



REPUBLIC OF THE PHILIPPINES  
**BUREAU OF LOCAL GOVERNMENT FINANCE**  
DEPARTMENT OF FINANCE  
8th Floor EDPG Building, Bangko Sentral ng Pilipinas Complex  
Roxas Boulevard, Manila 1004 \* Telefax Nos. 527-2780 / 527-2790  
E-mail: blgf@blgf.gov.ph

**BLGF MEMORANDUM CIRCULAR NO. 11-003-2016**  
17 November 2016

**FOR :** All BLGF Central and Regional Directors; Provincial, City, Municipal Treasurers and Assistant Treasurers and Others Concerned

**SUBJECT :** DOF Department Order No. 054.2016: Streamlining the Certification of Net Debt Service Ceiling and Borrowing Capacity of Local Government Units (LGUs)

This Memorandum Circular is issued to inform the Central and Regional Offices of this Bureau, all Provincial, City and Municipal Treasurers, and others concerned, of the herein attached Department Order (DO) No. 054.2016, dated 25 October 2016 and published in the Philippine Star on 16 November 2016, streamlining the procedures in certifying the Net Debt Service Ceiling (NDSC) and Borrowing Capacity (BC) of LGUs.

To implement the said DO, the following guidelines are hereby issued, amending for the purpose Sections II and III of BLGF Memorandum Circular No. 05-2016 dated 26 February 2016:

"x x x ..."

**II. GUIDELINES ON THE ISSUANCE OF CERTIFICATE OF NDSC AND BC**

**A. Responsibilities of the Provincial, City, and Municipal Treasurers.** The Local Treasurer, in his/her capacity as financial adviser of the LGU regarding disposition of local government funds and on such other matters relative to public finance, shall:

1. "x x x."
2. Provide assistance to the Local Chief Executive (LCE) and concerned local officials to ensure completeness and orderliness of the required documents, *particularly in verifying the terms and conditions stated in the offer sheet of the financing institution with the letter request of the LCE and the proposed projects, or with the approved Resolution authorizing the LCE to negotiate and enter into a contract for purposes of securing the loan, credit or indebtedness applied for*, every time a request for the Certificate is filed with the BLGF as provided for in Section 3 of DO No. 054.2016. Calamity-stricken LGUs, for a period of one (1) year from the declaration of state of calamity by either the national or local authorities, shall only be required to submit the documents stated in Sections 3.1 and 3.2 of the said DO, together with certified copy of such declaration.
3. "x x x."

**B. Responsibilities of the BLGF Regional Office (BLGF-RO).** The BLGF-RO, through the Regional Director shall:

1. Assign a Financial Analyst (FA) who shall consolidate and validate the completeness and orderliness of the documentary requirements, and

DOF Department Order No. 054.2016: Streamlining the Certification of Net Debt Service Ceiling and Borrowing Capacity of Local Government Units (LGUs)

determine the preliminary computation of the Certificate. To complete these tasks, the following functions shall be performed by the FA:

- i. "x x x."
- ii. "x x x."
- iii. Be guided by the procedures in the evaluation of the documentary requirements per DO No. 054.2016. (see **Annex C - Evaluation Procedures for the Issuance of Certificate of NDSC and BC**).
- iv. "x x x."
- v. Be guided by Sections 5.1 and 5.2 of DO No. 054.2016 on the computation of the NDSC and BC. The audited financial statements submitted by the LGU to the Commission on Audit shall be used as the basis for the computation of the NDSC and BC. The approved SRE reports submitted by the local treasurers to the BLGF through the electronic SRE system may be used as basis for further analysis and computation (see **Enclosure A, B and C - Revised Manual Computation of NDSC and BC**).

The NDSC is DSC less all amortizations for principal and interest, sinking fund, among others, that are payable during the year. The DSC is derived from the parameters set by Section 324(b) of the LGC on the maximum amount that an LGU can appropriate in the annual budget for the payment of statutory and contractual obligations, which shall not exceed twenty percent (20%) of the LGU's annual regular income (ARI). In computing the ARI, it shall be derived from the average of immediately previous three (3) years of locally sourced income (including real property tax, tax on business, fees and charges, income from economic enterprise, and interest income), and other shares from national taxes, as may be authorized by law, plus the current year internal revenue allotment (IRA), as computed by the Department of Budget and Management, at the time the application was received by the BLGF. For LGUs affected by disaster and declared under state of calamity, either by national or local authorities, the BLGF shall not apply averaging, but rather refer to the financial data of the immediately preceding fiscal year, and use the current year IRA, as computed by the DBM, at the time the application was received by the BLGF.

$$DSC = 20\% \times ARI$$

$$NDSC = DSC - \text{All amortizations payable during the year for principal and interest, sinking fund, among others}$$

The BC is defined as the maximum loanable amount for a given period of time and interest rate or annuity factor based on the LGU's ARI.

$$BC = NDSC \times \text{Annuity Factor}$$

- vi. Prepare the Indorsement to the BLGF-CO certifying the completed, consolidated and validated documentary requirements for the Certificate, together with the preliminary computation generated from the eSRE Debt Capacity and Debt Management Modules (see **Annex E - Indorsement Letter to BLGF-CO**).

