



Republic of the Philippines
Office of the City Mayor
City of Naga, 4400



October 16, 2020

The Honorable Members
Sangguniang Panlungsod
Naga City

Thru : **Hon. CECILIA V. DE ASIS**
City Vice Mayor and Presiding Officer

Ladies and Gentlemen:

I am submitting the Executive Budget for 2021 in the amount of P1,451,588,072.00, a shade higher than this year's annual budget of P1,447,345,730.00. The proposed budget adheres to our on-going thrusts to (a) contain Covid-19, (b) stimulate the economy, (c) sustain the delivery of basic services and (c) continue to build the foundation for our long term growth and development

INCOME

The estimated income of P 1,456,188,072.00 is just a shade higher compared to the current year's pre-Covid estimate of P 1,447,345,730.00 or an increase of P 8,842,342.00. The slight increase is accounted for by a higher beginning balance due to the projected savings generated from the scaled down implementation of programs, projects and activities of departments and offices given the quarantine restrictions, the increase in the combined income of our local economic enterprises due to the revised treatment of free or subsidized health services, and an increase in external sources, primarily from Internal Revenue Allotment. These increments in revenue however will be largely negated by a drop in local taxes and fees resulting in a net annual increase of just 1% of total estimated income. A summary of the changes by source is shown below.

Source	2020	2021	Difference	%
Beginning Balance	58,023,750.00	74,600,000.00	16,576,250.00	29%
Local Taxes and Fees	533,551,530.00	462,204,672.00	(71,346,858.00)	-13%
Local Econ. Enter.	156,949,500.00	172,938,400.00	15,988,900.00	10%
External Sources	698,820,950.00	746,445,000.00	47,624,050.00	7%
TOTAL	1,447,345,730.00	1,456,188,072.00	8,842,342.00	1%

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of our children starting with a new elementary school in Yabu, Carolina wherein site acquisition is on going, new highs schools in Sta. Cruz, San Isidro and Balatas, as well as additional school buildings and facilities for existing public schools. Their funding requirement will be charged against the Special Education Fund, the Local Development Fund, and external sources. As adjunct, we will also upgrade the Bicol Science and Technology Centrum with assistance from the Department of Science and Technology, augment the resources of the Raul S. Roco Library thru additional reading materials, continue our support to our public school teachers, and strengthen the institutional services of our Education, Scholarship and Sports Office. Likewise, we will sustain our network of Educare facilities for our pre-school children and parent incentives under the Sanggawadan program. Combined, our proposed investment in education under this Executive Budget is P80,280,656.79.

Less is more: prioritization of programs and projects based on their beneficial impact on the target beneficiaries will be our norm. Now that we are on a tight budget, we should first apply our resources on where it will matter most to Nagauenos so that even if we cannot fund all our usual programs and projects, we would have rendered the services they need. Our existing services on health, nutrition, and education; on environment, agriculture and waste management, on public safety and traffic management; on tourism, culture and arts; and on all the other programs and projects of the different departments and offices of the city government, are duly funded but not at the level expected by our departments and offices. Indeed, most of our operating budgets will shrink next year, but with assiduous planning, there should be enough to continue the critical services required. If ever, augmentations will be done once local revenue collections regain traction later in the year.

Sustaining long term-growth

The pandemic is not forever. What will persist are the challenges of creating jobs and livelihood opportunities for our people, improving their living environment, and enhancing city hall's capability to make these happen.

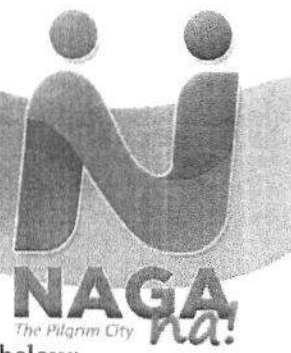
Essential for job creation is investment which we will entice by opening up new areas where business can set up. Thus, we will pursue our road opening projects such as the Mabolo-Almeda By-pass, Road, the Balatas-NCSHS Road, the Calauag-San Felipe Road, and the Queborac-Sta Cruz Road. Substantial segments of these roads were acquired thru dialogue with the owners that led to their donations. Acquisition of right of way for the remaining portions is on-going and will continue next year. They will be funded under the Decentralized Services Sites of the Local Development Fund, from the national budget thru aggressive fund sourcing, and as a last resort, from borrowing.

We will also undertake a comprehensive improvement of our drainage system to address long-nagging flooding problems in various areas of the city. We may not be able to solve all of them but we will surely mitigate them. We have done this in Upville Subdivision in Bgy. San Felipe, we can do it again in other areas of the city. Funding will come from our LDRRMF possibly augmented by borrowing given the extensive rehabilitation and new canal constructions required. The lesser flooding occurs, the better business will be.

