



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



## CORPORATE BUDGET CIRCULAR

No.: 25

Date: OCT 24 2023

TO : The Heads and Officials Concerned of the Local Water Utilities Administration (LWUA), and Local Water Districts (LWDs); Department of Budget and Management (DBM) Bureaus, Services, and Offices Concerned; DBM Regional Offices (ROs); and All Others Concerned

SUBJECT : **GUIDELINES FOR THE PREPARATION AND SUBMISSION OF THE CORPORATE OPERATING BUDGET OF LWDs FOR FISCAL YEAR 2024 AND THEREAFTER**

### 1.0 RATIONALE

Pursuant to the Supreme Court ruling in the *Case of Davao City Water District, et al. vs. Civil Service Commission [CSC] and Commission on Audit [COA], GR. No. 95237-38*, the LWDs are considered as Government-Owned or -Controlled Corporations (GOCCs). Consequently, the LWD budgets are subject to the policies, rules and regulations of, and to the mandatory review and examination by oversight agencies, i.e., the COA, CSC, and DBM.

In this regard, under Executive Order (EO) No. 518,<sup>1</sup> the operating budget of the GOCC or the corporate operating budget (COB) shall be prepared prior to the beginning of the fiscal year (FY) and recommended by the Governing Board of the GOCC.

Further, Section 22 of Presidential Decree No. 1177<sup>2</sup> provides that the internal operating budgets of GOCCs and of chartered institutions shall be **approved by their respective governing boards** in accordance with a budget calendar and format as may be provided by the President: provided, that such budgets shall be subject to review and approval as part of the budget process in cases where national government budgetary support is needed.

Furthermore, as provided under Corporate Budget Circular (CBC) No. 22, s. 2016,<sup>3</sup> CBC No. 24, s. 2022<sup>4</sup> and the relevant provisions in the annual General Appropriations Act (GAA), the submission of COBs to the DBM for evaluation and

<sup>1</sup> Establishing a Procedure for the Preparation and Approval of the Operating Budgets of Government Owned or Controlled Corporations

<sup>2</sup> Revising the Budget Process in Order to Institutionalize the Budgetary Innovations of the New Society

<sup>3</sup> Submission of the Corporate Operating Budget (COB) for FY 2017 and Thereafter

<sup>4</sup> Guidelines for the Preparation and Reiteration of the Submission of the Corporate Operating Budget (COB) for Fiscal Year (FY) 2023 and Thereafter

review is part of the budget process pursuant to Section 10, Chapter 4, Title XVII, Book IV of EO No. 292, s. 1987.<sup>5</sup>

## 2.0 PURPOSE

To prescribe the guidelines in the preparation of the annual COB of LWDs and to enjoin the timely submission by the LWDs of their Board-approved COB to the DBM ROs for evaluation and review.

## 3.0 COVERAGE

This Circular shall apply to all LWDs under the jurisdiction of the DBM, LWUA created pursuant to Presidential Decree (PD) No. 198, s. 1973,<sup>6</sup> as amended by PD No. 768, s. 1975,<sup>7</sup> PD No. 1479, s. 1978,<sup>8</sup> and Republic Act (RA) No. 9286,<sup>9</sup> and other LWDs created by subsequent laws.

This Circular does not cover LWDs with Joint Venture Agreement (JVA).<sup>10</sup>

## 4.0 GENERAL GUIDELINES

4.1 The LWDs shall submit one (1) hard copy of their Board-approved COBs directly to the DBM ROs covering their districts **prior to the beginning of the ensuing FY**. In case the LWDs fail to submit before the ensuing FY, the COBs may still be submitted **but not later than March 31 of the budget year**.

Pending review of the current year COB, the LWD shall operate on the DBM-reviewed COB level<sup>11</sup> of the immediately preceding year. Once the current year COB has been reviewed by the DBM, corresponding adjustments in the total budget level shall be made by the LWDs.

4.2 In case the LWD submits its annual COB after March 31 of the FY, the same shall no longer be reviewed/evaluated by the DBM ROs. As such, the concerned LWD's operating budget for the FY shall only be up to the extent of the immediately preceding year's DBM-reviewed budget level or

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<sup>5</sup> Instituting the "Administrative Code of 1987"

<sup>6</sup> Declaring a National Policy Favoring Local Operation and Control of Local Water Systems; Authorizing the Formation of Local Water Districts and Providing for the Government and Administration of Such Districts; Chartering a National Administration to Facilitate Improvement of Local Water Utilities; Granting said Administration Such Powers as are Necessary to Optimize Public Service from Water Utility Operations, and for Other Purposes

<sup>7</sup> Amending Presidential Decree No. 198 Entitled "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

<sup>8</sup> Further Amending Presidential Decree No. 198 Otherwise Known as the "Provincial Water Utilities Act of 1973", as Amended by Presidential Decree No. 768

<sup>9</sup> An Act Further Amending Presidential Decree No. 198, Otherwise Known as the "Provincial Water Utilities Act of 1973", as Amended

<sup>10</sup> LWDs with JVAs shall be evaluated separately subject to policies and/or guidelines to be issued by the DBM.

