

## Understanding the Revenue Structure of Municipalities in the Context of Achieving Sustainable Development

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### Abstract

In general, the main issue that all municipalities seek in scope of revenue is creating a systemized and integrated structure that can lead to gaining sustainable earning for municipality. New attitude of urban management at the world would not seek only to find contexts to gain required earning, but also sustainability of revenue sources or desirability of the sources is prior. Hence, sustainability of revenues is depended on this issue that the accruals can have relative continuity and secondly, such revenue should not threaten the qualitative conditions of city. Hence, achieving to new methods of supplying sustainable revenue sources and without bad economic, social and political outcomes plays vital role in satisfaction of urban community, acceleration of development and construction of urban areas and finally, desirable urban management. Status of municipalities of the country can't also be an exception and dominant attitude to achieving new sources and modification of existing sources should move toward reliance on sustainable revenues and going away from unsustainable revenues. In this study, first of all after a short review of theoretical concepts and sources of revenue of municipalities and urban sustainable economy, dynamic and sustainable revenue structure is investigated and after that, proposed model for sustainable revenues of municipalities is presented. Finally, the conditions for realization and prerequisites of sustainability of favorable revenue are evaluated.

**Keywords:** sustainable urban development, favorable revenue structure, the municipality, sustainable income

### Introduction

Expansion of urbanization and specific problems of urban life has emphasized necessity of paying attention to useful solutions and strategies to optimize life of citizens more than before. Among issues like environment, urban transportation, urban security and urban planning, a very important factor that can have increasing and determinant effect on other structural urban factors is urban management (Saied Nia, 2003, 19). Over the decades, urban management in Iran has faced abundant challenges increasingly, which are resulted from various social, cultural political, executive, financial and legal factors (Moezzi Moghaddam, 2002). Clearly, one issue that intensifies dimensions of the mentioned problems is accelerated and rapid development of cities as a result of fast population growth (Deputy Ministry of Development Planning Office, 2002). Growth of population and increase in migration to cities has resulted in uncontrollable development of urban areas, creation of new settlements, reduction of human welfare level (Ortega & et al, 2011), unplanned constructions, going toward suburbanization (Garcia-Palomares,2010,197) and emergence of abundant problems for different urban managers, especially in developing countries. Today, the mentioned issues, along with urban record, have been considered as main challenge of urban planners (Alden, 1996, 553) and have provided conditions for serious study of managers, urban planners and policy makers. In this regard, municipalities as the manager and the main source to match urban affairs (Saied Nia, 2003) plays key role in field of solving problems of urban people and this could be possible certainly in light of existence of sustainable and suitable financial sources.

In view of urban economy, factors like expansion of the range of activities of municipalities and enhancement of expectation level of people and problems resulted from increased population in cities can

increase the need to expand financial sources and revenue of municipalities (Ghalehdar, 2003, 2). Therefore, among different departments of urban management, supplying financial and revenue sources of municipalities is considerably important, since revenue of municipalities has significant effect on supplying services to citizens on one hand and on the other hand, lack of sufficient income of municipalities can not only lead to lack of creating essential services in city, but also it can make basically problems for implementation of all urban plans and projects (Jamshidzadeh, 2003). Urban management (municipalities) can theoretically indicate a kind of local governance in many countries. In this kind of local management governance, municipalities are responsible for all relevant scopes of urban management. Such management is relied on sustainable and independent incomes. However, the government is also responsible for pay costs of its activities in city and has to supply also costs of affairs in scope of its responsibilities as national governance institute (Isfahan Municipality Strategic Studies Office, 2006). Lack of paying attention to scientific and theoretical basis, especially in economic issues like urban finance, can't save managers and decision makers from undesirable outcomes of their decisions. Problems like unsustainability of financial sources of municipalities, lack of financial transparency, inadaptability of tolls and cost of services with horizontal and vertical justice and decreased allocated efficiency in urban economy are main problems that are rooted in same issue and have created many problems for the municipalities of country over the past years (Beryaji, 2012).