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The projected revenue performance of our Local Economic enterprises is summarized below:

Local Economic Enterprise	2020	2021	Difference	%
1. Naga City Public Market	49,277,000.00	47,727,000.00	(1,550,000.00)	-3%
2. Naga City Abattoir	22,000,000.00	21,567,000.00	(433,000.00)	-2%
3. Bicol Central Station	51,070,800.00	49,915,400.00	(1,155,400.00)	-2%
4. Naga City Hospital	13,000,000.00	27,000,000.00	14,000,000.00	108%
5. Our Lady of Lourdes Infirmary	1,686,500.00	6,762,000.00	5,075,500.00	301%
6. City College of Naga	19,915,200.00	19,967,000.00	51,800.00	0%
TOTAL	156,949,500.00	172,938,400.00	15,988,900.00	10%

The substantial increase in the income of our health facilities is anchored on the twin policy of maximized PhilHealth availment and of crediting as income the cost of free services extended to disadvantaged groups by virtue of various ordinances or by way of City Social Welfare and Development grants. For the other economic enterprises, income is projected to either be almost flat or to drop slightly.

National transfers is the saving grace with the internal revenue allotment increasing by 7% from this year's P695,290,950.00 to P741,415,000.00 or by P46,124,050.00. An additional P5,030,000.00 is projected to come from other national transfers, mainly from the city's share from the local collections of the Philippine Gaming Corporation.

The tepid increase in total projected income comes at a time when we have to implement the second tranche of Salary Standardization V, fund newly created plantilla positions, comply with additional pay adjustments of health workers and gradually rationalize the compensation of long-tenured employees and personnel. We also have to contend with the funding requirements of our Covid-19 containment effort—from the operation and maintenance of quarantine facilities and locked down areas to the testing and additional medical, personnel and logistical requirements of our health system. In short, funds have basically remained as is but our requirements have gone up. It is inevitable therefore that we have to slash back on operating expenses of all departments and offices so that there will still be funds remaining for the city's key programs and projects. It is under this inescapable reality that this Executive Budget was hammered and forged. All of us must therefore expect a reduction in our annual allocation for maintenance and other operating expenses and for capital outlay. The more we accept it, the better we can cope.

Notwithstanding our fiscal bind, we will continue to lay the foundations for our long term growth and development by way of aggressive fund sourcing from the national government and borrowing, if need be. This will minimize the burden on our budget while enabling us to pursue major infrastructure works that our economy needs to entice new investments and generate more jobs and livelihood opportunities for Nagauenos. As everyone knows by now, we have initiated fund sourcing right at the start of this administration and the same have already bore fruit by way of key projects now on-going in the city.

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BUDGET PRIORITIES

The recession unleashed by Covid-19 spared no one in a globalized world. We may not have suffered as much in terms of positive cases and mortalities as cities in other countries but the value chain disruptions, shrinking household income and lower demand for goods and services in all economies hit us hard as well. A good number of establishments have laid off their workers, rotated work among those remaining, while others have closed. Equally affected is the city government itself with an expected decline in collections matched by an increase in Covid-related expenditures.

Our response to this challenges is defined by the following budget priorities:

1. Continue our containment effort against Covid-19
2. Stimulate the economy to revive businesses and recreate jobs
3. Strengthen safety nets and social services
4. Sustain our long term growth

Containing Covid-19

RT-PCR Laboratory. By early next year, the city's own RT-PCR modular laboratory will be completed, financed in part by the office of Vice President Leni Robredo. It should be licensed and ready for operation by the first semester of next year. Its operating requirement for this period of national emergency will be charged against the Local Disaster Risk Reduction and Management Fund (LDRRMF). Once the health emergency is over and the lab migrates to other tests, its expenses will be absorbed by its mother unit, the Naga City Hospital.

Allotted under the LDRRMF for the modular laboratory is P5.000 million for its medical and laboratory expenses and available on tap is a P10 million Covid-19 response fund under the Local Development Fund. This will bridge the lab's funding requirement in the meantime that PhilHealth reimbursements and revenue from service fees from those not qualified under the PhilHealth package are accumulating. An ordinance setting up the RT-PCR laboratory, its personnel complement, its fee structure and corresponding special account would be in order.

With our own RT-PCR laboratory, pinpointing positive cases and containing transmissions would be quicker. We do not have to wait days to get swab results expediting informed decisions and appropriate medical interventions by our health officers.

Quarantine. Presently we are maintaining the JMR Coliseum for asymptomatic returning Nagauenos, the Camarines Sur National High School Annex for asymptomatic or mildly symptomatic residents who are close contacts of positive cases, the City College of Naga for positive cases including those with mild symptoms, and the Naga City Youth Center for our medical personnel who are required to quarantine after their 2-week duty. Operating these facilities requires utilities, personal protective equipment, meals, and related supplies which we intend to charge to the P10 million Covid Response Fund under the LDF. Given that our quarantine facilities are now certified both by the Department of Health and PhilHealth, we will sustain their operation thru PhilHealth reimbursements

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Contact tracing. Essential to the Covid-19 drive is tracing close contacts of positive cases. The faster they are contained, the lesser the risk of transmission. Assisting us in this effort is the national government thru the Department of the Interior and Local Government which is now in the process of deploying 197 contact tracers at no cost to the city. The technology and communications infrastructure to support them—such as e-Salvar—are already in place. Maintenance requirements will be handled by the Information and Technology Office, the City Health Office and the Public Safety Office charged to their regular budgetary allocations.

