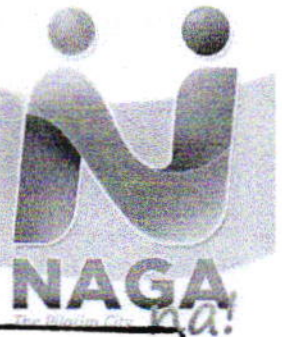




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Office of the City Mayor
 City of Naga, 4400



October 16, 2023

SPIN:	2023-1227
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TANBAPANG SANGGUNIANG PANLUNGSOD NG NAGA	
Date:	OCT 16 2023
Time:	9:45 pm
By:	

Honorable Members
 Sangguniang Panlungsod
 Naga City

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

Ladies and Gentlemen:

I am submitting the proposed budget for 2024 in the amount of P1,635,574,882.00, an increase of 8.89% compared to our current year's budget of P1,502,108,503.00 or a modest hike of P133,466,379.00. This proposed budget will sustain the implementation of our prioritized programs, projects and activities as contained in our 2024 Annual Investment Program in pursuit of our vision outlined in the Naga City Comprehensive Development Plan.

Funding the Budget

Our income estimate for 2024 reflects our robust recovery from the pandemic with local collections projected to increase by 9.89% next year. Business taxes are expected to show the highest increase of 10.60% as well as make up over half of all local revenues next year, i.e., of the P517,373,800.00 in locally generated income, P327,910,750.00 will come from business and business-related taxes. This reflects the trust and confidence of the business sector in the direction our urban development is taking resulting in investments in new ventures and expansion and diversification of existing ones.

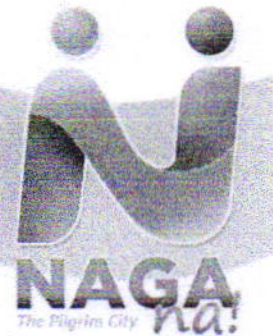
Real property tax, on the other hand, is projected to rise by 7.62% from P105.00 million to P113.00 million as we anticipate increased collections from property developments commenced in recent years and the improvements introduced on existing assets this year.

Indeed, our income from these two major revenue sources—business and real property taxes—is projected to overtake our 2019 pre-pandemic collection from the same sources signalling our transition from merely regaining back what we lost from Covid-19 in terms of jobs and income to generating even more opportunities for economic growth for business and entrepreneurs, and more jobs and income for our people. All other key markers of local income sources, including almost all of our local economic enterprises, show the same positive trajectory indicating to everyone that indeed, we have been, and is, on the right track to a progressive and competitive city

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Notwithstanding a strengthening of our local revenue base, as a percentage of total income, National Tax Allocation (NTA) remains a major source of our entire budget. Next year, our projected NTA dependency is 56.06%. This is true for most local governments following the landmark Mandanas ruling of the Supreme Court which dramatically raised their share of national taxes. In absolute terms however, we have yet to get back the P 1,013,666,596.00 NTA windfall we received in 2022, the initial year of implementation of the Mandanas ruling, as the NTA immediately sank to P866,990,040.00 this year owing to the dismal national collections in 2020 (the reference year for the 2023 NTA). Our NTA next year is equally tepid at just P916,899,982.00 exhibiting barely a 6% improvement over the current year, again the result of the nationwide economic doldrum in 2021, the reference year. We may have to wait until 2025 or even 2026 to see our NTA breaking the billion-peso mark again. Thus, bolstering local collections remains critical for the next fiscal years.

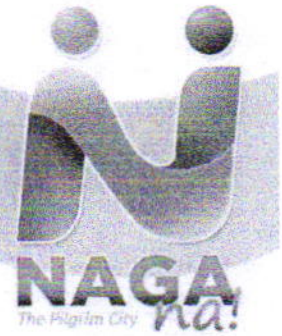
A comparative summary of our projected income for 2023 and 2024 is presented below:

