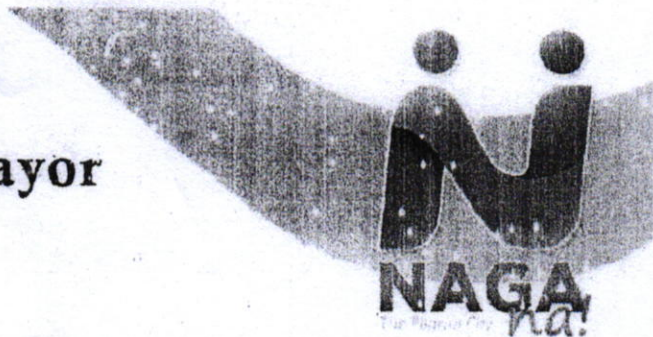




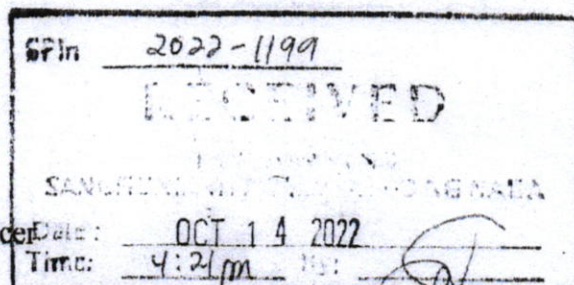
Republic of the Philippines
Office of the City Mayor
City of Naga, 4400



October 14, 2022

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 Local Expenditure Program for 2023 in the amount of P1,500,176,500.00. Admittedly, it is lower by P145,213,773.64 compared to this year's budget of P1,645,390,273.64 or a decrease by 9%. This is an expected occurrence given the previously announced cutback by the Department of Budget and Management in the National Tax Allocation (NTA) for local governments and the fact that our own revenue collection is still recovering from the effects of the pandemic.

It may be said that the percentage reduction is only single digit and should be manageable. But it comes at a time when we need an increase in resources just to maintain our existing level of services. The recurring rise in the cost of electricity and fuel, both of which more than doubled since the start of the year, the adjustment in salaries and wages due to salary standardization and due to the recent minimum wage hike, and the general spike in prices of almost everything, require a very substantial increase in funding just to maintain our current level of service. But as things stand, our 2023 budget will dip instead of rise posing a daunting challenge to each and every department and office of the city government. Clearly, it won't be business as usual for all of us.

Indeed, 2023 will be unlike any other year financially: reduced resources in the face of heightened cost of operation amidst ever-expanding urban development requirements. Given this fiscal bind, each and every one of us must exert a very conscious effort to extract the most public benefit from each peso we spend.

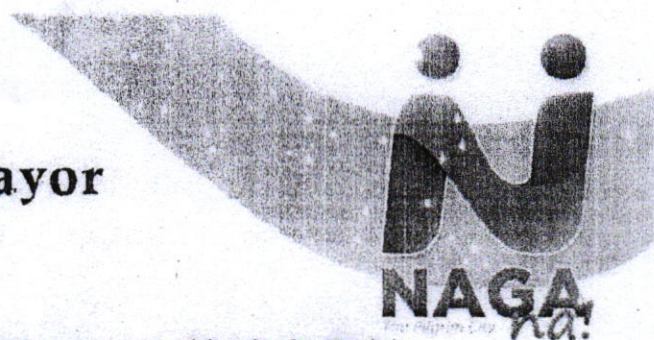
With that as backdrop, let me proceed with the 2023 Local Expenditure Program, or Executive Budget for short.

INCOME

Our estimated income for 2023 is P1,500,176,500.00. Of this amount, the NTA remains the largest source at P875,490,040.00 accounting for more than half of the total. In comparison, the current year's NTA is P1,013,666,596.00, higher by P138,176,556.00 than the 2023 allocation. As we know, the NTA for 2023 is based on national tax collection of the third preceding year, that is, in 2020, the year Covid-



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19 shuttered the economy and depressed government revenue resulting in the drop in local government share. For the same reason, NTA for 2024 will just be slightly higher being based on national revenue in 2021 when the economy was just rebooting.

It is also worth noting that for the first time in years, we do not have a beginning balance. At the rate prices have gone up, particularly for fuel and power, it is hard to project how much will be left of our 2022 budget to fund a beginning balance. We would rather wait for the year-end financial statement to be sure.

Local taxes will make up the second largest source contributing 26.95% of the total at P404,290,000.00. Of this amount, three-fourths will come from business taxes at P299,290,000.00 with the remaining P105,000,000.00 to be provided by real property taxes. The good news is that our income from business taxes is recovering from its dip last year and is now on an upward trajectory. Hopefully, our micro, small and medium enterprises will survive the burden of high fuel and power costs and continue to recreate jobs and livelihood for our people. Income from real property tax was the least affected by the pandemic and is projected to maintain its steady pace next year.

