



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

2024-1242

October 16, 2024

The Honorable Members
Sangguniang Panlungsod
Naga City

OCT 16 2024
2:42pm

[Signature]

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

Ladies and Gentlemen:

I am submitting the proposed 2025 Annual Budget for the General Fund amounting to P1,591,409,152.00 and for the operation of our Local Economic Enterprises in the amount of P287,833,376.00 for a consolidated total of P1,879,242,528.00. This is a 14% increase over our current consolidated budget of P1,650,190,577.00.

Our goals for 2025

This Executive Budget sustains our thrust towards increased employment and livelihood opportunities, improved access to quality health and education services, more livable communities, a more robust and viable agricultural sector, affordable shelter options, and safety nets for marginalized and disadvantaged sectors, all driven by a responsive and efficient city government bureaucracy. These are enunciated in our comprehensive development plan and reflected in the 2025 Annual Investment Program, the later crafted after extensive consultations with various sectors of our city in partnership with the Naga City People's Council and an academe-based non-government organization. The budget proposals prepared by our departments were further scrutinized during the public presentations facilitated again by the Naga City People's Council.

Funding the Budget

Our estimated income for 2025 is P1,879,242,528.00. More than half of that will come from the National Tax Allocation (NTA), 58% to be exact, thanks to the Mandanas ruling. This will raise our NTA-dependency by 2% compared to the current year's 56%. This is understandable considering the sizable increase in next year's NTA amounting to P168,221,446.00 in contrast to this year's increase of only P54.6 million.



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Local taxes will contribute 26% of total income, income from local economic enterprises (LEE) 11%, and non-tax revenues 4%. This mimics their existing share in the current budget though there is a slight dip in the share from local taxes and LEE, from 27% to 26% and from 12% to 11%, respectively. Again, this is due to the P168.22 million surge in NTA which shrunk the contribution of local collections percentage wise. Collection in actual pesos however will rise for all.

Business tax collections are projected to reach P349,761,700.00, making up 19% of total income for 2025. This represents an increase of P45,610,950.00 compared to this year's target of P304,150,750.00. This will be driven by the improved business environment in our city—which we are now seeing with the resurgence of micro, small and medium enterprises as well as the opening of national chains such as the Landers Superstore Naga. To ensure we collect what is due, the necessary logistical support to the City Treasurer's Office, particularly on mobility and manpower, has been included in this Executive Budget.

Although it is only one-third the size of business taxes, real property tax is still the second-largest contributor to our local income accounting for 6% of the total. We anticipate it to contribute P115.00 million next year, a modest increase of P2.00 million from this year's P113.00 million. This conservative projection compensates for the optimistic estimate we had this year pegged at P99.13 million. The Local Finance Committee opted for prudence in making its projection citing the gap still for collection as of the time it made its estimate. We can expect real property taxes to rise in 2026 (capped at 6% per taxpayer) once the schedule of market values is revised and this honorable body adjusts assessment and tax rate levels as per Republic Act No. 12001 or the "Real Property Valuation and Assessment Reform Act." The revisions and rate adjustments are supposed to be completed next year to pave the way for their implementation in 2026.

Non-tax revenues such as fees and charges for licenses, registration, permits, inspection, clearances as well as income from rents, services, and interests are estimated to make up 4% or P83.32 million of the total, a P20.70 million improvement compared to this year. The increase for each type of fee or charge will actually be modest but taken together they still constitute a substantial sum.

The Naga City Public Market, Bicol Central Station and the Naga City General Hospital come in next with each contributing around 3% to our 2025 estimate for a total of 8.8%, or P165.45 million combined. The public market though is projected to see a dip in actual collection by around P2.5 million as most of the penalties arising from delinquencies and sale of stalls (goodwill) have been collected over the past years leaving it to rely mainly on current rentals. From a high of P63.70 million in



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2023, market income is projected to slide down to P57.50 million this year and P55.00 million in 2025. Notwithstanding this trend, it still is a significant contributor to local income. Fortunately, this drop will be more than offset by a projected hike of P5.40 million in the collection of the Bicol Central Station due to adjusted terminal fees and normalized trip dispatches, and P10.00 million from the Naga City General Hospital mainly from PhilHealth reimbursements and subsidy from the Medical Assistance for Indigent and Financially Incapacitated Patients (MAIFIP), a program of the Department of Health for the needy. The improved collections of the terminal and the hospital will boost their projected income to P50.46 million and P60.00 million, respectively.