Economic Stimulus Package

We already launched our own stimulus package this year with initial funding of P20 million for small businesses and for displaced workers. Nevertheless, we will add another P3.000 million for Angat Kabuhayan under Metro PESO, P3.000 million for the SARIG Program of the City Agriculture Office, P3.000 million for the Digital Innovations Hub of the Investment and Trade Promotion Office, and P1.000 million under Bayadnihan of the Housing and Settlements Development Office. Our goal is to re-energize small enterprises thru zero-interest loans, and raise demand by putting money in the hands of low-income families thru community employment projects.

Admittedly, these allocations may be small but we will augment them by accessing the well-funded recovery packages under Bayanihan 2 as well as the separate programs and assistance windows of various national agencies such as the DOLE, DTI, DA and DSWD. Where we can tap external resources, we will spare internal funds for other priorities. It will be the additional task of our departments and offices catering to small enterprises and farmers to actively look for and maximize availment of these windows by qualified Nagueno beneficiaries.

Complementing these credit windows are the regular programs of Metro PESO, CAgO, and ITPO, such as extension work, capacity development, technical assistance and jobs fair. Indeed, support for micro, small and medium enterprises have long been in place, we only need to sustain them to complement the stimulus initiatives we started this year.

Social Safety Nets

Given the economic backlash of Covid-19, the 2021 Executive Budget allocates a total of P49.604 million for the implementation of various forms of social amelioration programs of the City Social Welfare and Development Office, a combined P24.152 million for the elderly and persons with disability sectors, P14.300 million for the Sanggawadan Program, and P8.951 million for children and solo parents. These proposed appropriations are mainly in the nature of transfers to indigent or disadvantaged beneficiaries who are least able to surmount the difficulties created by the pandemic. Again, these are programs in place even before Covid-19 but which we are now giving more emphasis given the shift in focus occasioned by the pandemic.

Essential for uplifting the lives of the next generation of Nagauenos is education. We are thus prioritizing the establishment of new schools to bring education closer to the homes

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of our children starting with a new elementary school in Yabu, Carolina wherein site acquisition is on going, new highs schools in Sta. Cruz, San Isidro and Balatas, as well as additional school buildings and facilities for existing public schools. Their funding requirement will be charged against the Special Education Fund, the Local Development Fund, and external sources. As adjunct, we will also upgrade the Bicol Science and Technology Centrum with assistance from the Department of Science and Technology, augment the resources of the Raul S. Roco Library thru additional reading materials, continue our support to our public school teachers, and strengthen the institutional services of our Education, Scholarship and Sports Office. Likewise, we will sustain our network of Educare facilities for our pre-school children and parent incentives under the Sanggawadan program. Combined, our proposed investment in education under this Executive Budget is P80,280,656.79.

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Complementing these initiatives will be the gradual expansion our network of asphalt overlaid roads to improve connectivity among the different activity and commercial hubs in the urban district. Asphalt overlay has a way of attracting businesses and patrons. The pioneers in transforming Magsaysay Avenue into a commercial and lifestyle hub came when the road was asphalt overlaid. Likewise, we will invest in the gradual upscaling of our urban aesthetics—by improving our parks and plazas, sidewalks and walkable areas, and repainting and regreening public structures and spaces. The overall aesthetics of the city is equally important in encouraging investors—and tourists—to spend their money in the city. More money spent, more jobs and livelihood created for Naguenos. Funding requirement for these projects will be sourced from externally sourced assistance, the Local Development Fund, and possibly augmented again by borrowing.

Budget Allocations

The bulk of the 2020 Executive Budget will go to personal services accounting for 42% of the total. This is due to the implementation of the second tranche of Salary Standardization 5, the creation of new plantilla positions in compliance with regulatory requirements of the Department of Health and the Commission on Higher Education, the incremental updating of the organizational structure of our departments and offices, and the casualization of long-time personnel.

Other Maintenance and Operating expenses on the other hand will account for 37% of the total while Capital Outlay, along with the Local Development Fund, will make up 12% of the proposed budget. The rest is accounted for by Local Disaster Risk Reduction and Management Fund at 5% and Special Appropriation at 4%.

The year on year change in budget allocations, on the other hand, shows a drop in all categories except for personal services and Local Disaster Risk Reduction Management Fund. The largest reduction was sustained by capital outlay, but as previously stated, this will be offset by national funding and borrowing to keep our job creating projects on track.

In closing, let me state that this pandemic will not derail our commitments to our people. We will make the most of the local resources we have, augment it thru fund sourcing from the national government—and borrowing if need be, to give to the present and future generations of Naguenos the city we all aspire for. ***Naga Na!***

Thank you very much.

Very truly yours,

NELSON S. LEGACION
City Mayor

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