8. Unimproved taxation culture, 9. Incomplete exchange of information and lack of a monitoring and following up system in taxation; 10. Tax payers’ unawareness and undocumented incomes; 11. Various tax exemptions; 12. Inattention to the Tax payers’ satisfaction (Darabi, 2011).

**Explaining the sustainability or unsustainability of some municipal revenue items**

In order to clarify sustainable and unsustainable revenue items of the municipalities, it is necessary to link the nature of the income items with the sustainability concept and its features in a general attitude.

**Table 5: Sustainability or unsustainability of some municipal revenue items**

<table>
<thead>
<tr>
<th>Revenue from public duties (continuous revenue)</th>
<th>Revenue subgroup</th>
<th>Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duties on communication and transportation</td>
<td>Multiple duties with different sustainability</td>
<td>Including duties on: vehicle numbering, taxi license issuance, travel and cargo tickets and vehicle transactions. Because of the affecting by the permanent urban activities and developability (such as duties on the technical inspection of cars) these are considered as the sustainable incomes in an urban system.</td>
</tr>
<tr>
<td>Duties on excess density</td>
<td></td>
<td>Significant in metropolitans but assessed as unsustainable items. Reliance on these incomes indicates a destroyed urban space and mismatch to the criteria of a healthy city. The experience of recent years in large cities confirms this issue.</td>
</tr>
<tr>
<td>Revenues from municipal parking</td>
<td></td>
<td>Including revenues from parkometers or appointing parking agents. Sustainable income with an insignificant proportion in municipal revenues. The growing demand for vehicle parking spaces and the abrupt growth in vehicles’ number activate this item in major cities. Since this item is permanent, it causes reduced traffic in congested urban center, reduced air pollution and higher levels of citizens’ using of public transportation vehicles; so it is a sustainable revenue.</td>
</tr>
<tr>
<td>Duties on the fine implementation of the Article 100 commission, construction and urban delinquencies; revenues from usage changes and duties on parking eliminations</td>
<td></td>
<td>Certainly kinds of unsustainable revenues. However, municipal revenue figures show their significant proportion because of their deterrent nature concerning the violation of the city’s master plan. Studies on these urban revenues show the income-based view of the municipalities to them. This perspective doesn’t reduce these violations; such an attitude obviously leads to more municipal dependences on unsustainable revenues, reducing the urban quality of life.</td>
</tr>
<tr>
<td>Duties on Renewal</td>
<td>It is also named “tax on immovable properties” worldwide with a significant income proportion, acceptable continuity and no risk for urban environment. They continuously increase income potential of municipalities, productivity and providing public goods and services. This revenue’s proportion has increased in recent years but still is small.</td>
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<tr>
<td>Duties on issuance of building licenses</td>
<td>Influenced by fluctuations in housing market and urban construction regulations. Relatively continuous in terms of effective demand for housing in cities. If the licensing process meets basic criteria of urbanism planning and the city master plan, its revenues will assessed sustainable.</td>
<td></td>
</tr>
<tr>
<td>Grants from the government and government organizations</td>
<td>The central government’s grants through credits, subsidies or municipal sharing in central government’s taxes. These grants are acceptable in activities of the local government or municipalities having secondary benefits; i.e. activities with benefits unachievable through citizens’ direct payments. Most products produced by municipalities including creating the green spaces, street constructions, asphalting roads and cleaning the city are of public services. Regardless of the payers for these services’ costs, all people exploit them. Compared to the private sector as the provider, consumers pay slight values for bus and metro tickets (transportation costs). To achieve an efficient system, it is necessary to take the cost of such services from consumers. However, because of the indivisible nature of these services, it is impossible to deprive people of their free using. Due to the positive effects, governments and municipalities don’t tend to service banning. Given the necessity of such services and the payment inability of all citizens, it is essential for the central government to allocate grants for providing these services. Governmental aids to the municipalities are recommended aimed at reducing regional and local inequalities with ensured sustainability or increment. These items have theoretical and practical justifications and commonly paid both in developed and developing countries but due to the Iran government’s attitude towards the principles of public finance in the cities, they cannot be assessed sustainable.</td>
<td></td>
</tr>
<tr>
<td>Borrowing and the role of the private sector in financing of municipalities</td>
<td>With the increasing demand for public services and infrastructures in urban areas, financing to meet the needs exceeds duties, service sales and government grants. Local governments regularly try to provide a broader range of social services and physical infrastructures with high quality. On the other hand, the huge sizes of the central and local governments often lead to inefficient services and infrastructures. Many government agencies and companies active in providing of urban services, produce more costs instead of generating revenue for the government. The local government, thus, exploit the potential borrowing in order to play a more active role in providing public services such as health, education, transportation as well as physical infrastructures including electricity, water, telephone, sewage networks and waste removal.</td>
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<tr>
<td>Issuance of bonds</td>
<td>Sale and issuance of bonds, economic incentives for buyers, guaranteed redemption by the banks or financial institutions are appropriate steps to finance the municipalities. Through this experience, successful results have been obtained in most countries. In Iran, projects such as Nawab, Abd-al-azim and development of Tabriz West Market have been performed by bond issuance.</td>
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</table>
In this manner, the private sector reduces financial pressure through investments in urban infrastructures. Although usefulness and efficiency of the private sector participation in some of public and infrastructure activities are controversial, there are many evidences for its important role in developing of urban services and infrastructures. In short, as well as insufficient government investment companies, severe financial constraints of municipalities explain the necessary participation of the private sector, non-governmental organizations and financial markets in providing sufficient services for cities.