Importance of this issue would be cleared when it is known that more than 95% of financial sources of municipalities are supplied from local income sources and dependence on state gratuitous supports is less than 5%. Although since early establishment of Baladieh by 1907 and following it, in new act of municipalities (1930) some regulations have been codified in field of supplying urban costs, the income obtained from it is not considerable and urban system has been significantly relied on governmental supports (Safari, 2004, 331). Along with victory of Islamic Revolution and deformation of decision making and planning pillars of country, the government began to move toward financial independent and autonomy and reduced its supports to the municipalities in its financial policies for municipalities. This caused municipalities to think about providing sustainable revenue for their own. Realities in field of revenue of municipalities indicate that although revenue of municipalities has been increased over the years, in some levels of growth, public budget of the government has been in high level (Monthly magazine of planning and urban management of municipalities, 2004, 3).

## Literature Review

The first limitation to solve urban problems and inefficiency of servicing to citizens is resulted from lack of sufficient financial sources. Scholars of public finance have presented different criteria and solutions to supply revenue sources of municipalities. In early 70s decade (Solar), demographic changes like the migrations and increase in amount of reproduction and reduction of mortality have affected directly cities and municipalities and has made municipalities face abundant problems in way of taking their duties. Clearly, favorable management of cities, supplying suitable and on time services, controlling and conducting civil projects, need having required revenue sources and gaining place credits and accurate cost in addition to apply good management by the mayors. This important issue has made Office of Planning and Development Department to provide a project under the title of assessing methods to increase income and to decrease costs of municipalities and to supply it to engineers. The investigations were finished by 1997. The main papers in this field are presented as follows.

Abbasi Kashkuli and Bagheri Lashkuli have conducted a study under the title of the ways to provide sustainable revenue for municipalities and the paper was published in Journal of Municipalities by 2009. The study has assessed experiences of developed countries and opinions of experts about new strategies of supplying sustainable sources for municipalities. Abedin Darkush Saied has adopted a study under the title of urban financial management that was published in Journal of Urban Management by 2003. According to the study, financial management of city is depended on two important principles of goals of municipality to supply public services and goods and to recognize type of public services and goods for citizens. Also, costs of city would be supplied through types of taxes and tolls and financial supports, gifts and construction and

land sector. Arabshahi Zahra has adopted a study under the title of "assessing revenue and cost status of municipalities of metropolises" that was published in appendix of Municipality Magazine by 2003. In this study, firstly income of municipalities of cities with population above 1million people has been compared during 1992-2001. In the second stage, credit status (current and civil) of municipalities has been evaluated with fixed and current price in same section and obtained results have been compared. Moreover, Jamshidzadeh Ibrahim has adopted a study under the title of "assessing and analyzing costs and credits of municipalities during 1971-1987 and 1992-2000" that was published in Journal of Urban Management by 204. The study has investigated duties of municipalities and their portion in credits and cost structure of municipalities. Pechman has evaluated taxes as a main revenue sources and has presented three main goals of source assignment from private to public sector; fair distribution of costs among different levels and increase in economic growth for taxes (Pechman, 1987, 131). Razazian has stated that the best revenue source in field of urban economy is optimization of source economic recognition, which provides infrastructure of economic growth for all municipalities and factors that can optimize the system include inefficient human resources, organizational structure, professional training of managers, database development and administrative rules and regulations and agenda in field of income (Razazian, 2008). Finally, Moezzi Moghaddam has conducted a study under the title of methods of supplying sustainable income sources of municipalities to evaluate methods of gaining income including direct service sales, local taxes, state aid, loans and borrowings in terms of optimization criteria and justice. Then, competency of the tax supply source has been considered as the simplest and achievable methods to gain income (Moezzi Moghaddam, 2002). In this study, financial sources and sustainable revenue strategies for municipality have been investigated.

### **Methods And Materials**

According to the nature of the issue and studied components, dominant approach on the study is descriptive-analytical approach. Data collection has been done using documentary method. In this regard, applied instruments include books, valid magazines, journals, thesis and other sources. The main purpose of this study is to present solutions to supply sustainable revenue sources for municipalities of Iran. In regard with achieving this goal, several concepts of revenues of municipalities and sustainable development and dynamic revenue structure have been investigated.