Projected Income: 2023 - 2024

	2019 Actual	2023 Estimate	2024 Estimate	Increase	% Increase	% of Total
A. LOCAL SOURCES (EXCLUDING LEES)	503,529,117.19	470,820,202.00	517,373,800.00	46,553,598.00	9.89%	31.63%
1 Real Property Tax	95,329,860.06	105,000,000.00	113,000,000.00	8,000,000.00	7.62%	6.91%
2 Business Tax	280,409,257.30	275,000,000.00	304,150,750.00	29,150,750.00	10.60%	18.60%
3 Other Business Taxes	41,468,874.14	24,200,000.00	23,760,000.00	- 440,000.00	-1.82%	1.45%
4 Regulatory Fees	68,440,873.81	58,982,202.00	68,778,050.00	9,795,848.00	16.61%	4.21%
5 Other Local Income	17,880,251.88	7,638,000.00	7,685,000.00	47,000.00	0.62%	0.47%
B. EXTERNAL SOURCES	620,470,737.52	875,490,040.00	925,400,982.00	49,910,942.00	5.70%	56.58%
1 National Tax Allocation	616,645,320.00	866,990,040.00	916,899,982.00	49,909,942.00	5.76%	56.06%
2 Share from PagCor, Ecozone, Grants	3,825,417.52	8,500,000.00	8,501,000.00	1,000.00	0.01%	0.52%
C. LOCAL ECONOMIC ENTERPRISES	141,444,237.41	155,798,261.00	192,800,100.00	37,001,839.00	23.75%	11.79%
1 Market Enterprise Promotion Office	63,525,319.69	55,000,000.00	57,500,100.00	2,500,100.00	4.55%	3.52%
2 Naga City District Abattoir	18,094,345.10	15,000,000.00	18,000,000.00	3,000,000.00	20.00%	1.10%
3 Bicol Central Station	47,075,602.10	53,601,680.00	45,000,000.00	- 8,601,680.00	-16.05%	2.75%
4 Naga City General Hospital	10,339,223.21	18,602,100.00	50,000,000.00	31,397,900.00	168.79%	3.06%
5 Our Lady of Lourdes Infirmary	508,274.00	1,500,000.00	2,300,000.00	800,000.00	53.33%	0.14%
6 City College of Naga	1,901,473.31	12,094,481.00	20,000,000.00	7,905,519.00	65.36%	1.22%
TOTAL	1,265,444,092.12	1,502,108,503.00	1,635,574,882.00	133,466,379.00	8.89%	100.00%

Let me close this discussion on budget financing by pointing out the conservative estimate of our bus terminal contrasted by the steep hike in the projected income of the Naga City Hospital, soon to metamorphose as the Naga City General Hospital. The terminal's conservative projection is due to the low recovery in the number of daily trip dispatches in practically all routes. Apparently, not all buses grounded during the pandemic have returned to ply their routes. The adverse impact of the economic downturn certainly depleted the coffers of transport operators resulting in some of their buses not being restored to road worthy condition or being unable to comply with franchise regulations. As for the optimistic forecast for the Naga City Hospital, this is due to a new approach we are adopting to boost its income. We are tapping the so-called Medical Assistance to Indigent Patients (MAIP) Program of the

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national government to finance the services of our hospital, particularly for our marginalized constituents. What this means is that indigent Nagaueno patients will be covered not only by PhilHealth, but also by MAIP in case the cost of their hospitalization exceeds their case rate or their ailment is not covered by PhilHealth. This additional revenue will lift our hospital's income at the same time making our health services ever more accessible to the marginalized sectors of our community. For the last quarter of this year alone, we could have accessed up to P100 million in MAIP funds had it not been for the on-going transition of our hospital from its old building to the new one.

General budget allocation

One-third of the proposed budget or 33.88% will finance Economic Services totalling P506,016,306.81. This will fund the programs and projects under our engineering, maintenance, solid waste, agriculture, environment, employment and livelihood offices as well as our assistance to barangays for their priority projects and our allocation for the local development and disaster risk reduction funds. If we add the funding for our local economic enterprises, our allocation for Economic Services will actually climb to nearly half of the proposed budget at P760,203,521.03 or 46.48% of the total.

Incidentally, we are allocating more than 20% of the NTA to the Local Development Fund to leave sufficient resources for our 2024 priority development projects after providing for debt service. It is 25.05% of NTA, to be exact, or P229,667,112.00. It will fund our wastewater treatment facility at the Naga City public market, site acquisition and school building construction for a new elementary school in Salunguigi, Cararayan, additional school building for the Sta. Cruz National High School, installation of solar street lights along Penafrancia Avenue, and acquisition of right-of-way for our road projects, on top of other priority development projects as identified in our AIP.

Our disaster risk reduction fund will further raise our expenditures for Economic Services with funding for flood control projects, acquisition of disaster response vehicles and of communications and related equipment, and calamity insurance for our properties.

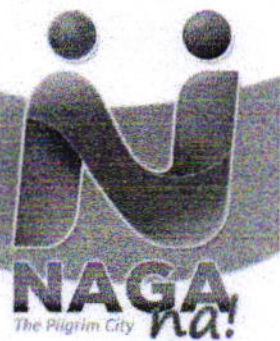
General Administration and Support Services functions will take up a little less than a third at 30.94% or P506,016,606.81 of the proposed budget. This will fund our respective offices (CMO and SP) as well as those for finance, planning, legal, human resources and other offices with administrative and support functions.