Compared to the public sector, the private sector performance shows more efficiency and access to varied sources. This is evident from global valuable experiences in using the private sector’s capacity for implementation of municipal projects of urban services.

Non-governmental organizations are able to participate in development and infrastructure projects of municipalities. Because of the adequate information and considerable influence among the people, especially in local areas, they are capable of great contributions in providing required resources in some projects. Iran community has the potential of forming these organizations but due to the problems such as the lack of an appropriate legal framework as well as the weaknesses of the cultural issues concerned participation, their current activities are not adequate.

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If the items meet the needed features, they will be assessed as sustainable ones. Table 5 investigates some of income items in such a point of view.

**The strategies of sustainable revenue sources for municipalities**

Municipalities need considerable financial resources to produce goods and services for citizens. These resources are generally divided in four categories including duties (taxes), sales of services, borrowing and governments’ aids (grants). It is necessary for municipalities to move towards combining a set of sustainable revenues through comprehensive planning in the context of the urban master plan and anticipated expansion of the cities’ demands. Based on the presented contents and the global experiences, following functional suggestions and guidelines can be highlighted in this field:

1-Revising and reforming the basic systems including the revenue system, budgeting system, financial and accounting system and the management system of municipalities.

2-On enhancement capabilities for municipal revenues via duties, one must first consider their systematic foundations and basic principles such as justice, saving, efficiency and sustainability as the basics of local duties compilation by the urban managers. The most important duties are the capacities included in the nature of the renewal law. It can be expected that municipalities increase their revenues through duties without violating the rules of urban development plans. There are reliable, sustainable desired capacities in the context of renewal and estate duties. In order to earn significant revenues from renewal duties and using their potential capacities, some prerequisites should be met including property pricing, creating a database of real estate, optimizing the allocation and collection system, clarifying the calculation basis, revenues and costs.

3-Adequate investments are required to finance the municipal infrastructure projects (for example establishing the financial institutions such as joint funds and specialized banks). These institutions can work for financing the municipal investment projects, bond issuing, guaranteed loans from the banking system and municipal funds management. Selling bonds, creating economic
incentives to buyers and guarantying the repayment of these securities by the financial institutions are appropriate steps towards financing of the municipalities.

4-Based on the global experiences, it can be said that basic reforms in financial status of the municipalities are necessary to enhance private sector’s participation in urban projects. For achieving a good financial status, the quality of the accounts should be promoted to the national and international standard levels (i.e. a responsible accounting system). In the second phase, the projects meeting the criteria of the capital providers should be presented.