### **Theoretical Concepts Of Municipality Revenues**

The first limitation to solve urban problems and inefficiency of servicing to citizens is resulted from lack of sufficient financial sources. Scholars of public financial affairs have presented different criteria and solutions to supply revenue sources of municipalities. Experiences of different countries indicate that the most important financial sources of municipalities are supplied by taxes, tolls and state supports in form of current budgets of local governments and local establishments and equipment and finally, borrowings and loans (Ayatollahi, 2008, 17). Moreover, optimal combination of municipalities is a series of sale of goods and urban services, types of taxes, tolls and financial supports of the central state. Through comparing municipality of Tehran and municipalities of the U.S, it could be mentioned that the most revenue source of Tehran is resulted from land and construction sector and state supports form very small percent of it; although considerable percent of revenue of American municipalities is supplied by state supports (O.Sullivan, 2003, 451). New attitude urban management at the world seeks not only finding contexts to gain required revenue, but also sustainability of revenue sources or desirability of the sources are prior. Status of municipalities of Iran can't be also an exception and dominant attitude on achieving new sources and amendment of existing sources should move toward reliance on sustainable revenues and go away from unsustainable revenues. Therefore, in regard with evaluation of taxes as a main revenue source, three main goals of assignment of sources from private to public sector, fair distribution of costs among different levels and increase in economic growth for taxes (Musavi and Bagheri, 2009, 5).

In Iran, methods of supplying revenue sources of municipalities, revenue methods including direct service sale, collecting local taxes, state supports, loans and borrowings should be investigated in view of optimization criteria and justice, so that competency of the tax supply source could be specified. If so, it can

be introduced as the simplest and most achievable method for revenue (Moezzi Moghaddam, 2002, 7). As a result, to supply the expenses, municipalities should use both interior financial sources and governmental sources; although portion of state supports can be decreased with the increase in size of city (Abedin Darkush, 2003, 9). Assessing revenue sources of municipalities indicates that sustainable revenue sources have inconsiderable portion in financing for municipalities and they should move toward sustainable, regular and collectable sources in its nature and unsustainable revenue sources should give their place to sustainable and continuous sources in revenue arrangements of municipalities (Ali Abadi and Ma'sum, 2001, 8). Hence, the best revenue source in field of urban economy can be making economic recognition system efficient that can provide infrastructure of economic growth for all municipalities and factors that can optimize the system include efficient human sources, organizational structure, professional training of managers, database development and administrative rules and regulations and agenda in field of income (Razazian, 2008, 45). Finally, taxes and tolls on immovable lands and properties including industrial, residential, commercial and recreational units and lands can be good revenue source for municipalities and Iranian municipalities can use experiences of other countries to find out how to achieve the revenue source to supply new revenue sources (Jamshidzadeh, 2001, 57).

**Revenue Sources of Municipality**

Today, to evaluate success of urban managers, only statistics of physical construction of city and highways and projects is not enough, but also specific feature of a successful manager is continuity of sustainable and comprehensive development of city, which is depended on having sustainable and regular income resulted from urban tolls (Kalani and Shah Siah, 2009). Currently, some municipalities of Iran have considerable revenue because of their specific position such as adjacency to factories; although many other municipalities are in such conditions that have to borrow money even to supply their current budget and if no suitable solution is presented by the Interior Ministry or no new sources are approved to supply revenue of the municipalities, they would not be able to continue their work (Jamali, 2004).

At the developed countries, using academic methods, some sources are constantly selected to gain income, which can help better supply of urban services. Unfortunately, Iranian municipalities lack such good support to gain income. Currently, more than 70% of incomes of Iranian municipalities are unsustainable and are associated with construction activities. The incomes include cases such as selling excess density, building permits and similar items, which are not sustainable incomes and are resulted by other economic factors. Clearly, reliance on unpredictable sources can make planning problems for each organization. Certainly, municipalities of Iran faced intense shortage of liquidity by 2008 and 2009 because of created stagnation in country, so that many municipalities and specially Municipalities of metropolises didn't achieved large part of their unpredicted budget and effect of such ravages is tangible in implementation of civil and service projects clearly (sources and barriers of urban sustainable revenue, 2004).

In a general division, revenue sources of municipalities can be divided to two groups of domestic and foreign revenue sources. Domestic revenue sources include two groups of revenue sources resulted from taxes or tolls and non-tax sources. Renovation tolls, tolls of property assignments and vehicle tolls are the main revenue sources resulted from taxation and revenue from selling services and fines are the main non-taxation revenues. Foreign revenue sources include two groups of Government grants and borrowing. The revenue sources are related to incomes gained out of the organizations of municipality (Bur, 2011). According to the division, 4 main methods can be basically presented to supply financial resources of municipality. The 4 methods are presented as follows:

