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## Presenting Achievement of Stable Urban Revenue Model Ghaemshahr Municipality

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### Abstract:

*The present research has presented a model for sustainable urban incomes in Qaemshahr Municipality. The purpose of this research is "developmental application" in terms of "exploratory" data collection method. In this research, the experts are divided into two types of in-house experts and outside-organization experts, according to which 20 people were selected as experts or members of the Delphi team. The findings showed that among the indicators of the status of the land tax, the highest rank is related to the indicators of the impact of construction permits, land and buildings, and the charges on immovable real estate. Among the indicators of financial markets status, the highest rank is related to financing indicators from the projected budget for public participation, and financing through obtaining facilities against bank documents. Among the indicators of the status of state aid, the highest rank is related to the establishment of the municipal bank (city bank), and the allocation of appropriate taxes to the municipal government in the form of VAT. Among the indicators for collecting municipal incomes, the highest rank is related to motivational indicators in employees and empowerment of employees.*

**Key words:** Sustainable Income, land tax, financial markets, government financial, tax recognition, collection systems.

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## INTRODUCTION

One of the most significant issues the municipalities encounter is how to supply financial resources in order to provide goods and services required for the citizens. The main resources for financing are tax income, service earned revenues, and borrowing and state aids (grants) .Based on the laws every country enforces, the above four fold resources can include several divisions and or acquiring each of the above revenues and their subsets' items will be obtained in terms of certain conditions and with legal issues. The fresh view of urban management isn't only seeking to find out the backgrounds for achieving the required revenues, rather it has put the revenue resources stability and optimality as a priority .In the new revenue division of the country municipalities, there are 7 basic items accounting for 100 subset items of revenue, some of which are stable and the other instable. In the neoclassic economists' attitude toward the topic as stability, stable revenue refers to the maximum consumed expenses of a period without causing the real consumed expenses getting declined in the subsequent periods. Under the conditions exposed to price changes and interest rate change over time, this definition is the most appropriate one for stable revenue. Another definition for stable revenues closely linked with the above definition, the definition for stable revenues in the "Hetling "natural resources time efficiency assignment law theory.

Hetling believed that the price of biodegradable natural resource (environmental goods) has to rise in line with real interest rate. The interpretation of this theory and its application in theory of stable resource utilization is an effort to establish this issue as how the real consumed expenses have to be fixed based on utilizing natural resources over time .The real consumed expensed being fixed over time requires the maintenance and protection of manufacturing organizations including the created capital by human, natural resources,

technology and education (human capital). In the economic literature and theories, stable revenues in an economy, regardless of the national economy being in mind or urban economy, aren't independent of sustainable development and basically, stable revenues require the existence of sustainable development in an economy. On the other hand, sustainable development in urban economy highly depends on the manner the environmental facilities and services are used and preserving such resources such as weather, water, green space and all of the urban facilities and spaces (Shokoei, 2008, p.24). Referring to the existing literature allows us to get to see many definitions on sustainable development. Each of these definitions has stressed a dimension of sustainable development; of course, diverse attitudes in this area has caused some definitions to be opposite each other; for instance, from pivotal economy perspective, highly fanatical ecologists are opposed to development policies based on sustainable use of natural resources. From their perspective, only the strategies accompanied with the minimum development is ethically supportable. Unlike them, in technology oriented perspective, other analysts assume that the concept known as sustainability holds a small share in the current economic theory and policy.

According to the presented analysis and definitions, it can be concluded that in urban economy, stable revenues have to include two properties as continuity and preserving the urban environment quality. Continuity means that the items of revenue should be dependable over time and in order to achieve it, it is necessary to do the required planning and thus, all items of revenue which are under the effect of shocks, crisis ,regulations change and economic fluctuations due to any reason are not dependable and lack the first property of sustainability .On the other hand, stable revenues have to be defined in such a manner that achieving them doesn't endanger the qualitative conditions of city as a living phenomenon isn't exposed to threat and destruction .On the other hand, it if

important for revenue to be optimal and healthy. Such attitude toward urban revenues is in fact the same basic attitude the economists stressed during the 20<sup>th</sup> century in national economies. Studies on the experiences of the countries about obtaining new urban revenues and their reform all are in agreement with this issue that earning revenue and urban financing in order to create the goods and services required for the citizens in addition to being one of the basic goals of every urban community, if such revenues result in the reduction of life quality conditions and endanger the quality of human settlements (cities), aren't taken as stable revenues and healthy revenues (optimal). Every sort of effort for activating the revenues and creating new financial resources have to be accompanied with two mentioned, i.e., continuity over time and their being optimal in the Urban regulations framework (Shokoei, 2008, p.24).