5-In addition to the above items, municipalities must base their income systems on the sales of services and try to develop these services. Accordingly, logical and systematic conditions of earning sustainable, continuous and healthy incomes will be created. Services provided to local institutions, executive entities, housing and land sector, transportation sector and the trade-business sectors are amongst the most important ones.

6-In order to obtain sustainable revenues, it is critical to define the nature and formation of income items as well as measuring them against sustainability criteria. In long run, mentally-physically healthy citizens, a high quality urban environment and infrastructural development entail appropriate precise planning towards reducing the dependence on unsustainable revenues and reliance on sustainable ones.(Sharzei, Majed ,2011)

Basically administrated as urban management units, municipalities in the advanced countries define their income resources scientifically. Furthermore, citizens’ participation in duty paying is high due to the transparent function in cost management (Shahrrara. Cultural-social Newspapers. Informational, 2012).

The most important financial resources of municipalities consist of taxes, duties and the state assistances in form of current budgets of the local governments and local facilities and borrowing ultimately. Moreover, the optimized combination of municipalities’ financial resources includes a set of sold municipal goods and services, different taxes and duties and financial grants of the central government. In our country, financing methods of municipalities contain direct service sales, local taxation, government assistances, loans and borrowings. These methods need to be precisely evaluated in terms of optimization and justice criteria to determine the adequacy of tax source; then they can be introduced as the easiest earning methods (Ghanbari, Mousavi, Saeidabadi, Bagheri Kashkouli, Hosseini,2011). Management stability is the most basic factor in this route. More solutions are summarized in table 6.

Table 6. Strategies of income provision for municipalities

<table>
<thead>
<tr>
<th>Context</th>
<th>Strategies</th>
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<tbody>
<tr>
<td>Personnel</td>
<td>1. Hiring the qualified appropriate personnel in terms of education, experience, discipline, expertise in budgeting. 2. Using of specialist and experienced staff as the consultants assisting in creation and implementation of the operational budget. 3. Establishing the Job safety and specific advantages such as life insurance and retirement plans for personnel, making them more incentive to try, retaining experienced staff with organizational growth through official hiring 4. Holding attending, non-attending and modular courses, workshops, seminars and conferences to motivate employees participation (Ghodrati ,2011) 5. Institutionalizing the staffs’ recruitment and implementing the job classification plan in municipalities and increasing of staff productivity (The cultural - social – Informational Newspaper Shahrrara -2011)</td>
</tr>
<tr>
<td>Organization</td>
<td>1- Establishing and formulating the organizational strategic planning in order to achieve the operational objectives like budgeting in organizations 2. Efficient and</td>
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</table>
effective use of the comprehensive System of Management Information and equipping the organizations to improved systems and classification methods for data and financial information. 3. Determining the appropriate, standard and valid indices with the activities of each entity, providing comparability of actual performance to standard performance (Ghodrati, 2011) 4. Forming various committees to define new revenue sources. Such committees should introduce resources to reduce the municipalities’ dependence on construction revenues (Shahrara, The cultural - social – Informational Newspaper -2011) 5. Defining Strategic objectives in order to reduce dependence on construction revenues. Achieving these goals is possible through forming an institution of metropolitan elites (Samimi and Mir Hashemi, 2011) 6. It is necessary to define strategic objectives for reducing dependence on construction revenues. Achieving these objectives can be performed by setting up a group of experts to explore and define new sources (Shahrara, The cultural - social - Informational Newspaper-2011) 7. Based on the strategic document for sustainable income (Beyond the work stages with feedback feature), weakness problem in implementation of the activities and projects is eliminated. The problem here is financial resources and inappropriate structure of municipal allocated funds (not the planning and design). Therefore, integrated urban management can perform more development efforts with minimum costs, diverse revenue and high effectiveness. Moreover, dichotomy between public and private sectors is eliminated and like an NGO, the municipality will be able to continue its processes, plans, urban infrastructure and investment activities in form of municipal programs. 8. Based on the municipal strategic document, the most basic orientation of the long-term income links three elements of human, space and activity (activity type) with respect to their natural environment at the local and regional levels, allowing the exploitation of capabilities and features of the covered area. Urban managers provide revenue for municipalities relying on the ability of human, natural and physical environment of the area under the direct authority of the city (reliance and self-sufficiency of the municipalities); (the mayors should consider themselves as the "city managers" rather than "municipality managers"). 9. Initial analysis of the financial impacts is useful for the main planning purposes. (Salari sardari, 2011) 10. Improved management system and urban planning 11. Optimal use of lands and urban spaces of municipalities (transferring to the citizens) (Abbasi Kashkouli, Bagheri Kashkouli, 2010)
2. Enhancing the support of the government by creating legal requirements; motivating through certain credits and facilities to the organizations responsible for operating budgeting; removing some of the excess and complex clauses and provisions in relation to the budget (Ghodrati, 2010)