<sup>11</sup> During the transition period, the LWD may operate on the DBM-reviewed COB or Board-approved preceding COB level pending review of the current year COB



the Board-approved COB level for the budget year, **net of non-recurring expenses**,<sup>12</sup> whichever is lower.

4.3 As a general rule, LWDs shall operate within the DBM-reviewed COB for the FY. However, in exceptional cases, a supplemental COB may be submitted, if warranted by additional corporate receipts, actual need/additional priority expenditures, and supported by a Board approval for the same.

4.3.1 It is understood that a supplemental COB shall not be approved by LWDs operating under the immediately preceding year's DBM-reviewed COB due to delayed or non-submission of their current FY annual COB.

## 5.0 SPECIFIC GUIDELINES

5.1 Pursuant to CBC No. 24, s. 2022, the forms prescribed under the annual Corporate Budget Call which shall be used and attached to the LWD COB are the following:

<b>DBM Form No.</b>	<b>Particulars</b>
	Board Resolution/ Secretary's Certificate
700	Corporate Strategic Measures
702	Statement of Financial Position
703	Statement of Financial Performance and attached annexes (DBM Form Nos. 703-A to C)
704	Statement of Cash Flows
705	Comparative Sources of Funds
706	Uses of Funds by Expense Class

5.1.1 The following documentary requirements shall likewise be submitted to the DBM ROs, as applicable:

- a. Certification signed by the LWD General Manager that the proposed project/s are implementation-ready and will be completed within the FY. Sample Certification is presented under Annex A of this CBC;
- b. Final Annual Procurement Plan (APP) for verification of programs/projects/activities' implementation readiness;
- c. Certificate of budget inclusion, duly approved by the Governing Board for multi-year projects; and
- d. Supporting documents for the purchase or rental of motor vehicles pursuant to existing issuances and guidelines.

<sup>12</sup> Refer to one-time expenditure items in a given budget year (e.g. purchase of motor vehicles) per Circular Letter 2010-5 dated March 1, 2010

- 5.1.2 The DBM may request additional supporting documents as may be necessary.
- 5.2 The COB of each LWD shall clearly reflect the assumptions used and identified programs and projects. It shall consist of the following data for four (4) years, i.e., **Prior Years (Three preceding year's audited and/or actual data) and Current Year (COB Proposal)**.
- 5.2.1 Financing from all fund sources such as corporate revenues and other receipts (DBM Form Nos. 702, 703, 704, and 705).
- 5.2.2 Uses such as Current Operating Expenditures (Personnel Services [PS], Maintenance and Other Operating Expenses [MOOE], and Financing Charges, Capital Outlays [CO]), and other uses, i.e., debt service/amortization for loan/s acquired which are due for payment for the current FY (however, a ceiling for the purpose shall be indicated) (DBM Form Nos. 703 – A to C and 706).
- 5.3 The LWDs shall observe and comply with the following conditions:
- 5.3.1 For **PS**:
- 5.3.1.1 Authorized positions in LWDs should be consistent with the DBM-approved organizational structure and staffing pattern pursuant to Circular Letter No. 2011-10<sup>13</sup> or the LWD-Manual on Categorization, Re-categorization and Other Related Matters (MaCRO).
- 5.3.1.2 PS cost shall not exceed fifty percent (50%) of average net monthly revenue,<sup>14</sup> which consists of income from water sales and sewerage service charges, less pro-rata share of debt service and expenses for fuel or energy for pumping during the preceding fiscal year pursuant to Section 25, Chapter 6 of PD No. 198.
- Provided*, that LWDs may adopt salary schedules at lower rates but at a uniform percentage in case the fund does not warrant full implementation of the salary schedule under the Salary Standardization Law or RA No. 10149 and to comply with the 50% PS Limitation; and
- Provided further*, that in the formulation of such salary schedules, LWDs shall ensure that they can fund, on a sustainable basis, the salaries, including the government counterparts to the Retirement and Life Insurance Premiums, Pag-IBIG Contributions,

<sup>13</sup> Revised LWD Manual on Categorization, Re-categorization and Other Related Matters

<sup>14</sup> PS Limitation pertains to fifty percent (50%) of the aggregated twelve (12) months' net revenue



PhilHealth Contributions, and the Employees Compensation Insurance Premiums.