## **PROBLEM STATEMENT**

Since the urban requirements are increasing day by day and the diagram of the expectations and the type and level of the expectations are also undergoing change. It is worth mentioning that the revenue earned by the municipalities extend in line with this rise. In fact, it has to be stated that today municipality system has turned from a mere service institution to a social one and one of the most significant elements able to make urban management successful in its missions is to be equipped with stable revenue under the light of which it can meet the requirements and expectations but unfortunately this sustainable fund isn't accessible to Iran urban management.

Virtually, urban management is in need of a stable revenue system in order to fulfill its inherent duties; to optimally run city and present befitting services to the citizens and to direct developmental projects require stable revenue

sources. Stable revenue sources is the missing link whose lack strongly affects urban management performance and this will disarm management from planning even the medium-term one (Kalani,2009).To achieve stable or sustainable revenue source including optimal, flexible and stable features leads to a revenue structure with the least risk and fluctuation and urban management will be capable to deal with planning for the city and urban space assured of the due financial resources being supplied and this way, eventually the initiative will be made available for the urban management and utilized for the creativity in managing the city. Despite all the benefits following stable revenues part of which has been brought about, stable revenues couldn't allocate a high portion of the municipalities' revenues to itself (Zamani, 2002). Municipality is a non-governmental public institution with an independent legal entity mandated by the state law to conduct some of the very significant public services within a time limit and the boundary of the cities as a unit of the country divisions and the main manifestation of the collective life of human in modern life (Mazini, 2002).These days, the growth of population and migration rise to the cities is resulting in uncontrollable development of urban areas, the establishment of new settlements and decreased human welfare level (Mousavian,2010). Unplanned construction has led to the inclination to suburbanization (Razavian, 2002) and the emergence of abundant problems for the various urban managers, particularly in developing nations, so that today the above issues along with urban depression have been the focus of the urban planners' concerns and paved the ground for the managers, the planners and also the policymakers to seriously study this area. Among these, the municipalities play the role of the main director and reference coordinating the governance of the city affairs (Saeed Nia, 2003).

Stable revenue making up a part of total revenue resources of Ghaemshahr municipality is the one earned from

the resources and in such a manner that the future generations' rights aren't violated (to be sustainable), life quality doesn't get decreased (the urban health doesn't get hurt) and the vital resources don't get depleted (be optimal). In the organizational structure of Ghaemshahr about the debate on revenue making, we need to pursue earning higher stable revenue and reducing the costs burden. The experience of developed countries is equipped with flexible qualifications, especially the structural ones, if taken into account, would strengthen the city stable revenue. Achieving stable revenue resources with the properties as being optimal, flexible and stable leads to the revenue structure with the least risk and fluctuation and assured of financial resources being supplied, urban management will be able to deal with planning for its city and urban space and this manner, finally, the initiative will be at the disposal of urban management and creativity can be applied for city management. Thus regarding what has been stated, the present research aims to determine what the optimal model for achieving the stable urban revenue in Ghaemshahr Municipality is?

## **METHODOLOGY**

The present research is a descriptive survey of survey type. This study is applied in terms of objective and of the qualitative research types. The technique used in this research is based on Delphi. The data collection has been based on the experts' opinions. These experts have been selected purposefully and by Snowball method. The sampling sufficiency ended after reaching the saturation point.