3. In recent years, municipalities, the government and the parliament have paid special attention to this; Thus, in order to achieve sustainable municipal revenues as the main income source for municipal costs, important and effective laws have been enacted as the great assistances. Accordingly, the path towards achieving these goals is very important:

1. Completely comprehensive implementation of the article 174 of the fifth development plan focusing on sustainable incomes
2. Fully implementation of value added tax law; determining the exact contribution of municipalities and offering the complementary reform proposals on the articles of this law
3. Insisting on approval of the bill “Amending the municipal income system of municipalities”
4. Finalizing the civil service bill and passing it as the sustainable income of the municipality
5. Formulating the master plan for sustainable earnings and other financial resources of the municipality. (Shahrara, The cultural - social - Informational Newspaper-2011)

**Rules and regulations**

1. There are Some rules under examination to be approved, aimed at reducing the municipal dependence on unsustainable revenues, like the VAT law of local markets as one of the possible solutions in this regard.
2. Revising and updating the national rules according to the current conditions through reforming of rules such as articles 100 and 77 of the municipalities rule with a significant role in funding their rights.
3. Following the approval and implementation of the bill “Amending the Incomes of municipalities with other municipalities’ participation.
4. Using all legal approvals such as up to date trading on property values to avoid increasing construction irregularities And directing of constructions towards the full enforcement of the urbanism and architecture principles.
5. National and local measures for revision of modernization and urban development with the aim of its adapting it the new developments and reforming the executive system (Shahrara, The cultural - social - Informational Newspaper-2010)
6. Approving a law regarding property value added of in relation to the urban projects implementation like asphalt. Besides the quality toll, added values of some properties should be split between the municipality and the owner because they use municipal services (Shahrara, The cultural - social - Informational Newspaper-2011)
7. Revising the municipalities rule according to the current situation and new legislation, aiming to delegate sufficient authorities to municipalities
8. Improving of endowment lands and their optimal using, providing incomes would for endowment office and municipalities;
9. Considering some municipalities’ approved laws including the renewal affairs and upgrading the regional prices of the properties and buildings without condoning in the pretext of Islamic superiority (false people friendliness)to prevent relying on false housing revenues (Abbasi Kashkouli, Bagheri Kashkouli, 2010)