<b>domestic revenue sources</b>	<b>selling services</b>
<b>foreign revenue sources</b>	<b>collecting tax or tolls</b>
<b>foreign revenue sources</b>	<b>borrowing</b>
<b>foreign revenue sources</b>	<b>receiving state supports</b>

In method of collecting tolls, there is no direct relationship between payer of tolls and users of services; although in the method of selling services, services of municipalities would be practically supplied to those people, who take action to pay required costs. Foreign revenue sources, especially borrowing, are presented usually to compensate budget deficit; although central state grants are presented to municipalities to decrease inequalities of districts by the state. Moreover, previous studies indicate that role and portion of each mentioned group is depended on relevant governance system of country. In countries that have typically socialist nature with strong central government, usually state assignment group forms main part of relevant sources like Albania to 94% and Estonia to 91%. In countries with non-centralized government, most reliance of municipalities is on local taxes, costs of services and tolls and portion of relevant sources of governmental assignments is inconsiderable (Musavi, 2003). However, an important issue is that to what extent the mentioned revenues have a relative continuity, so that municipalities can consider them constantly in annual budgets and ensure that the accruals are not under effect of shocks and economic crises of the country and city and can be always achieved and that, to what extent gaining them can be in service of creating urban services and protecting nature of city as a live phenomenon. In other words, to what extent revenues of municipalities are sustainable.

### **Concept Of Urban Sustainable Economy**

Assessing economic texts demonstrates that various scholars have adopted valuable studies in field of sustainability and sustainable revenues. In this study, the definition of Hicks about sustainable revenues can be referred. According to definition of Hicks, sustainable revenue refers to highest accessible income in special period of time with the guarantee to create same income level in future under conditions that economic system is faced limitations of resources, labor, produced capitals by human and natural capitals.

Other definitions are also presented by neoclassic economists, in which sustainable revenue refers to maximum consumptive expenditure during a period without causing reduction in real consumptive expenditure during next periods. It should be mentioned that in economic texts, the issue of sustainable revenues is not independent from sustainable development and the condition for sustainable development is existence of sustainable revenues and interests. Additionally, sustainable development is urban economy is a function of manner of using urban natural resources, protection of urban ecosystem and protection of resources like water, air and urban green space. In other words, according to the different definitions of sustainable revenue, it could be found that continuing increase in income and production of goods and services in future should be in such manner that quality of urban environment can be preserved and welfare of citizens can be in high level. In other words, revenues of municipalities would be sustainable, when they have at least two features of sustainability and preservation of the environment quality and urban space. Sustainability refers to this issue that revenue items should be in such manner that they can be reliable in different times and required planning can be considered to achieve them. Those revenue items that are under impact of economic conditions of city including financial crises, intense economic fluctuations and change in regulations and there is no guarantee to achieve it in future can be considered as items without sustainability. The second feature of sustainable revenues is in regard with preservation of quality of the environment as a live phenomenon. Sustainable revenues are those revenue items that gaining them can't destroy qualitative and environmental conditions of city; i.e. desirability and health of revenue is important. Preservation of environmental space of city including weather and water is in fact same theme of theory of brilliant economist, Solo (1974), who considers sustainable mode as conditions, in which there is suitable criterion for inter-generation fairness. Clearly, preservation of physical spaces of city and attempting to preserve urban environment can provide suitable conditions for welfare and better life for next generations. Global experiences in relation with gaining sustainable incomes in municipalities of different countries demonstrate that although gaining income and increasing financial power of the institutes for purpose of producing urban goods and services are main goals of urban community, they can't be considered among desirable and healthy revenues when they reduce quality of living and endanger living conditions in urban habitats.

## System And Structure Of Dynamic And Sustainable Revenue

One of the main barriers and challenges of municipalities, especially in Iran, to achieve long-term goals (like urban sustainable development) is unsustainability of revenues and revenue sources. Without existence of a sustainable revenue source, it is basically impossible to have planning (long-term planning) and made decisions and policies change basically according to conditions of different time periods (Abgoon, 2009). This issue has made people to consider revenue sustainability as one of the main challenges of municipalities of metropolises over the past years. The reality is that designing revenue system of municipalities in Iran is done basically regardless of relevant foundations of local finance and lack of such foundations can result in abundant negative outcomes like decreased allocated efficiency in urban economy, inadaptability of taxes and costs of urban services with horizontal and vertical justice and unsustainability of municipality revenues.