The third largest slice will go to Social Services which will eat up 22.58% of the total or P369,354,754.16. This will finance the programs, projects and activities of our health, education, welfare, shelter, and civil registration departments. As discussed above, we are anticipating a further boost to this funding thru the Medical Assistance

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for Indigent Patients Program given our improved access to national funding assistance.

Outside the proposed budget but part of our social services program is an estimated P30 million in school board fund for 2024 which will go to new school buildings, school site acquisition, and various school improvement projects.

Below is a summary of our proposed budgetary allocation by sector and by expense class.

Proposed Budgetary Allocation by Sector and Expense Class

	General Administration Support Services	Social Services	Economic Services	Local Economic Enterprises	TOTAL	% of Total Budget
Personnel Compensation						
Personal Services	285,282,444.44	186,487,546.16	119,256,483.99	102,633,701.04	693,660,175.63	42.41%
Other General Services	36,739,018.00	20,489,518.00	51,842,440.00	40,821,550.00	149,892,526.00	9.16%
Subtotal - Personnel Compensation	322,021,462.44	206,977,064.16	171,098,923.99	143,455,251.04	843,552,701.63	51.58%
MOOE and Office Capital Outlay						
Maintenance and Other Operating Expenses	143,126,944.37	141,286,110.00	36,162,544.00	62,676,690.00	383,252,288.37	23.43%
Capital Outlay - Offices	12,079,000.00	2,857,000.00	8,280,000.00	-	23,216,000.00	1.42%
Subtotal - MOOE and Capital Outlay	155,205,944.37	144,143,110.00	44,442,544.00	62,676,690.00	406,468,288.37	24.85%
Special Purpose Appropriations:						
Various Aid to Barangays	28,789,200.00	18,234,580.00	3,484,000.00	-	50,507,780.00	3.09%
Barnagay Support Fund	-	-	13,500,000.00	-	13,500,000.00	0.83%
Digital Innovation/SWMB Fund	-	-	1,600,000.00	-	1,600,000.00	0.10%
MSME and Employment Programs	-	-	8,500,000.00	-	8,500,000.00	0.52%
Local Development Fund	-	-	229,667,112.00	-	229,667,112.00	14.04%
Local Disaster Risk Reduction and Mgt Fund	-	-	81,779,000.00	-	81,779,000.00	5.00%
Subtotal - Special Purpose Appropriations	28,789,200.00	18,234,580.00	338,530,112.00	-	385,553,892.00	23.57%
Grand Total	506,016,606.81	369,354,754.16	554,071,579.99	206,131,941.04	1,635,574,882.00	100.00%
Percentage of Total Budget	30.94%	22.58%	33.88%	12.60%	100.00%	

Allocation by Expense Class

Looking at the proposed budget by major expense class, half or 42.41% will go to Personal Services at P693,660,175.63, this is for the compensation of our permanent and casual employees, while 9.16% will go to Other General Services at P149,892,526.00 for our contractual and job order personnel. Combined, both make up 51.58% of the proposed budget or P843,552,701.63. The budget for personnel services may require further adjustments if a new round of salary standardization is authorized next year or a regional wage adjustment is implemented. We also have to consider the creation of mandatory positions as required under existing laws and issuances.

Maintenance and Other Operating Expenses (MOOE) accounts for 23.43% or P383,252,288.37 while capital outlay of offices make up P23,216,000.00 or 1.42% of the budget. MOOE includes allocations for fuel and lubricants, electricity, drugs and laboratory expenses, streetlights, scholarships, assistance to indigents, food supplies and welfare goods. Office capital outlay on the other hand will fund the improvement of the City Treasurer's Office, now temporarily housed at the People's Hall, the

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acquisition of additional garbage trucks, and continuing implementation of our Information System Strategic Plan including the acquisition of licensed software.

Finally, Special Purpose Appropriations, consisting of the LDF, LDRRMF, various assistance to barangays and certain special projects, will get P 385,553,892.00 or 23.57% of the proposed budget.

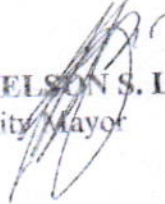
Just like in the past, we will be imposing a 10% reserve on certain maintenance and other operating expenses to serve as buffer for any unforeseen spike in the price of fuel and electricity or similarly urgent contingencies.

Conclusion

The budget proposal of our departments and offices, crafted in accordance with our development plan and investment programs, underwent broad based scrutiny through public presentations arranged by the Naga City People's Council. The feedback generated were integrated into the budget proposal of departments and offices whenever feasible and found their way into this consolidated Executive Budget. I am therefore confident that we have crafted an expenditure program for 2024 that is responsive to the needs of our constituents and supportive of our development agenda. May I therefore seek your support for the passage of this budget.

Thank you very much.

Very truly yours,


NELSON S. LEGACION
City Mayor

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