2. "x x x."
3. Approve the indorsement prepared by the Financial Analyst after thorough evaluation of the completeness and orderliness of the documentary requirements. Likewise, affix signature in the Enclosure C (see **Enclosure C - Revised Manual Computation of NDSC and BC**) of the preliminary computation of the NDSC and BC.

## II. TIMELY MONITORING OF LGU LOANS AND BORROWINGS

All LGU loans and borrowings shall be monitored by the BLGF using the simplified Statement of Indebtedness, Payments and Balances (SIPB). Please refer to Annex F.

### A. Responsibilities of the Provincial, City and Municipal Treasurers. The Local Treasurer shall:

1. Prepare the annual SIPB by furnishing the data and information based on the loan agreement, which shall include, among others, the kind and purpose of indebtedness, approved amount of loan, name of lending institution, approval and maturity date, terms and conditions of the loan, interest rate frequency of payments, annual amortization (principal and interest), collateral/security, etc.
2. "x x x."
3. For LGUs with loan/s, **submit to the BLGF-RO the annual SIPB report**, except for LGUs in the NCR for which their SIPB reports shall be submitted to the BLGF-CO, **on or before 28th of February** of the subsequent year. For newly contracted loans, the SIPB report shall be submitted within ten (10) days after the approval and/or initial release of the loan.

For LGUs without loan/s, submit to the BLGF-RO a certification that the LGU has no existing loan (see **LGU Template B – Sample Certification of Local Treasurer on Existing Loans/Absence of Loans**).

### B. Responsibilities of the BLGF Regional Office (BLGF-RO). The Financial Analyst shall:

1. "x x x."
2. Submit to the BLGF-CO every 15<sup>th</sup> of the month a status report of issued certificate based on the Monthly Inventory Report of Issued Certificates furnished by the BLGF-CO (see **Annex G – Reporting Tool on Issued Certificate of NDSC and BC**).
3. Provide technical assistance to local treasurers to accomplish the SIPB.

x x x."

All applications pending for review and evaluation as of 16 November 2016 and all other requests received thereafter shall be acted upon by all concerned in compliance with the aforementioned Department Order and following the guidelines herein prescribed.

The Regional Directors of this Bureau are hereby instructed to widely and immediately disseminate this Circular to all concerned.

Be guided accordingly.

  
**NINO RAYMOND B. ALVINA**  
OIC Executive Director



Republic of the Philippines  
**DEPARTMENT OF FINANCE**

Roxas Boulevard Corner Pablo Ocampo, Sr Street  
Manila 1004

DEPARTMENT ORDER NO. **054.2016**  
25 October 2016

SUBJECT: **STREAMLINING THE CERTIFICATION OF NET DEBT SERVICE CEILING  
AND BORROWING CAPACITY OF LOCAL GOVERNMENT UNITS**

**WHEREAS**, Section 295 to Section 303 of the Local Government Code (LGC) of 1991 authorize local government units (LGUs) to create indebtedness and enter into credit and other financial transactions to finance local infrastructure and other socio-economic development projects, in accordance with an approved local development plan and public investment program;

**WHEREAS**, Section 324(b) limits the amount of appropriations for debt servicing, which shall not exceed twenty (20%) percent of the regular income of the LGU concerned;

**WHEREAS**, Article 403 of the Implementing Rules and Regulations (IRR) of the Local Government Code (LGC) of 1991 authorizes the Department of Finance (DOF) to render technical assistance to any local government unit (LGU) in the availment of credit facilities, flotation of bonds, contracting of loans, and to issue such guidelines as may be necessary for the purpose;

**WHEREAS**, Section 43 (c) of Executive Order No. 127 mandates the Bureau of Local Government Finance (BLGF) to develop and promote plans and programs for the improvement of credit utilization schemes, among others, at the local levels;

**WHEREAS**, Circular Letter, Series of 2002, dated 28 May 2002, issued by the Bangko Sentral ng Pilipinas (BSP) requires all banks and non-banks with quasi-banking functions to require each borrowing LGU to present its debt service and borrowing capacity, duly certified by the BLGF to ensure the effective implementation of the debt service limit on local government borrowings;

**WHEREAS**, Local Finance Circular (LFC) No. 1-2012, issued on 16 April 2012, aimed to ensure a more accurate and proper evaluation by the BLGF of the maximum borrowing and debt servicing capacities of LGUs by reviewing the supporting documents to be submitted by the requesting LGUs;

**WHEREAS**, LFC No. 01-2014, issued on 22 April 2014, reduced the documentary requirements and extended the validity of certification to provide easier access to credit financing for LGUs affected by the Typhoon Yolanda;



**WHEREAS**, Department Order No. 08-2011, dated 11 February 2011, mandates the Statement of Receipts and Expenditures (SRE) as the official financial management reporting system to monitor the LGUs' fiscal and financial performance;

