Local authorities are important agents of development. They provide infrastructure and services that contribute to economic development at the local level. Deterioration of services delivered by local authorities in Kenya is evident and lack of financial resources is normally the excuse given by many local authorities. This research sought to find out, the extent to which revenue is collected and utilized at Kakamega Municipal council with a view to suggesting corrective measures. Twenty-nine employees of KMC were randomly picked and interviewed. The data was analyzed using simple descriptive statistics such as tables, charts and graphs. The findings of the study indicate that the challenges affecting revenue collection and utilization in KMC include, over employment leading to supervision problems and budget constraints, Non-payment of taxes by local community, Administrative problems like corruption, Lack of enforcement on revenue collection by local authorities, Lack of administrative capacity to fully tap revenue sources among others. In view of these findings, it is recommended that the council and ministry of local government take urgent corrective measures.