- 5.3.1.3 Each Director of the LWD shall receive compensation for each meeting of the Board actually attended subject to the pertinent provisions of PD No. 198, as amended by RA No. 9286, and EO No. 65, s. 2012.
- 5.3.1.4 Pursuant to RA No. 10149,<sup>15</sup> LWDs are among those GOCCs exempted from the coverage of the Governance Commission for the GOCCs and thus remain within the DBM's jurisdiction. As such, LWDs shall observe the salary standardization laws and personnel benefits guidelines applicable to national government agencies, except as otherwise provided by law or jurisprudence.
- 5.3.2 For **MOOE**, certain items of expenditure, although funded by corporate funds, shall still adhere to the relevant provisions of the annual GAA, among others, (e.g., Extraordinary and Miscellaneous Expenses).
- 5.3.3 For **CO**:
  - 5.3.3.1 Equipment and Infrastructure Outlays shall be included in the approved APP.
  - 5.3.3.2 Information and Communication Technology Outlays shall be covered by the Department of Information and Communications Technology (DICT)-approved Information System Strategic Plan, subject to the rules and regulations issued by the DICT and such other guidelines to be issued for the purpose.
  - 5.3.3.3 Transportation equipment shall be subject to the provisions of Budget Circular Nos. 2022-1<sup>16</sup> and 2022-1A.<sup>17</sup>
  - 5.3.3.4 Public Infrastructure Outlay, e.g., construction/ installation of water system should be supported with the Certification of Implementation Readiness for the purpose.
- 5.4 For LWDs with existing loans with the LWUA, the COBs to be submitted shall be supported with the latter's endorsement letter or certification, and Debt Service Profile.

<sup>15</sup> An Act to Promote Financial Viability and Fiscal Discipline in Government-Owned or -Controlled Corporations and to Strengthen the Role of the State in its Governance and Management to Make Them More Responsive to the Needs of Public Interest and For Other Purposes

<sup>16</sup> Omnibus Guidelines on the Acquisition, Use, Rental and Replacement of Government Motor Vehicles

<sup>17</sup> Supplemental Guidelines on the Acquisition, Use, Rental, and Replacement of Government Motor Vehicles

5.5 **All procurement requirements or activities of the LWD** shall be included in the APP.

## 6.0 **RESOLUTION OF ISSUES**

6.1 The review action on the LWD COB by the DBM ROs is final, without prejudice to the authority of the DBM Secretary to uphold, reconsider, or modify the DBM ROs' action.

6.2 Notwithstanding variances in PS, MOOE, and CO, the LWD has the flexibility to modify its utilization within the total DBM-reviewed budget level, consistent with Section 10 of EO No. 518.

## 7.0 **REPEALING CLAUSE**

All provisions of existing circulars and issuances inconsistent with this Circular are hereby repealed and/or modified accordingly.

## 8.0 **EFFECTIVITY**

This Circular shall take effect fifteen (15) calendar days after its publication.

9.0 For guidance and compliance of all concerned.

  
**AMENAH F. PANGANDAMAN**  
Secretary



[Agency Letterhead]

**CERTIFICATION UNDER OATH**

I, **[Name of the General Manager]**, of legal age, as the General Manager of **[Name of the Local Water District]** certify that:

- 1) The [Name of the Local Water District] has prepared the necessary Program of Works, Detailed Estimates, and Detailed Engineering Design for the project, in accordance with the design, plan, specifications, and such other standards and policies of the National Government;
- 2) The following are the projects of [Name of the Local Water District]:
  - a. Project 1
  - b. Project 2
  - c. Project 3

The projects are readily implementable within the prescribed timelines and that there are no issues related to the site/land title, including informal settlers thereon and right of way acquisition;

- 3) The [Name of the Local Water District] has complied with the standards prescribed by the appropriate agencies and has secured all the necessary clearances of Certification from the same agencies before implementation of the projects e.g. environmental clearance; and
- 4) The location, area, or site of the project(s) is not: (a) a privately-owned land/lot and (2) included in the critical geo-hazard areas or no-build zones identified and/or certified by the Mines and Geosciences Bureau hazard map.

IN WITNESS WHEREOF, I have hereunto affixed my signature this \_\_\_\_\_ of \_\_\_\_\_ at \_\_\_\_\_, Philippines.

**[Name of the LWD General Manager]**

Affiant

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_, Philippines.

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