**Investment**

1. Municipal revenue sources are used for investment in various sectors. The municipalities can invest in different areas using their facilities and tools. These investments have long or short-term returns but both will lead to the revenue earning for them, eventually.
2. Promoting the investment system and public contributions of internal/international legal/natural persons through various methods such as issuance
of securities and using of private sector participation in special projects. 3. Attracting foreign investments (Shahrrara. Cultural-social Newspapers. Informational, 2012). 4. According to the social capital perspective, the strategic document highlights the intellectual capital as well as the material one, by considering three capital types (human, organizational and social capital). 5. Instead of reserving in saving funds, additional financial incomes of the municipalities must be invested (Salari sardari, 2011). 6-Investment in recreational facilities development. Because it is a public investment, coordinated to the municipalities’ activities and despite its earning target, this funding can be considered as a useful sustainable income activity. 7. The establishment of business entities in service centers of the neighborhoods, districts and regions predicted in outreach projects and initiatives of multi-purpose educational, sports, arts and cultural centers. These centers are used in accordance with cultural, recreational and sports centers foreseen in service centers of the neighborhood, district and region, increasing the municipalities’ revenues while underlying services and infrastructures for sustainable development of the cities (Abbasi Kashkouli, Bagheri Kashkouli, 2010). 8. Investment funds: there is no recommended comprehensive plan to sustainable earning for investment funds of the municipalities. Creativity, optimal using of the opportunities and taking advantage of the city specific circumstances are the only certain advices provided in this area. There are three fundamental revenue areas in the economy including agriculture and related sectors, industry and eventually services. Through participation in economic activities of these three areas, the municipalities can earn revenues by appropriate tools. This doesn’t mean the municipalities’ direct presences. Via participation in the production and processing of agricultural and livestock products, sustainable revenues are cost effective for some municipalities. Due to the large usual volumes of these perishable products, urban economy entails only municipalities with direct access to agricultural products participate in the agricultural sector. Based on the basic principles of the urban economy on the other hand, a city manager should exploit the city's competitive advantages. Participating in the development of greenhouse products is another earning way for the municipalities. Producing of special expensive trees, flowers, ornamental plants, medicinal herbs and even certain agricultural products can considered as the efficient options for small municipalities. Selecting the product type depends on the environmental and market conditions. Municipalities usually have appropriate lands with a large proportion transformed into green spaces. However, medicinal herbs can be planted in these areas. These plants have high commercial values, leading in significant savings in maintenance, irrigation, fertilizer and pesticide costs. On the other hand, dehydration is a permanent threat for Iranian cities; since these largely pest-resistant plants usually do not need much water, they can also help to reduce municipal costs. In addition, these products have a growing market both inside and outside the country. They have a special impact on air cleaning in the neighborhoods; planting certain species of trees and shrubs create a pleasant view, resulting in tourist attracting. Producing of saplings, especially of certain trees and shrubs is another way to municipal earning. Various organizations of the country such as the Forests and Ranges Organization, the Free Zones Organization, Industrial Towns, Agricultural Jihad Organization require a variety of trees and shrubs. Municipalities can also sell
their produced saplings to other cities. The private sector is a potential customer in this field too.

Establishing the festivals of agricultural crops is another method helping to introduce the products of each city and create a new image of the city in public minds.

The general advantages of the municipalities’ participation in the products of this economic sector are:
1. Most municipalities usually have agriculture and horticulture specialists.
2. Municipalities mostly have lands, greenhouses and facilities required for floriculture and growing ornamental shrubs and plants.
3. Municipalities are legally allowed to investment, manufacturing and services in this area. In all above cases, selecting the strategic product is of high importance. Factors influencing this selection include the distance to the target market, being market-friendly, financial and logistic resources of the municipalities and their partners, proper financial and economic estimations and etc.

B. Sustainable income for municipalities through participating in industrial investments:

Urban economy researches have shown that it is better for small municipalities to invest in highly labor-needed industries which require more manpower than the capital.

Different institutions like county offices have a list of government supported industries according to the spatial planning projects and regional programs. This list can help them to choose the industries to be invested. It is better to consider the cities’ competitive advantages and agglomeration economies for investment. Competitive advantages are cities’ prioritizing privileges against their competitors. Agglomeration economies means when similar industries using each other products settled in a common place, their costs will be reduced. (Korotina N.Yu, 2012)

In general, following factors should be considered for investment in industries:
1. The geographic location of the City determine very important items relating to the appropriate investment areas for the municipality, primary resources needed by these industries, target markets and production costs for its investment sector.
2. Considering the national and regional programs, and governmental supports to some industries.
3. Considering the existing industries, their products, their target market and new industries capable of completing their production chain.
4. Considering the persons’ preferences leads in reduced costs of advertising and marketing.
5. Considering the new market demands.
6. The continuity of production: investment should be performed in non-seasonal products capable of being produced and provided to the market over the year.
7. Risk rates of the industries and products: it is always best to invest in low-risk industries.