Moreover, lack of certain definition of revenue system of municipalities in form of macroeconomic system of country and constant interferences (regardless of theoretical literature and global experiences dominated on this sector) has made revenue of municipalities to be under unsustainable conditions. In other words, with the limitation of legal domains of revenue of municipalities, dependence of revenue department of municipality on urban construction has been significantly increased. The intense dependence has made municipalities to be under critical conditions in terms of supplying services to citizens while stagnation of construction. However, assessing combination of revenue sources of municipality of metropolises in most developed countries indicate that in most of the metropolises, taxation source can be one of the main revenue source (in most studied cities, portion of relevant taxes with property, it has possessed most portion of collected taxes); although taxation tools in gaining income is applied in limited form in all municipalities of Iran.

In response to the mentioned problems, municipality institute in metropolises has taken some actions to achieve sustaining revenue sources. However, in regard with Tehran's Municipality, it should be mentioned that the institute has arranged some actions and plans, so that portion of sustainable incomes can be enhanced from all gained incomes through the actions. According to existing statistics, since 2006, sustainable revenues of Tehran's Municipality have been increased significantly and portion of sustainable revenues has reached from total revenues of Tehran's Municipality resulted to below 5% in 2005 to more than 25% in 2010. However, contrary to the efforts and measures, it should be claimed that the existing distance with desirable point is considerable. In this regard, naming the current year as "Economic Jihad" by the Leader has provided suitable opportunity, so that according to legal contexts in fifth development plan, steps can be taken toward sustainability of municipality revenues and conditions can be provided to meet one of the main economic problems of metropolises.

## Proposed Model of Sustainable Revenues

As it was referred, sustainable revenues need existence of sustainable development in economy and sustainable development in economy is significantly depended on how to use environmental services and equipment and preservation of the resources such as using weather, water, green space and all urban spaces and facilities. The sustainable revenues should have two features of sustainability and quality preservation of urban space, which can be reliable over the time and required plans should be codified to achieve it. Therefore, all revenue items that are affected for any reason by shocks, crises, change in regulations and economic fluctuations are not reliable and lack the first feature of sustainability. On the other hand, sustainable revenues should be defined in such manner that achieving them can't destroy qualitative conditions of city as a live phenomenon. In other words, desirability and health of revenue is important (Sharzei and Ghatmiri, 2001, 36). To make the discussion clear, several items of revenue sources of municipalities of Iran have been analyzed as samples.

- ***Revenues gained from public tolls (continuous revenues)***

The tolls are various and among them, one can refer to several items as samples. For example, tolls of buildings and lands including tolls on construction permits, tolls on Excess density and urban tolls are not same in terms of sustainability. Although the ratio of toll to excess density, especially in metropolises, is considerable, it is not among sustainable items. It should be mentioned that reliance on excess density tolls revenue means accepting destruction of urban space and derogation of regulations and conditions of a healthy city. Experiences of the recent years in metropolises of Iran prove this issue (Nasr Isfahani et al, 2007).

- ***Tolls collected from issuing construction permits***

Although the tolls can be affected by fluctuations of housing market and construction regulations in cities, it has a relative continuity in terms of existence of effective demand for housing in cities and if issuance of construction permits is done based on modern urbanization regulations and based on comprehensive urban plans, the gained income from it can be sustainable.

- ***Tolls on communications and transportation***

Tolls on communications and transportations include tolls on coding vehicles and tolls on issuing taxi driving permit, tolls on traveling and cargo tickets and tolls on transactions of vehicles are tolls that can be considered in an urban system of continuous revenues, since the tolls are resulted from final activities constantly supplied in physic of city. Although some of them may be affected by economic fluctuations of city, main part of the tolls supply a part of financial needs of municipalities to destroy not only urban space, but also increase in its quality like tolls on technical checkup of vehicles.

- ***Incidental revenues (tolls resulted from executing commission fine of article 100)***

Tolls gained from commission fine of article 100 and fines of urban and constructional crimes, compensations and revenues gained from change in land uses and tolls on elimination of parking lots are certainly among unsustainable revenues. Although statistics of revenues of municipalities indicate considerable amount of the revenues, the items that are based on prevention of violating comprehensive urban plans and applying the tolls can reduce urban losses, unfortunately experience of studies about urban incomes indicates that attitude of municipalities to these items is not their prevention and is their income gaining. This has prevented reduction of incomes gained from fines of construction crimes, changes in land uses, elimination of parking lots and similar items and has also made municipalities to be satisfied by existence and even increase in the items. Clearly, such attitude intensifies more reliance of municipalities on unsustainable revenues and reduces quality of urban life. Obtained results from expansion of construction violations and increase in incomes of municipalities can make basic problems for cities in all dimensions including social environment, economic system, access system, physical form and urban landscape (Sarkhelil and Rafi'ian, 2009).