The Naga City District Abattoir is projected to raise P25.00 million next year, better by P7 million compared to this year. Its adjusted fees coupled with the addition of clients from a neighboring abattoir due for rehabilitation as well as increased throughput accounts for this uptick. The City College of Naga (CCN) will also raise P15.00 million while Our Lady of Lourdes Infirmary P4.00 million. An appropriation of P5 million has been included under ESSO as subsidy to Nagueno students with Related Learning Experience subjects at CCN. This will allow the proper recognition of income by our local college for actual services rendered. As for OLLI, we intend to improve its revenue by operationalizing its laboratory. As of now, patients of OLLI who are referred to the Naga City General Hospital for laboratory works often do not return to OLLI to complete their diagnosis and treatment. The lab will help OLLI retain its patients with their corresponding fees and PhilHealth reimbursements boosting its income, and more importantly, add to their clients' convenience.

Other taxes consisting of franchise tax, amusement tax, community tax, sand and gravel tax, professional tax, and taxes on manufacturers, assemblers, repackers, distributors, exporters, retailers, caterers, and contractors will bring in P28.58 million more and account for 2% of our total estimated income.

Overall, we expect our revenue stream to sustain our priority programs, projects and activities next year. And once in Congress, I assure your good selves of a robust pipeline of national assistance, particularly for the projects we have started, and ensure Nagauenos enjoy the opportunities and services they will bring.

Budgetary Allocations

The bulk of the proposed 2025 Annual Budget or 36% will fund General Public Services. These comprise the offices charged with the general administration of the city government and rendering various public services. Among them are the City Mayor's Office, Sangguniang Panlungsod, City Legal Office, the finance, property



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and procurement offices, and the sanitation and environment departments. Their combined budget is P672.27 million.

Social and Economic Services account for 24% each of the budget for a combined total of 48%. Social Services are made up of our social welfare, health and nutrition, education and shelter offices with a total allocation of P460.35 million of which P49.2 million will come from the Local Development Fund. On the other hand, our investment promotion, tourism, engineering, agriculture and livelihood and employment offices make up Economic Services with a combined allocation of P452.49 million of which P167.82 will come from LDF.

Our Local Economic Enterprises make up the remaining 16% of the consolidated budget or P294.13 million.

On the other hand, Personal Services or compensation for permanent and casual employees accounts for 43% of the proposed budget at P801.61 million. Maintenance and Other Operating Expenses come next at 35% of the total or P652.07 million while Office Capital Outlay has the lowest allocation of 2% or P32.09 million.

The Local Development Fund will contribute P217.02 million which is 12% of the budget, mainly for social and economic services, the City Disaster Risk Reduction and Management Fund on the other hand has P28.19 million as Quick Reaction Fund and P65.77 million for disaster preparedness, mitigation and rehabilitation projects.

SUMMARY OF BUDGETARY ALLOCATION
By Sector and Major Expense Class

Expense Class	General	Social	Economic	LEE	Total	%
Personal Services	324,778,092.82	210,106,740.00	139,146,457.00	127,577,698.00	801,608,987.82	43%
Maintenance and Other Operating Exp	224,469,498.18	161,411,229.00	109,719,160.00	156,467,434.00	652,067,321.18	35%
Capital Outlay	12,344,594.00	6,750,000.00	2,910,000.00	10,083,712.00	32,088,306.00	2%
Special Purpose Appropriation	82,491,500.00	-	-	-	82,491,500.00	4%
Local Development Fund	-	49,200,000.00	167,824,286.00	-	217,024,286.00	12%
Local Disaster Risk Reduction and Mgt Fund	28,188,638.10	32,886,744.45	32,886,744.45	-	93,962,127.00	5%
GRAND TOTAL	672,272,323.10	460,354,713.45	452,486,647.45	294,128,844.00	1,879,242,528.00	100%
Percentage share	36%	24%	24%	16%	100%	

Key Budget Highlights

Increased employment and livelihood opportunities

If every Nagueno has a gainful job, or a viable business, or operates a profitable farm, or otherwise have a source of livelihood generating enough income for the family's needs, then most of the challenges facing us today will be addressed or mitigated—from housing to health, education to environment, peace and order to disasters—as

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our people will be able to provide these services to themselves and have the inclination and capacity to observe laws and rules and, in addition, pay the taxes that will fund vital public infrastructure and services. Our goal is to have more Nagaueno transition to this status to really make this city a *Maogmang Lugar*.

Key to job generation is enhancing our city's attractiveness to investment, particularly from the private sector. Our lead department here is our Investment and Tourism Promotion Office (ITPO). Towards this end, ITPO has been actively inviting potential locators to our newly established economic zone with one having already made its initial investment. ITPO will also continue its support for creatives and start-ups thru our innovation fund and innovation hub, attract new business process outsourcing entrants and help those intending to expand their seats, and continue its coordination with academic institutions to align graduates with industry requirements.

Tourism is another way to create jobs as each peso spent by a tourist is income for multiple Nagauenos as such peso go thru the value chain: say from a banana cue vendor to the raw banana wholesaler to the banana farmer to the farmer's laborer, and so on. Tourism is now in the hands of ITPO.