In general, income methods for municipalities are practically unlimited. The main issue is that the municipalities choose profitable options with minimal costs and permanent markets which their products aren’t seasonal or cyclical; the private sector or other investors can participate in them, considering environmental conditions and existent facilities and capacities, having available raw materials without needing to specific marketing and (Yeganegi Dastgerdi, 2011)
The municipality demands

1. Funding of municipalities’ demands from government agencies. This actually means providing people rights as municipalities are public entities managing city by income attainment from them. 2. More municipal efforts to legally collecting all duties, charges, costs of the service and the permits issued in related subsets including regional municipalities, affiliated organizations and firms (Shahrara, The cultural - social – Informational Newspaper -2011)

People Participation

1- Clarification of public affairs for people is of municipalities’ measures. For example, in attracting investors, it is necessary to perspicuously determine the profits, losses, plans, participation methods, return time and value and various municipal costs (based on paid duties). This raises people trust towards the municipalities, showing the spending ways of citizens’ duties. 2- The sale of bonds results in cash flows in Urban activities and people participation in cities development. The people, thus, will become the city shareholders. 3- The establishment of the municipality agent banks can be considered as the guarantee for internal or external loans. At the same time, they collect people’s funds and repay their interests, making them to participate in urban development. In recent years, this task was been performed by the metropolitan capital but it needs extensive advertising to be institutionalized while attracting people's capitals (Shahrara, The cultural - social - Informational Newspaper-2010). 4. Cultural and educational measures and public participation attracting in municipal programs and encouraging the citizens to pay municipal duties 5. Spiritual and material encouraging the citizens and municipal employees because of increasing receivable sustained incomes as the results of new activities (Shahrara, The cultural - social - Informational Newspaper-2011) 6. Creating participation opportunities for citizen through selling the bonds of public service projects, With clarification about the participation rate and tax rebates for participants in welfare and service plans of municipalities (Samimi and Mir Hashemi, 2011) 7. Informing about municipalities’ activities, interviewing with the citizens and using their ideas 8. Informing on the financing of municipalities financial resources (Mahdavi & Saremi, 2010) 9. Municipalities must provide their financial resources through defining municipal projects and selling the bonds. The latter utilizes people funds in city development, making them the city shareholders with interest payment (Shahrara, The cultural - social - Informational Newspaper-2011) 10. Attending the economic activities of citizens, providing work independence for them and presenting various trainings, making feedbacks to financial resources (income) (Salari sardari, 2010) 11. Using of people’s potentials in definition of development and income projects 12. Utilizing the potentials of citizens’ partnership to improve the cooperation of in consultations about the independence of the municipal bodies and managerial interactions with other organizations (interactive development between the city council and municipality is required)13. Attracting the people participation in urban administrations (Abbasi Kashkouli, Bagheri Kashkouli, 2010)

Cost and Revenue Management

1- Since similar efforts, unprofessional practices, acting without planning, bias in decisions and swerving from past decisions impose high costs on citizens, Cost Management is performed to avoid them. Thus, cost management programs must be defined in beginning of the year of, as construction plans (The cultural - social - Information Shahrrara -2010) 2. Formulating a coordinated cost and revenue management plan in the municipality, attending the more important cost system.
Coordinating the income and expenditure systems in annual budgeting (The cultural - social - Information Shahrrara -2011) 3. Cost Management: Similar efforts, unprofessional practices, acting without planning, bias in decisions and swerving from past decisions impose high costs on citizens, leading to resource losses (Samimi and Mir Hashemi, 2011) 4. Cost management is of high importance. Unfortunately, high costs are imposed on citizens as the result of similar efforts, unprofessional practices, acting without planning, bias in decisions and swerving from past decisions, leading to waste of resource. Cost management should be applied through developing five-year long-term plans and routing towards goals and using the municipal comprehensive plans as the final criteria (Shahrara, The cultural - social - Informational Newspaper-2011) 5. Nowadays, limited resources and increasing demands have converted the "cost management" from an advantage to a necessity. Strategies presented in the context of municipal revenue and economic development help to conduct activities in form of a continuous, structured, orderly, rational and scientific plan, based on internal and external environment of the urban area, with a future oriented approach to decision and basic policy making. These long-term goals should be attended by the planners and managers. 6. Cost management in municipalities: Given new scientific evolutions, passing from the concern to the desired situation and improved economic development and financing of the city, and strategic planning and operational planning (physical-implementation, construction) must put together. 7 Personnel costs management, Administrative costs, capital costs (assets) and transfer payments (goods or services) 8. Municipal budgeting principles Based on understanding the resource deficiencies, Classification and valuation of needs, allocating the available resources to major needs, routing, determining of actions required to achieve the best combination of the objectives to meet the needs and obtaining an appropriate level of satisfaction 9. Reforming the municipal income structures (Abbasi Kashkouli, Bagheri Kashkouli, 2010)