- ***Renovation tolls***

It could be mentioned certainly that the most important sustainable revenue of municipalities that has been neglected for different reasons is related to renovation rolls. Renovation tolls that are called as tax on immovable properties in countries across the world is one of the items that can create suitable revenue source for municipalities every year and has a desirable sustainability. Getting this item not only creates no danger for health of urban environment, but also it enhances revenue potential of municipalities constantly to increase productive power and the ability to supply good and public services. Although over the years in cities of Iran, the amount has enhanced its portion in revenue of municipalities; although its portion of total revenue of municipalities is inconsiderable.

- ***Revenue gained from urban parking***

Revenue resulted from urban parking, whether through installing parkometer or through appointing traffic wardens, is considered as sustainable revenue items. Although the mentioned level has inconsiderable portion in revenues of municipalities, in terms of existence of expanding demand for parking space of vehicles in metropolises and intense growth of number of cars, potential of activation of the revenue item would be possible. It should be mentioned that because of continuity of the item, codification of the revenue

can reduce traffic in crowded urban centers, reduce air pollution and most use of citizens of public transport vehicles and hence, it has features of sustainable revenue.

**- Grants of state and governmental organizations**

One of the methods, through which the gap between revenues and costs of municipality can be reduced, is using governmental financial supports. Supports of central government can be done through granting credit, paying subsidy or making municipalities to participate in taxes of central government. However, the supports are acceptable in cases that activities of local government or municipalities have side interests; meaning that activities of municipalities are along with interests that direct can't be achieved through direct collection from citizens. In other words, costs of these activities are out of public payment ability. Certainly, supports can be granted to the municipalities, if local effort to gain income is not decreased and only through enhancement of local revenue to certain level, support of central government for municipality would be finished. For this purpose, it is required to design a rewarding policy to enhance effort of local government or municipality to gain income. In other words, for deprived regions, first certain level of governmental supports can be determined to eliminate inequalities and then, to encourage local officials to try gaining local income, the amount of supports can be enhanced just in case of realization of local efforts. However, it should be noted that any kind of enhancement in local incomes is not far from features of sustainable revenues.

Assessing experiences of cities in different countries indicate existence of state grants to municipalities. The grants can be observed in cities of both developed and developing countries. Table 1 has presented portion of different revenue sources of municipalities including state grants to municipalities of several selected cities in comparative form.

**Table 1:** portion of state grants in financing costs of some selected cities of the world (%)

city	portion of state grants	city	portion of state grants
Istanbul	68	Copenhagen	21
Vienna	67	Prague	21
London	55	Pusan	18
Barcelona	46	Montreal	14
Amsterdam	46	Tokyo	10
Berlin	39	Melbourne	9
Athens	32	Seoul	5
Budapest	30	Helsinki	4
Toronto	24	Stockholm	4

**Source:** OECD (2006), *Competitive Cities in a Global Economy*, OECD Publishing, Paris.

As it is obvious, grants of state to municipalities of selected cities are considerable and in this regard, there is no phenomenon under title of autonomy or self-reliance or accepted phenomenon or there is no reason for lack of state grants. Hence, the government should not conduct municipalities toward absolute autonomy and ask them to supply national resources perfectly. Insisting on this issue can make cities to go toward gaining incomes that have no guarantee to maintain cities healthy.

**- Borrowing and role of private sector in finance of cities**

Borrowing from banks and financial and credit institutes and participation of private sector in production of required infrastructures can be another solution for financing for municipalities. With the increased demand for public services and infrastructures in urban areas, issue of financing to meet needs goes beyond limit of tolls and selling services and state grants. Local governments or municipalities constantly tend to provide wide range and high quality of social services and physical infrastructures in cities. At the same time, governments have to meet the needs in despite of insufficient income and in some cases, because of high level of debts. However, enhancing duty of central and local governments can mostly result in supplying



services and infrastructures and many organizations and governmental companies that are active in supplying urban services, cause cost for the governments instead of creating income for it. for urban systems and especially in developing countries, it can provide conditions to evaluate other potential facilities in regard with playing more active role in supplying public services such as health, education, transportation and physical infrastructures such as roads and electricity, water and telephone services, wastewater networks and disposal of waste materials. In this regard, borrowing is one of the well-known solutions. Borrowing solutions can be implemented in different manners.