For these dual tasks, the 2025 Executive Budget is proposing to strengthen its manpower complement, as well as provide it with the necessary logistical support to push its investment and tourism promotion agenda. Thus, from P10.67 million this year, we have raised its allocation to P13.8 million in the proposed 2025 annual budget and added P1.5 million for the innovation fund and operation of the innovation hub.

With ITPO targeting big ticket investments, the Metro Naga Public Employment Service Office (Metro PESO) will focus on micro, small and medium enterprises (MSME) which easily accounts for no less than 90% of all businesses in the city. Metro PESO renders capacity development and market linkaging services and extends socialized credit to MSMEs which includes a growing number of cooperatives. For those who are not business-inclined, the office has employment matching services for job seekers and displaced OFWs and summer job placement for students. A total of P30.59 million has been allocated for Metro PESO's various programs in the 2025 Executive Budget.

Of the city's 8,448 hectares land area, 4,550 hectares or 54% is still classified as agricultural with rice still the dominant crop followed by corn, high-value crops and coconut. A smaller portion is devoted to cattle, poultry and livestock. To assist our farmers, the 2025 Executive Budget provides P26.92 million to the City Agriculture Office for its farmer training and extension services, farm mechanization and post-



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harvest services, interest-free farm input loans, food processing training, and fishery support activities. Corollary to these direct services, we are shifting to direct procurement from farmers for our rice, and if available, vegetable, requirements to further help them market their produce. For poultry, livestock and pet owners, the City Veterinary Office has P12.53 million for its veterinary services. It also gets a separate P2.5 million allocation from the balances of prior years' Local Disaster Risk Reduction and Management Fund 'to enable it to quickly respond to outbreaks of African Swine fever and related diseases.

Improved access to quality health and education services

Our accomplishment in this sector is significant, to say the least. With 7 new public schools completed and an 8th coming next year, a new general hospital and a primary health care facility in Sta. Cruz and another one in Concepcion Pequena, all in just five years of my administration. What these mean is improved access to education and health services by our people.

We will build on these accomplishments by providing our health facilities with the required manpower and logistics to meet or exceed the licensing standards of the Department of Health and PhilHealth, and additional buildings and learning facilities for our schools as they climb in grade level and expand their school population.

For the Naga City General Hospital, we are proposing a budget of P141.44 million, some P12.96 million higher than its current budget. This reflects the increase in the number of clientele, bed capacity, and expanded services of the new facility. We also have to comply with DOH standards on personnel complement with their attendant magna carta benefits on top of the requirements for medical equipment and physical facilities.

Our city health offices I and II, which are in charge of public health promotion (preventive health services) are allocated P140.94 million and P38.75 million, respectively. The Emergency Medical Service, an attached unit of CHO I, will also get P10.68 million for the operation and maintenance of their response units. In addition, P0.67 million will fund our AIDS, Blood Program and the Local Health Board.

To serve our upland barangays, P27.30 million is proposed to fund Our Lady of Lourdes Infirmary. We are looking at operationalizing basic laboratory services in OLLI by next year so that its patients need not go to NCGH to get their tests, with some not returning to the facility thus depriving it of its rightful income from PhilHealth. Its proposed budget includes funding for the personnel of its laboratory.



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Complementing our health facilities is the City Nutrition and Population Office which gets P23.23 million in the 2025 Executive Budget. This already includes a counterpart fund of P1.00 million for The Challenge Initiative and funding for its regular programs on nutrition, health and population services.

Waste management

We have added four new trucks this year to reinforce the ageing garbage trucks of SWMO. We hope to add two more this year and another two next year to normalize collection schedule throughout the city. Funding will come from the Local Disaster Risk Reduction and Management Fund as the trucks are also deployed as evacuation platforms in extreme flooding situations and for clearing and rehabilitation operations after a disaster. The proposed budget of SWMO in the 2025 Executive Budget is P88.62 million to fund the operation of the sanitary landfill, its water treatment facility, garbage collection, truck and machinery repairs and maintenance, waste recycling and reuse projects, and special projects implementation. With this budget, we anticipate a further improvement in the already impressive waste management services of SWMO coupled by reduced waste generation.

Conclusion

Submitted together with this Message are the Local Expenditure Program, Plantilla of Personnel, Annual Operating Budget of LEEs, approved Annual Investment Program and other supporting schedules. Gentlemen and Ladies of the Sanggunian, this budget proposal manifests our determination to lay a strong foundation for a greater and progressive city. Let us join hands as we go about our mission of providing a brighter future for our constituents.

Thank you very much.

Very truly yours,

NELSON S. LEGACION
City Mayor