### Taxes and Duties

1. Allocating a part of local taxes to the municipalities. (The cultural - social - Information Shahrrara -2010) 2. Clarification is of important requirements for improving the management of institutions and organizations in the society. It is suggested that municipalities present clarified financing methods and statistical information and municipal authorities have enough accountability to achieve people’s trust on duties and taxes. 3. Designing stepped municipal duties by the urban regions and creating urban facilities on the basis of duties paid in each region. 4. Fully supervising on the quality of urban facilities in the metropolitans area to ensure the citizens’ duty payments. 5. The government’s partnership to provide sustainable income through better enforcement of protective laws of taxes and duties (Samimi and Mir Hashemi, 2011) 6. Revising and reforming the executive receiving system for business tolls through council approvals to prevent the escape of duty payments (Shahrara, The cultural - Social - Informational newspaper -2011) (Mahdavi, Saremi, 2010) 7. Attending the ideas of shareholders on the situation and duty changing results in increasing of municipal revenues and optimizing of duties 8. Informing and educating the citizens about municipal services of Tehran Municipality. The citizens believe this increases their participation in municipal financing and timely payment of duties. 9. Optimized using of the rule of renewal duties and urban construction as a sustainable income source. This source is exclusively belonged to the municipalities, increasing their independence. A significant part of the funds are provided through
| Economic activities | Through private sector assistances and participating in economic activities, municipalities can obtain revenues from new sources as well playing an active role in job creation at the local level.  
1. Municipal revenues (unsustainable financial resources) to be concentrated through urban duties (eg, duties on commercial, office and residential construction permits, renewal duties, land separation duties, duties on land use change, duties on excess density, etc.) towards sustainable earnings by municipal economic activities such as factories related to below activities: floristry and greenhouses-apartment decorating flowers in parks and organizations and urban beautification (green space) or asphalt and concrete block factories; and cultural activities such as constructing the amphitheater and multipurpose general salons for implementing of various programs, culture home, citizens’ home, children's homes, offering cultural events in the city (urban culture week), publications, cultural centers, exhibitions, books movies, cinema, photo exhibitions, craft workshops, cultural festivals, cultural treasures (museum), restaurants and meeting salons in municipality cultural department and legal solutions to levy public duties such as the right to receive municipal taxes in the tax affairs organization of each city, based on the capital amount, gyms and sports teams, constructing public car parks, ticket sale for cultural, sports and service facilities (intra city buses), organizing the crafts markets for developing urban tourism, proper introducing of tourism destinations, parking tolls and park cards (assessing the various solutions) 2. New solutions in strategic document of city revenue (economic evaluation method), using tourism industry (green clean industry) and affiliated industries and services in municipal economic development and income generating for municipalities. This will be performed through environmental power analysis, truism planning by development and beautification efforts of the city (infrastructures, communication ways, hotels, cultural activities, books, press and advertising, prosperity of traditional crafts, souvenirs and local food-traditions and rituals-art activities) creating employment and sustainable income for citizens.3. increase economic and technical productivity of the municipality4. Organizing the regional markets such as border markets and craft markets, along with the tourism development (historical, cultural and natural features) can be used in sustainable economic development for southern cities.5. Developing the packaging and processing units given the agricultural products in the suburbs of the municipal area. (Sardari salari, 2010)6. Developing of tourism economy (Azadvari, 2010)7. Developing of handicrafts and tourism economy (Yazdani, 2010)8. Moving towards more sustainable incomes by using construction credits and income-generating projects in various aspects of industrial, services, etc. 9. Development of tourism through effective advertising (Abbasi Kashkouli, Bagheri Kashkouli, 2010) |
Recycling
- Waste recycling (Dirty Gold): In developed countries, wastes are not buried; instead, they are regarded as the useful recyclable materials. Indeed many economic goods are produced and marketed from wastes. After providing the initial costs for purchasing the required equipment, high revenues will be achieved (The cultural - social - Information Shahrara -2010)

