



REPUBLIC OF THE PHILIPPINES

Department of Budget and Management

Malacañang, Manila

CORPORATE OPERATING BUDGET

Calendar Year 2012

TO: LOCAL WATER UTILITIES ADMINISTRATION (LWUA)

Your Corporate Operating Budget (COB) for Calendar Year 2012 per Board Resolution No. 100 dated June 25, 2012 submitted pursuant to Section 6 of Executive Order (E.O.) No. 518, series of 1979 and Section 19, Chapter 3, Book VI of E.O. No. 292, series of 1987, is hereby approved for a total amount not exceeding **FOUR BILLION FIFTY SIX MILLION THREE THOUSAND PESOS ONLY (P4,056,003,000)** details of which are shown below:

| PARTICULARS | PROPOSAL | | APPROVED | | VARIANCE | |
|---|-----------------|-----------------|------------------|--|----------|--|
| | (a) | (b) | (c=b-a) | | | |
| TOTAL SOURCES: | P 5,041,295,000 | P 4,441,295,000 | P (600,000,000) | | | |
| Corporate Income | 1,107,428,000 | 1,107,428,000 | - | | | |
| Others | 800,651,000 | 800,651,000 | - | | | |
| NG Subsidy | 1,300,000,000 | 700,000,000 | (600,000,000) a/ | | | |
| Foreign Borrowings | 235,002,000 | 235,002,000 | - | | | |
| Beginning Cash Balance | 1,598,214,000 | 1,598,214,000 | - | | | |
| TOTAL USES: | P 4,924,677,000 | P 4,056,003,000 | P (868,674,000) | | | |
| Personal Services (PS) | 1,194,738,000 | 411,846,000 | (782,892,000) b/ | | | |
| Maintenance & Other Operating Expenses (MOOE) | 1,417,040,000 | 1,331,258,000 | (85,782,000) c/ | | | |
| Capital Outlays (CO) | 2,312,899,000 | 2,312,899,000 | d/ | | | |
| EXCESS/SHORTFALL | P 116,618,000 | P 385,292,000 | P 268,674,000 | | | |

Footnotes:

a/ Proposed NG Subsidy for the LWUA Early Retirement Incentive Package which is not recommended.

b/ The variance of P782,892,000 refers to the following:
(based on 576 positions)

| | | Remarks |
|---|--------------|--|
| Excess Provision: | | |
| Salaries | P 39,812,000 | Excess provision for 576 filled positions. |
| Casual Positions | 1,957,000 | No approval for the extension of services of Casual positions. |
| Representation and Transportation Allowance | 6,037,000 | RATA for incumbents as of June 30, 1989 is computed at 40% of basic salary per Letter of Implementation (LOImp.) No. 97. Personnel hired thereafter shall be entitled to RATA in accordance with rate provided under Sec. 45 General Provisions, R.A. No. 10155, FY 2012 GAA. Transportation allowance shall not be granted to officials who are assigned with or presently using government motor vehicles. |
| Uniform/Clothing Allowance | 576,000 | Pegged at P5,000/employee. |
| Year-End Bonus | 2,579,000 | Equivalent to one month basic salary. |
| Meal Subsidy | 28,569,000 | Per LOImp. No. 97, P66/mo. for incumbents of positions as of June 30, 1989. |
| Rice Allowance | 2,736,000 | Per LOImp. No. 97, P2,000/mo. for incumbents of positions as of June 30, 1989. Should be given in kind. |
| Medical Benefits | 10,653,000 | Per LOImp. No. 97, P2,500/yr. for incumbents of positions as of June 30, 1989. |
| Per Diem | 115,000 | Computed based on the rate approved for LWUA by Governance Commission for GOCCs in its letter dated November 16, 2011. |
| Monetization of Leave Credits | 15,000,000 | Chargeable against savings per CSC-DBM Joint Circular No. 2-97 dated June 25, 1997. |

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| | | |
|---|-----------------------------|--|
| Children's Allowance | 228,000 | Per LOImp. No. 97, P30 x 4 children x 12 mos. x 462 incumbents of positions as of June 30, 1989, pegged at FY 2011 actual level. |
| PRAISE | 27,699,000 | No CSC approved program for the implementation of PRAISE. |
| Retirement and Life Insurance Premium | 4,777,000 | Equivalent to 12% of basic salary. |
| Philhealth Contributions | 384,000 | Computed based on DBM Circular Letter No. 2012-12 dated June 29, 2012. |
| Sub-Total | P <u>141,122,000</u> | |
| No Legal Basis: Provident Fund | 41,770,000 | Subject to the provisions of Item 5.3.2 of BC No. 2008-3. Government monetary contribution cannot be given pending issuance of DBM guidelines. |
| LWUA Early Retirement Incentive Package | 600,000,000 | No OP approval. |
| Sub-Total | P <u>641,770,000</u> | |
| TOTAL | P <u>782,892,000</u> | |

The LWUA shall strictly adhere to the following provisions of laws:

Under Section 6 of Presidential Decree No. 1597, GOCCs/GFIs exempted from the standardized/unified compensation scheme of the government shall observe such guidelines and policies as may be issued by the President governing position classification, salary rates, levels of allowances, and other forms of compensation and fringe benefits. Such government corporations shall report to the President, through the DBM, on their position classification and compensation plans, policies, rates and other related details following such specifications as may be prescribed by the President. Section 5 thereof, also provides that allowances, honoraria and other fringe benefits shall be subject to the approval of the President upon recommendation of the DBM.

