

CLUSTER TRAINING FOR THE ROLL-OUT OF LGU INTEGRATED FINANCIAL TOOLS (LIFT)

Bayview Park Hotel
Manila



OVERALL LGU REVENUE TARGET SETTING PROCESS

Overall LGU Revenue Target Setting Process

- The BLGF Central office target-setting process will only cover four (4) key LGU local revenue sources that is presently the subject of the existing BLGF revenue target-setting system:
 - Real property tax
 - Business tax
 - Fees and charges
 - Economic enterprises
- In addition, forecasts of two key central government transfers to LGUs are expected to be provided by the Department of Budget and Management (DBM)
 - Internal Revenue Allotment (IRA)
 - Shares in national wealth and other national taxes
- The other revenue items will be left to the local treasurers to forecast on their own since they are highly dependent on local practices and cash management patterns

Overall LGU Revenue Target Setting Process

- Seeks to *systematically* develop a *single set* of *LGU-level revenue targets* to serve as the *revenue basis* of the annual LGU *budget* process.
- For the results of the process to be useful to the LGU budget process, the final revenue targets should be ready by the time of the *budget call* — *1st week of July*
- The process starts with the generation of a financial and economic model-based set of *initial LGU-level forecasts* by the *BLGF central office (CO)* sent out to the LGUs and to the regional offices *no later than 15 May* .

Overall LGU Revenue Target Setting Process

- At the same time, LGUs will be developing their own revenue forecasts for the 4 key revenue items using the **LGU Revenue Forecasting Template**.
 - Annual
 - Quarterly
- Using input historical data for the **current year + past 3 years**, the template generate the annual and quarterly revenue forecasts for the LGU.
- The results serve as initial revenue forecasts for the LGU.

Overall LGU Revenue Target Setting Process

- The 2 sets of projections are then subjected to a ***regional review and reconciliation process*** where the LGU ***treasurers***, the BLGF ***regional and central office*** staff participate during the ***month of June***.
- The review and reconciliation will be guided by the **BLGF Forecast Reconciliation Guide**.
- The ***results*** of the reconciliation process will form the ***final and single set*** of LGU ***revenue targets*** to serve as the revenue ***basis*** of the ***LGU annual budget*** that should be ready ***no later than 30 June*** in time for the ***budget call*** by the ***1st week of July***.

**CONSIDERATIONS USED IN
COMPUTING THE REVENUE TARGETS
BASED ON DEPARTMENT ORDER NO. 006-2015
PERFORMANCE STANDARDS FOR LOCAL TREASURERS
AND ASSISTANT TREASURERS**

RPT TARGET

$$= (\text{TOTAL CURRENT COLLECTIBLES X 80\%}) + (\text{CUMULATIVE FIVE-YEAR DELINQUENCIES X 35\%})$$

WHERE:

$$\text{Delinquency} = \sum_{i=2010}^{2014} (\text{Total Current Collectibles}_i - \text{RPT Current Collection}_{i+1})$$

TOTAL CURRENT COLLECTIBLES = COLLECTIBLES NET OF PROPERTIES WITH RESTRICTIONS

RPT CURRENT COLLECTION = GROSS AMOUNT (BASIC) + CURRENT YEAR PENALTY (BASIC + GROSS AMOUNT (SEF) + CURRENT YEAR PENALTY (SEF)

BUSINESS TARGET

= (TAX ON BUSINESS (PRIOR YEAR) + OTHER TAXES (PRIOR YEAR)) X INCREMENTAL FACTOR

FEES AND CHARGES

= [REGULATORY FEES (PRIOR YEAR) + SERVICE/USER CHARGES (PRIOR YEAR)] X INCREMENTAL FACTOR

$$\begin{aligned} & \text{RECEIPTS FROM ECONOMIC ENTERPRISES} \\ & = \text{RECEIPTS FROM ECONOMIC ENTERPRISE (PRIOR YEAR)} \times \\ & \quad \text{INCREMENTAL FACTOR} \end{aligned}$$

WHERE:

**INCREMENTAL FACTOR = GROSS REGIONAL DOMESTIC PRODUCT AT
CONSTANT PRICES (PRIOR YEAR) + INFLATION RATE (PRIOR YEAR)**