Coming in third is income from our local economic enterprises (LEEs) making up 10.39% of the total at P155,798,240.00. The Market Enterprise Promotion Office (MEPO) and the Bicol Central Station (BCS) are projected to be our top earners contributing 35.40% and 34.40% respectively, or an estimated P55.00 million and P53.60 million, to the share of LEEs. The Naga City Abattoir (NCA) and the Naga City Hospital (NCH) are expected to fill in 20% more at P15.00 million and P16.00 million, respectively. The City College of Naga (CCN) and Our Lady of Lourdes Infirmary (OLLI) will cover the balance of around 10% at P12.09 million and P1.50 million respectively.

Most of the stallholders and tenants of MEPO and BCS are back in business while bus trips are expected to reach pre-pandemic level in the coming months. Robust collection is therefore expected from both LEEs. On the other hand, the NCA is still behind its pre-pandemic and pre-ASF slaughtering volume given the continuing ban on swine growing in the city plus the competition from cheap imported meat. We are anticipating an ASF-Free declaration from the Department of Agriculture this quarter in the absence of any occurrence of ASF among the sentinel pigs tested in the city. This should ramp up the number of pigs for slaughter next year improving collections by the NCA. NCH and OLLI, including CHO 1 and 2, have been instructed to maximize Philhealth availment to help more clients and boost their income. This will help them meet their collection targets, and even exceed them.

Overall, we see a general improvement in all our local revenue sources next year. But we should temper our expectation in light of the prevailing economic situation in the country and globally which experts predict will get worse before getting any better. I am referring to the continuing devaluation of the peso, rising food prices, increasing price of petroleum, inflation, rising interest rates, and, according to the World Bank

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and International Monetary Fund; economic contraction and global recession. These will adversely impact local businesses and entrepreneurs and their attendant jobs and livelihood, which could again have a negative impact on revenue collections. Thus, hand in hand with our optimism, we should anticipate any eventuality, assume the worst, and prioritize our spending.

On my part, I will continue to look for external funding for our priority development projects to ease the burden on our budget. The past months, I personally discussed with certain heads of national agencies, government owned and controlled corporations, the private sector, and legislators some of our key development priorities matching their mandate and sought their support. Our reputation for good governance and results-oriented performance helped elicit positive response from all them. Of course, not all will translate to immediate fund releases but at least they have Naga City on their list. Giving importance to decision makers thru personal visits will give our projects a fighting chance of being prioritized.

EXPENDITURE PRIORITIES

From a focus on Covid-19 response in the 2021 and 2022 Local Expenditure Program, we will shift our attention to growth-inducing public expenditures to hasten economic recovery as well as with an expansive social safety net to cushion the impact of any economic shock on the most vulnerable. Most of our growth-related expenditures will be funded externally focusing on new roads, tourism, public facilities and amenities. On the other hand, expenditures for social safety nets will rely on our budget, along with the continuation of our regular programs and projects, will rely on our budget. Let me just discuss three of these locally-funded safety nets:

- A more integrated primary health care network that will tap additional resources that will make good the promise of Universal Health Care to Nagauenos,
- Support for micro, small and medium enterprises including those in agriculture, as well as emergency job creation for marginalized and dislocated workers.
- Socialized educational assistance, welfare services for poor and marginalized households

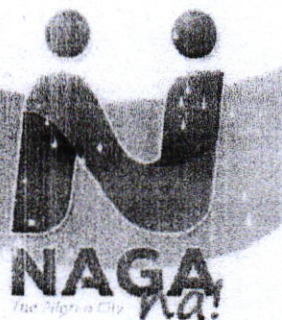
Health and Nutrition

Given our budget constraint, it is essential that we raise the efficiency of our health services. This can be done by managing our various health facilities as one integrated health system under the oversight of our Local Health Board. This will facilitate a more rational allocation of personnel, systematize procurement, maximize the utilization of equipment, and give a more responsive service to our constituents. Heads and key personnel of our city hospital, City Health Office I and II, Our Lady of Lourdes Infirmary and the City Population and Nutrition Office, complemented by

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key people from finance, planning and procurement as well as from the DOH, are now conducting their workshop just for this purpose.

This systems improvement will also consider the forthcoming completion of the new Naga City Hospital in Bgy. Balatas and a Super Health Center in Concepcion Pequena, including their personnel, equipment and commodity requirements. (The Super Health Center is co-financed by the DOH.)

We will also improve our integration with PhilHealth not only to recoup part of our expenses but more importantly, make the Universal Health Care Law a reality for all Nagauenos.

The 2023 Local Expenditure Program is proposing a combined budget of P244,698,648.00 for the health sector

Livelihood and employment

Programs to promote livelihood and employment will continue to be prioritized in the 2023 Executive Budget. These programs will be critical to counter the economic contraction foretold by the WB and IMF. The goal is to train and finance people to engage in entrepreneurial and marketing activities as well as to put money into their pockets thru gainful work in community projects initiated by the city government. The idea is to pump money into domestic circulation—with the poor and marginalized as conduits for greater multiplier and social equity impact—to drive demand and keep our urban economy humming in the face of a possible recession.