- ***Participation and investment of private sector***

In this approach, private sector reduces financial pressures through investment in urban infrastructures. Although the discussion of efficiency and usefulness of private sector has some opponents and proponents in some public and infrastructural activities, many evidences indicate that under suitable conditions, investments of private sector can play vital role in expansion of urban services and infrastructures. In short, intense financial limitations of municipalities on one hand and inefficiency of public investment companies on the other hand can explain necessity of participation of private sector, NGOs and financial markets to supply services for cities.

**CONDITIONS FOR ACHIEVEMENT AND PREREQUISITES OF CREATING SUSTAINABILITY IN REVENUE SOURCES**

1) ***Considering justice in any kind of revenue policy making and revise of the current system with this attitude.***

In the process of creating sustainability in revenue of municipalities, the basic point that should be considered is observance of payment ability of citizens in any kind of revenue policy making. Using exemptions for some social classes and granting subsidies to services with considerable foreign positive effects and discount in paying tolls and legal payments to progress urban development policies are among foundation of strategic achievement of comprehensive design and approval of Tehran Allami Council in this field.

2) ***Support of central government for the correction***

Now, large part of public sector resources is under control of central government in form of different types of tax. Global experiences indicate that there is logical balance in way of dividing duties and responsibilities among different classes of the government and distribution of public sector resources. Division of taxes to national and local parts can be evaluated from this perspective. Most assignment of responsibility and duty without supplying and dividing financial resources can make problem with performing duties.

3) ***Cooperation and support of central government for the correction activity***

Quality of desirable life in city needs supplying sustainable and healthy sources to take service and civil activities by the municipality. This can't be achieved, unless citizens feel responsible for resource supply. Making culture to motivate sense of responsibility and cooperation of citizens is main duty of municipality.

4) Commitment and will of management body to change the situation

**Conclusion**

Municipality as an institute that is responsible for management of cities should try to reduce its dependence on unsustainable revenues to supply financial resources and should try to supply required goods and services of citizens through enhancing portion of sustainable revenues in its revenue sources. Sustainability in revenues needs having relative continuity and achieving to the revenues should not threaten qualitative conditions of city. Hence, municipalities as public institutes that are responsible for management of cities should use experiences of different developed countries to reduce their reliance on unsustainable revenues and try to supply required needs of citizens through increase in portion of sustainable incomes in their revenue items; otherwise, municipalities would face different challenges in long-term in regard with urban management and physical space may be destroyed. In regard with the necessity, the study has presented some solutions as follows:

- Establishment of Revenue Recognition Office in Municipalities
- Increase in tariff of renovation tolls and decrease in tariff of excess density tolls
- Collecting costs of urban services according to final price
- Collecting tolls for branches of urban infrastructural networks
- Investment in creating recreational establishments: this kind of investment can be considered as a useful activity with sustainable revenue source because of public working and relevance of the subject with activities of municipalities and despite to its revenue.
- Development of tourism through effective advertisements
- Improvement and application of desirable urban management
- Using public potentials in regard with defining development and revenue making projects
- Optimal use of lands and urban spaces under control of municipalities for suitable uses and assignment to citizens
- Achievement of municipalities to up to date information of lands and properties of cities and revenue gained from it
- Revision of act of municipalities adjusted with existing conditions and codification of new act with the aim of allocating sufficient authorities to municipalities
- Moving in way creating more sustainable revenue using civil credits and definition of income making projects in different industrial, service and other dimensions.

Finally, it could be mentioned that for purpose of having sustainable revenues, it is essential to define nature and formation manner of revenue items at the first and compare them with sustainability criteria. Mental and physical health of citizens; preservation of quality of urban environment and development of infrastructures to supply services to citizens in long-term needs accurate planning to reduce dependence on unsustainable revenues and moving toward reliance on sustainable revenues. Although planning and further studies can provide conditions for more new ideas, it is hope that municipalities of Tehran can take step toward realization of the mentioned issues to be able to enhance portion of sustainable revenues to desirable level.

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