



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
GENERAL SOLANO STREET, SAN MIGUEL, MANILA



CORPORATE COMPENSATION CIRCULAR

No. 13
March 25, 2022

To : All Heads of Local Water Districts (LWDs), and All Others Concerned

Subject : **REITERATING RULES AND REGULATIONS FOR THE LWD BENEFITS**

1.0 **PURPOSE**

This Circular is being issued to clarify and reiterate the rules and policies in the grant of LWD Benefits for consistency and uniformity.

2.0 **RATIONALE**

2.1 The LWDs were created by virtue of special law, Presidential Decree (PD) No. 198,¹ as amended by PD Nos. 768² and 1749,³ and further amended by Republic Act (RA) No. 9286.⁴ Although created by a special law, LWDs used to operate as private corporations, independent of and free from the coverage, mandatory review and periodic examination of national government agencies with oversight functions, such as the DBM, the Civil Service Commission (CSC) and the Commission on Audit (COA).

2.2 It was only on March 12, 1992, in the case of Davao City Water District, et al. vs. CSC and COA in General Register (GR) No. 95237-38 (Davao case), when the Supreme Court (SC) declared with finality that all LWDs are Government-Owned or-Controlled Corporations (GOCCs) thereby subjecting all LWDs to the policies, rules and regulations, and to the usual mandatory review and examination of the above-mentioned oversight agencies. Although the SC ruling was effective March 12, 1992, LWDs were not yet formally placed under the coverage of RA No. 6758 as of January 1, 1997.

¹ Provincial Water Utilities Act of 1973 dated May 25, 2973

² Declaring A National Policy Favoring Local Operation and Control of Water Systems; Authorizing the Formation of Local Water Districts and Providing for the Government the Administration of such District; Chartering a National Administration to Facilitate Improvement of Local Water Facilities; Granting said Administration such Powers as are Necessary to Optimize Public Service from Water Utility Operations, and for Other Purposes

³ Amending Presidential Decree No. 1515 Vesting the Jurisdiction and Control Over Watershed Reservations in the Ministry of Energy and for Other Purposes

⁴ An Act Further Amending Presidential Decree No. 198, Otherwise Known as "The Provincial Water Utilities Act of 1973," as Amended

- 2.3 To implement RA No. 6758, the DBM issued Corporate Compensation Circular (CCC) No. 10 ordering the discontinuance of other allowances and fringe benefits to be granted to employees on top of basic salary effective November 1989. However, in the case of Rodolfo S. De Jesus, et al., vs. Commission on Audit, et al., GR No. 109023, August 12, 1998, the SC ruled CCC No. 10 as ineffective due to its non-publication in the Official Gazette or in a newspaper of general circulation in the country. Said DBM issuance was republished on 1999 and that set the cut-off date.
- 2.4 As such, the DBM issued a letter-reply to the Davao City Water District dated November 8, 2000 and to the Philippine Association of Water District (PAWD) dated April 27, 2001, granting authorization for LWDs to continue the grant of allowances/fringe benefits that are found to be established and existing practice as of December 31, 1999, provided among others, that the grant shall be limited only to incumbents as of December 31, 1999. Further, said authority shall apply to all LWDs, regardless of category, provided that they comply with the conditions set forth therein.

3.0 **COVERAGE**

This Circular shall apply to all LWDs with existing allowances and benefits that are outside of what has been prescribed by law and other compensation issuances but are found to be an established and existing practice as of **July 1, 1989**.

4.0 **GENERAL POLICIES**

4.1 Grant of allowances and benefits that are outside of what has been prescribed by law and other compensation issuances but are found to be an established and existing practice as of **July 1, 1989, may be allowed to be continued** consistent with the policy on non-diminution of pay, subject to the following conditions, consistent with the Supreme Court Ruling in the case of Metropolitan Naga Water District v. COA:⁵

4.1.1 The recipients were incumbents when RA No. 6758 took effect on July 1, 1989;

4.1.2 They were in fact, receiving the same, at the time; and

⁵ 785 SCRA 624 (2016)