## **DISCUSSION**

The study extracted results imply that out of the land value tax status indices, the highest ranking belongs to the construction,

land and buildings' permits' tax indices and the tax on immovable transactions. Since land is an immovable asset, thus it is easily identified that the very subject causes the land value tax collection to have fewer execution problems compared to other tax types. Also these taxes are economical for Tehran municipality in terms of collection cost; therefore, it is suggested that such sort of taxes as part of reconstruction tax be used for financing Tehran municipality stable revenues more than before. As land value tax increases, not using land optimally loses its economic justification. Under such conditions, the maintenance cost of unused land and housing has gone up and the nonmanufacturing motivations reduce in land and housing market. Thus correctly implementing this policy will lead to increasing unused land supply and vacant houses to the market. Regarding this point that land value tax rate to building value tax ratio has got higher, the owners took actions to develop construction on their land pieces, which resulted in the construction booming and vacant units increase that can bring about property price decrease in the city. In addition, through the land value tax imposition, regarding the owners being encouraged to invest in their own property, the municipalities expenses have got reduced in order to reconstruct the worn-out contexts.

Another factor bringing about construction booming is the density sale rate reduction and construction license issue costs. Concerning that the land value tax revenues are substituted with density sale and construction license issue tax revenue, thus the decrease of density purchase cost and license issue cost practically means the construction costs decline and as a result, we will witness the increase in construction volume. The study derived results suggest that out of the financial markets' status indices, the highest ranking is of the financing indices from the predicted budgets for public participation and the financing through receiving facilities in return for bank documents. As a result, the following recommendations are

presented in this regard: -Given the matter that municipality lacks a variety of financial and monetary markets from the financial vice-president's and the income and experts' president's perspective, it is suggested to take measures for bringing variety in monetary markets through the city bank development and expand the bank activities and increase the liquidity potential by increasing the branches at city level .And about the municipality entering stock exchange, this isn't recommended by the department heads, experts and directors. The municipality is recommended to take actions for investment in urban projects in order to win the trust and participation of the private sector and use this potential for financing and revenue producing. Through referring to financial and monetary markets and considering lack of cumbersome rules in such financing, the municipality is recommended to take actions for loan for investment in urban projects and provide robust financial support for massive urban projects. The study derived results indicate that out of the state grants status indices, the highest ranking is of the municipality bank (city bank) establishment indices and allocating an appropriate share of the state taxes to the municipality in the form of the added value .Consequently, the following recommendations are presented in line with this hypothesis:

Regarding the limiting banking regulations, the government is recommended to remove some of these cumbersome regulations whose necessity isn't felt so that through city bank establishment, it could compete in the monetary markets. In order to set transparent financial relations and create clear-cut criteria for the distribution of the state grants to the municipality like other cities, team work consisting of the representatives, city council and municipality should be formed and every year along with the state budget setting, actions have to be taken to predict the financial relations with certain and clear-cut criteria. Given the state objectives on downsizing the government body and actions

about the governance roles instead of incumbency and also concerning this matter that the municipality owns more accurate information about the city located properties, the municipality is suggested to play role in fixing the tax rate and land prices evaluation and the city council approvals be supported by the government. Regarding the comparative studies in different cities, interstates grants is inevitable for the municipalities. Since some individuals from different cities enter the question city and use its facilities but don't pay its tax to the municipality and the government doesn't get tax from them. Moreover, the state taxes are based on the revenues and grow more than the taxes and have high liquidity potential while the municipalities' taxes are mainly from the revenues ,thus given the city costs increase ,it is required for the interstates grants to be considered as the municipality revenues.

The study extracted results show that out of the municipality tax reception status indices, the highest ranking belongs to the staff motivation and the staff empowerment indices. As a result, the following suggestions are proposed about this hypothesis: Regarding this matter that the effect of training in order to empower the staff on tax identification and reception is inevitable .According to the views of the financial vice-president and the heads and experts of revenue, training courses aren't held enough for the staff, thus the officials are recommended to take actions about the training courses programming and implementation given the new municipality revenues information and identification and constantly, holding training per capita according to the program for every person.