The raft of services and lending windows of Metro PESO, complemented by the Naga City Business Stimulus Program and the Naga City Community Employment Program, will be our tools for those in the urban economy. On the other hand, promoting proper farm practices, post-harvest services and marketing support will be our tools for those in our agricultural barangays, plus urban gardening for those in urban poor communities. We will also enter into annual supply agreements with farmers' group for the procurement of farm products thru direct procurement, a mode authorized under the Sagip Saka Act to do away with middlemen enabling farmers to corner a larger share of the profit.

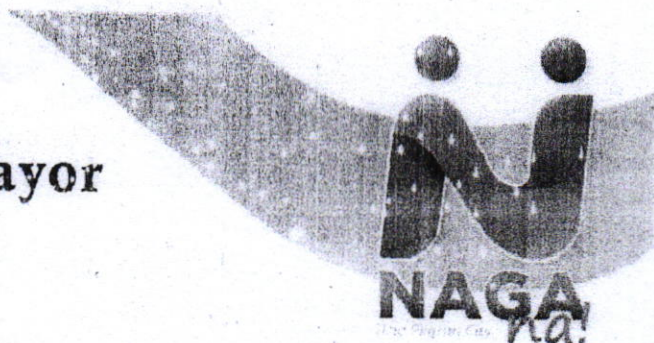
On top of these will be our campaign to attract labor-intensive investments for expanded job generation. Thru our lobbying effort, the Philippine Economic Zone Authority passed last month a PEZA Board Resolution endorsing our industrial park/ecozone. I am confident Malacañang will finally give the nod and come out with a presidential proclamation declaring the area as an ecozone. This will open up jobs for Nagauenos and entrepreneurial and livelihood opportunities for those who will render support and ancillary services to the ecozone and its employees.

The total allocation in the Executive Budget for this purpose is P61,405,678.00.

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Social safety nets

Our social safety net consists of the usual assistance to individuals in crisis situations, sanggawadan and QUEEN programs, scholarship and financial assistance to students, feeding programs for malnourished children and indigent mothers, placement and public employment program, and socialized credit to entrepreneurs and small farmers. The urban agriculture program complemented by the utilization of idle land for urban gardening will likewise provide poor households with free and fresh vegetables.

Total allocation for these safety nets is P203,538,301.00

CONTINUITY FOR REGULAR PROGRAMS

Implementation of the other regular programs and projects of the city government will be sustained. Their funding however will not be at the level requested or expected by all. However way we cut the pie, it can never satisfy anyone as it has grown smaller compared to our current budget. We just have to face the reality that next year is unlike any other: the same deliverables using less resources. The more we accept that reality, the better we can cope with it. In relation to this, may I request this honorable body to suspend next year, and probably the next, implementation of various mandatory appropriation ordinances to better distribute available resources.

The 2023 Local Expenditure Program proposes the following resource allocation by major service area and expense category:

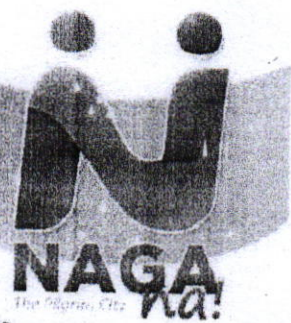
	General Public Services	Social Services	Economic Services	TOTAL
<i>Offices/Departments:</i>				
Personal Services	P 280.29	P 167.66	P 216.55	P 664.50
Maintenance and Other Operating Expenses	191.11	157.90	82.14	92.35
Capital Outlay	0	0	0	0
Total	P 471.40	P 325.56	P 298.69	P 756.85
<i>Non-Office:</i>				
Special Purpose Appropriation	P 53.92	0	0	P 53.92
Local Development Fund	173.40	0	0	173.40
Local Disaster Risk Reduction Mgt Fund75	75.01	0	0	75.01
Total	P 302.33	0	0	P 302.33
GRAND TOTAL	P 773.73	P 325.56	P 298.69	P1,059.18

Personal services will make up nearly 63% of total proposed expenditure, driven by the fourth and final tranche of the salary standardization plus compliance with the magna carta for public health workers and magna carta for social workers.

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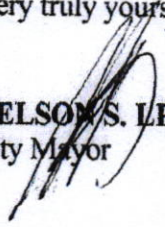
Maintenance and other operating expenses will account for only 9% becoming the shock absorber for the reduction in NTA. However, this will be augmented in the event we realize a surplus out of the current year's budget and collections.

While capital outlay appears to be zero under the Office allocation, it will actually make up the bulk of both the Local Development Fund and the Local Disaster Risk Reduction Management Fund, mainly for development and disaster mitigation projects. Office-related capital outlay however will have to wait for any available savings as we prioritize the needs of our constituents.

Given the

Thank you very much.

Very truly yours,


NELSON S. LEGACION
City Mayor

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