Municipal Management
1. Implementing of coordinated urban management unit. This means managing and organizing all the municipal affairs (not increased costs and functions of the municipalities (The cultural - social - Information Shahrara -2010)2. In order to realize coordinated urban management, new tasks to be assigned to municipalities by the government.3. Urban lands (within the municipal legal scope) to be managed by the municipalities.4. Removing the parallel municipal administrations through coordinated urban management 5. Improved optimized urban management (Abbasi Kashkouli, Bagheri Kashkouli, 2010)

Data banks
1 Using of information banks of the city or creating new ones in order to avoid the payment escape and possible errors in calculations (Shahrara, The cultural - social - Informational Newspaper-2011)
2. Municipalities access to updated information on the real estate and urban lands and their revenues (Abbasi Kashkouli, Bagheri Kashkouli, 2010)

Borrowing
1. Bonds: public borrowing through the issuance of bonds is a financial tool in most countries of the world to finance the budget deficits and implementation of construction activities and programs. under the public supervision and regulations of the government, municipalities, production institutions and firms and housing companies in many countries issue a variety of bonds, providing financial resources required with different benefits as well as government agencies.
2. The Municipality Development Funds (MFDs): MFDs are government institutions that present loans to invest in infrastructure facilities. As the supporters of municipalities financing, MDFs were first constituted in form of government institutions. Then, they turned into the financial intermediaries with activities focusing on municipalities’ credits. These institutions provide credits for local governments and other institutions investing in infrastructure facilities, serving as a traditional tool to create self-sufficiency in municipalities. Financing these funds is conducted by domestic and international capital markets. In a similar process to international loans of the World Bank and regional development banks, they allocate their capitals to investment projects of local governments. The only difference is that this funds usually provide loans to local governments and invest in smaller projects (Mahmoudi, 2010)
3. The establishment of the municipality agent bank can be considered as the guarantee for internal or external loans. At the same time, they collect people’s funds and repay their interests, making them to participate in urban development. (Shahrara, The cultural - social - Informational Newspaper-2011)

Government Grants
The perspectives of municipalities’ self-sufficiency or self-reliance are not accepted. Insisting on this causes moving towards incomes which don’t guaranty keeping cities healthy (Mayskaya,2011). To achieve this goal, it is necessary to consider duties, taxes, government grants and sales of services as the main sources of income for the municipalities. The determinant methods of tax rates, duties and the cost of services should be inspected and better measures be provided.
Conclusion
Financing is one of the most important tasks of public entities such as the municipalities. Although the financial resources of municipalities are receivable in different forms, all of them do not have the characteristics of sustainable revenues. Income sustainability entails a relative continuity without any threats to city's qualitative conditions. Indeed, municipal income items should be trustworthy and programmable to achieve in different times. Municipalities are the public entities responsible for management and administration of the cities. They need to try to reduce their reliance on non-sustainable revenues and provide required goods and services for the citizens through sustainable revenues increasing by using of developed countries’ experiences. Otherwise, they will face numerous municipal management-related challenges in the long term and the physical space will be extensively damaged. In order to achieve this goal it is necessary to consider duties, taxes, governmental grants and price of services as the main income sources for municipalities. The determinant methods of tax rates, duties and the cost of services should be expertly inspected and better measures be provided in this field.

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