- 4.1.3 Such additional compensation is distinct and separate from the excepted allowances under CCC No. 10, as it is not integrated into the standardized salary rates.
- 4.2 As agreed by the created Technical Working Group,⁶ the continuous grant shall be subject to the following enhanced parameters or conditions for purposes of sustainability and performance-based grant of such benefits:
 - 4.2.1 Funds availability and sustainability of LWDs as reflected in the LWD Board-approved Corporate Operating Budget;
 - 4.2.2 The implementation of the grant of benefits shall not result to a justification in the increase of water tariff rates;
 - 4.2.3 Personnel Services cost shall not exceed 45% of the total Regular Income or the total Operating Cost, whichever as the maximum allowable limit based on category to be determined by the Implementing Rules and Regulations;
 - 4.2.4 LWDs shall maintain a positive balance average net income at the end of the year;
 - 4.2.5 Up-to-date debt service payment with certification of updated no arrears issued as of year-end by the Local Water Utilities Administration (LWUA);
 - 4.2.6 Total work bodies of authorized positions to total active service connection should not be less than one (1) employee for every 120 active service connections; and
 - 4.2.7 Any increase in the benefits and grant of new benefits shall require prior approval of the President upon recommendation of the DBM.
- 4.3 For employees hired after **July 1, 1989**, LWDs, being a GOCC, may only grant the allowances and benefits authorized and in accordance with the rates, rules and regulations under the Salary Standardization Law (SSL). Regardless of LWD's financial position, it cannot go beyond the rates of allowances and benefits prescribed under the SSL.

⁶ Consist of representatives from the DBM, LWUA, PAWD, and selected LWDs

5.0 **SPECIFIC GUIDELINES**

5.1 Retiree's Incentives

This may be continued at rates before the cut-off date provided that beneficiaries are the previously identified incumbents and benefits are not duplicative of the retirement benefits authorized under the Government Service Insurance System law.

5.2 Rice Allowance

If given in a monetary value, incumbents may only be granted at rates that has been approved by the Board as of **July 1, 1989**.

5.3 Provident Fund

Item 5.3.2.2 of DBM Budget Circular No. 2008-3 states that "government monetary contributions sourced from savings may be authorized in the future subject to the evaluation of the financial position of GOCCs and to the guidelines that will be issued by Department of Budget and Management (DBM)."

Section 5 states that the provident fund is one of the indirect compensation that is excluded from the Total Compensation Framework, thus there is a need for this benefit to be rationalized in accordance with the policies to be issued by the President upon recommendation of the Task Force created in Section 7 hereof.

Section 9 mandates a moratorium on increases in the rates of salaries and the grant of new or increases in the rates of allowances, incentives and other benefits, except salary adjustments pursuant to EO No. 811 dated June 17, 2009 and EO No. 900 dated June 23, 2010. The moratorium is imposed until specifically lifted by the President.

Inasmuch as Provident Fund was created prior to the effectivity of BC No. 2008-3 and EO No. 641 and in view of the moratorium under EO No. 7, the employer share in its Provident Fund may be continued at the rate of 5% only, provided that the corporation's financial position continues to show positive result and growth.

5.4 Moratorium on Benefits

Section 9 of Executive Order (EO) No. 7 dated September 8, 2010 provides that moratorium on increases in the rates of salaries, and the grant of new or increases in the rates of allowances, incentives and other benefits, except salary adjustments pursuant to EO No. 811 dated June 17, 2009 and EO No. 900 dated June 23, 2010, are hereby imposed until specifically authorized by the President.


6.0 **RESPONSIBILITY OF AGENCY HEADS**

Agency heads shall be held responsible for the proper implementation of the provisions of this Circular. They shall be held administratively, civilly, and/or criminally liable, as the case may be, for any payment of herein allowances/benefits not in accordance with the provisions herein without prejudice to the refund by the personnel concerned for any unauthorized or excess payments.

7.0 **SAVING CLAUSE**

Cases not covered by the provisions of this Circular shall be referred to the Secretary of Budget and Management for resolution.

For the guidance and compliance of all concerned.


TINA ROSE MARIE L. CANDA
Officer-in-Charge