Sections 1 to 3 of Memorandum Order No. 20, s. 2001 directed GOCCs/GFIs that are exempted from the Salary Standardization Law (SSL) as follows:

1. Immediately suspend the grant of any salary increases and new or increased benefits not in accordance with those granted under SSL. This suspension covers senior officers and members of the board of directors/trustees.
2. Prepare a pay rationalization plan for senior officer positions and members of the board to reduce the actual pay package to not exceeding two (2) times the standardized rates for comparable national government positions.
3. Any increase in salary or compensation of GOCCs/GFIs that are not in accordance with the SSL shall be subject to the approval of the President.

Further, Section 9 of Joint Resolution No. 4, s. 2009 provided that exempt entities shall observe the policies, parameters and guidelines governing position classification, salary rates, categories and rates of allowances, benefits and incentives, prescribed by the President. Any increase in the existing salary rates as well as the grant of new allowances, benefits and incentives, or an increase in the rates thereof shall be subject to the approval by the President, upon recommendation of the DBM. Section 10 thereof, required exempt entities to submit their existing compensation and position classification systems and their implementation status to the DBM.

Sections 8 to 10 of E.O. No. 7, s. 2010 mandated that:

1. GOCCs/GFIs shall submit information of all salaries, allowances, incentives and other benefits.
2. Except salary adjustments pursuant to E.O. Nos. 811, s. 2009, 900, s. 2010, and 40, s. 2011, a moratorium on the increases in the rates of salaries, and the grant of new or increases in the rates of allowances, incentives and other benefits is imposed until specifically authorized by the President.

The grant of per diem, allowances, bonuses, incentives, and other perks to members of the board of directors/trustees of GOCCs/GFIs shall be governed by E.O. No. 24, s. 2011.

c/ MOOE level is computed considering actual/audited expenses for the previous years and effects of inflation.

Extraordinary and Miscellaneous Expenses pegged at P614,000, computed at rates authorized under Sec. 23, General Provisions, R. A. No. 10155, FY 2012 GAA.

d/ CO level is recommended as proposed broken down as follows:

| | |
|--|-------------------------------|
| Loans Outlay | P 2,279,002,000 |
| Furniture, Fixtures, Eqpt. & Book Outlay | 33,897,000 |
| | P <u>2,312,899,000</u> |

The approval of the COB shall be subject to the following conditions:

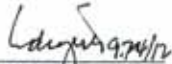
1. All expenditures, whether for current operating expenditures or COs, shall be made within the limits of available funds realized from corporate receipts, authorized corporate borrowings and National Government budgetary support either in the form of subsidy, equity or loans outlay.

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2. Disbursements for personnel amelioration/benefit shall be subject to the pertinent compensation laws, rules and regulations including E.O. Nos. 7 and 24 dated September 8, 2010 and February 10, 2011, respectively. Such expenditures shall also be conditioned on the relevant General Provisions of Republic Act (R.A.) No. 10155, the FY 2012 General Appropriations Act (ex. Representation and Transportation Allowance under Section 45, General Provisions), or any specific law or approval of the President of the Philippines or Secretary of Budget and Management, as the case maybe.
3. Disbursements for extraordinary and miscellaneous expenses shall be subject to Section 23, General Provisions of R.A. No. 10155.
4. Disbursements from the Confidential and Intelligence Fund shall be covered by an approval from the President of the Philippines.
5. For equipment items per Annual Equipment Procurement Program that require specific clearance/approval from the Agencies concerned (ex. National Computer Center for information technology equipment and Office of the President/Department of Budget and Management/Supervising Department for motor vehicles), the same shall be secured before acquisition thereof in accordance with Corporate Budget Circular No. 17 dated February 9, 1996, National Budget Circular Nos. 446 and 446-A dated November 24, 1995 and January 30, 1998, respectively, Budget Circular No. 2010-2 dated March 1, 2010, Administrative Order (A.O.) No. 233 dated August 1, 2008, Office of the President Memorandum Circular No. 9 dated December 14, 2010 and A.O. No. 15 dated May 25, 2011, among others.
6. The fiscal discipline measures prescribed under A.O. No. 103 dated August 31, 2004 shall be observed.
7. It is understood that this review action does not authorize any item of expenditure that is prohibited by or inconsistent with the provisions of law.
8. The pertinent laws, rules and regulations including those on compensation, procurement, budgeting, accounting and auditing shall be strictly followed. Compliance with all existing laws, rules and regulations shall be the responsibility of the implementing government corporation.

Recommending Approval:


LORENZO C. DRAPETE
Director, BMB-F

Approved:
By Authority of the Secretary:


MARIO L. RELAMPAGOS
Undersecretary *law*

Date: September 28, 2012

COB No. F3-12-0037

cc: The Chairman
Board of Directors, LWUA

Assistant Commissioner Lourdes M. Castillo
Commission on Audit (COA) - Central Office
COA Building, Quezon City

The Resident Auditor
COA - LWUA

ODA - Administrative Services

OAD Proper

26/9/12

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