It is suggested to form teamwork in order to identify the hidden potential of Ghaemshahr in the form of absorbing revenue resources and take actions to identify new revenues and also take measures for the cost interest pathology and implementation about the applied revenues. In order to make the municipality objectives as achieving stable revenues

realized, the municipality is recommended to take actions for reforming the city revenue coding system based on the countrywide standards and successful municipalities. Regarding the significance of Tehran municipality properties database being up-to-date and its flexibility and reporting in assisting decision making in tax collection, the audit staff are recommended to audit the properties every year that is really temporally costly. Other studies suffer from some limitations, the most important of which are lack of interest in answering the questionnaire included questions by the statistical samples, so that the researcher had to refer more than 5 or 6 times for the questionnaire collection, that was really temporally costly; Not having knowledge, some staff and managers not having knowledge about the study subject resulted in the questionnaires to be imperfectly and incorrectly completed and the researcher had to choose other samples instead of the selected samples.

## **CONCLUSION**

Masoumeh Mahdian Behnamiri (2006) studied and recognized financial resources and presented solutions for improving the income sustainability of municipalities; a study was conducted by the municipality of Mahabad. The results show that the Mahabad municipality faces problems in many respects, due to the absence of a mechanism and sustainable income strategies. Finally, considering the existing problems and problems of the municipality, suggestions for sustainable monetization of the municipality have been proposed. Azizpur (2006) to study the annual budget of municipalities, especially the metropolitan municipality, has seasonal and annual fluctuations, which results from the reliance of municipalities on unsustainable sources of income. The high share of unsustainable sources of resources, most of the building resources, has led municipalities to face uncertainty due to income fluctuations. Hashemi (2011)

investigated ways to empower municipality revenue growth in small cities (Case Study: Zarch City). Therefore, due to the obvious weaknesses in the city and municipality structure, we can say that using modern urban management system, defining revenue-generating projects, developing and expanding urban services (taxis, urban sewage and its component, allocating developmental credits equally and equally For all the budget headings and for long-term and medium-term planning, there are some solutions. Abasszade et al. (2011), in a research in the field of financial management of the city, concluded that the municipalities, in order to finance their expenditures, It will also benefit from government funding, but with the size of the city growing, the share of government assistance can studying sources of income sources in municipalities have concluded that sustainable income sources have little share in financing municipalities, so municipal revenues should, in their nature, move towards sustainable, regular and accountable resources. And unsustainable sources of income place themselves on sustainable, sustainable, and sustainable sources of revenue for municipalities. Bourassa (2009) explored how government finances are supported in financial investment projects. One of the main results of this study is the direct investment of the state or subsidized government subsidies from private companies and the creation of private-government companies, which has led to the creation of appropriate conditions for the increased participation of private companies and the payment of taxes to .The government becomes. Hosseinzadeh (2009) in a study found that financing of many projects undertaken by municipalities, project participants and project officials are well-informed about the state. This is because of the introduction of an information symmetry between the government and other shareholders. The government assumes that the risk is distributed but not accurate, while lenders and project managers are fully aware of the risks. The project has information. Sullivan (2013), with a comparison between the

municipality of Tehran and the municipalities of America, concluded that the largest source of income for the municipality of Tehran was from the land and building sector (sales of congestion), and the state aid constituted a very small percentage. While a remarkable percentage of US municipality revenues comes from a source of state aid, Peterson (2000) evaluates taxes as a major source of income, three major goals of transferring resources from the private sector to the public sector, fair distribution of costs between levels, and increasing economic growth for taxes. In applied research, the analyst offers suggestions to other researchers, in addition to proposing further research, especially in new subjects. In this regard, the following suggestions are listed.

1- Reviewing the challenges facing Ghaemshahr Municipality's income system and providing solutions to them;

2- Evaluation of Stability of Financial Resources and Income of Ghaemshahr Municipality

3. Separation and preparation of urban lands, a challenge in the instability of Ghaemshahr Municipality revenues

4. Pathology of the Municipal Finance and Income System Case study: Ghaemshahr Municipality

5- Study and Recognition of Financial Resources and Providing Solutions for Improving the Sustainability of Ghaemshahr Municipality

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