**WHEREAS**, Circular No. 926, Series of 2016, dated 13 September 2016, issued by the BSP requires valid and latest BLGF certification on the borrowing and debt service capacity of the LGU requesting for Monetary Board Opinion on the monetary and balance of payment implication of the proposed domestic borrowing by LGUs pursuant to Section 123 of Republic Act No. 7653;

**WHEREAS**, there is a need to prescribe streamlined guidelines and requirements for the issuance of Certificate of Net Debt Service Ceiling (NDSC) and Borrowing Capacity (BC) in order to facilitate and expedite the processing of LGU loan applications to support capital investments and priority development projects;

**NOW, THEREFORE**, the following guidelines are hereby issued:

**Section 1. Coverage.** This Order prescribes the updated and streamlined guidelines governing the issuance of Certificate of NDSC and BC ("Certificate") to all LGUs as to the (i) documentary requirements; (ii) computational parameters; and (iii) reportorial requirements for loans involving local and foreign-assisted projects.

**Section 2. Issuance of the Certificate.** The BLGF shall be responsible in the validation on the accuracy and completeness of the documentary requirements, computation of the NDSC and BC, and issuance of the Certificate. The certification shall reiterate full compliance of the concerned LGU with the requirements of the Local Government Code of 1991 and other existing government rules and regulations to obtain applicable approvals and authorizations.

**Section 3. Documentary Requirements for the Issuance of Certificate.** The following shall be submitted to the BLGF by the LGU requesting for the issuance of the Certificate:

- 3.1 Letter-request from the Local Chief Executive (Governor/Mayor/Punong Barangay) indicating (i) the selected lending institution; (ii) terms and conditions of the proposed loan (repayment period and interest rate); and (iii) the specific purpose of the loan;
- 3.2 Certification by the Local Treasurer of presence or absence of loan/s, duly certified with the following details: (i) types of loan/s and other obligations contracted; (ii) purpose of loan/s and other obligations contracted; (iii) name of the lending institution/s (iv) date of approval and maturity of loan/s; (v) terms and conditions (interest rate and number of years to pay); (vi) remaining balances of loan/s and other obligation/s; and (vii) annual amortization schedules (segregating the principal from the interest) issued by the lending institution/s;



- 3.3 Commission on Audit (COA) Annual Audit Certificate for the most recent year, which shall be supported by the year-end financial reports for the past three (3) years: (i) Pre-closing Trial Balance (General Fund); and (ii) Detailed Statement of Financial Performance. An Agency Action Plan and Status of Implementation (AAPSI) report on COA recommendations shall be required if the LGU has adverse findings; and
- 3.4 Certification issued by the lending institution stating that it shall not require LGU deposits as compensating balance for the loan, if such lending institution is not (1) not an authorized government depository bank or (2) an authorized government bank required to obtain the prior approval of the DOF, as provided under the DOF Department Circular No. 002.2016 dated 8 July 2016.

**Section 4. Documentary Requirements for LGUs Affected by Natural and/or Man-Made Disasters.** Local governments that cannot in any way provide the full documentary requirements stated in Section 3 hereof due to natural and/or man-made calamities, and have been declared under state of calamity either by national or local authorities shall, for a period of one (1) year from the declaration of state of calamity, be required only to submit the documents required in Sections 3.1 and 3.2 hereof, together with certified copy of such declaration.

**Section 5. Computation of the Net Debt Service Ceiling (NDSC) and Borrowing Capacity (BC).** For purposes of determining the NDSC and BC of LGUs, the BLGF shall be guided by the following:

- 5.1 **Basis of Computation.** The audited financial statements submitted by the LGU to the Commission on Audit (COA) shall be used as the basis for the computation of the NDSC and BC. The approved SRE reports submitted by the local treasurers to the BLGF through the electronic SRE system may be used as basis for further analysis and computation.
- 5.2 **Computation of the Net Debt Service Ceiling.** The NDSC is defined as DSC less all amortizations for principal and interest, sinking fund, among others, that are payable during the year. The DSC is derived from the parameters set by Section 324(b) of the LGC on the maximum amount that an LGU can appropriate in the annual budget for the payment of statutory and contractual obligations, which shall not exceed twenty (20%) percent of the annual regular income (ARI) of the LGU concerned. In computing the ARI, it shall be derived from the average of immediately previous three (3) years of locally sourced income and other shares from national taxes, as may be authorized by law, plus the current year internal revenue allotment (IRA), as computed by the Department of Budget and Management (DBM), at the time the application was received by the BLGF. For LGUs affected by disaster and declared under state of calamity, either by national or local authorities, the BLGF shall not apply averaging, but rather refer to the financial data of the immediately preceding fiscal year, and use the current year IRA, as computed by the DBM, at the time the application was received by the BLGF.

$$DSC = 20\% \times ARI$$

*NDSC = DSC - All amortizations payable during the year for principal and interest, sinking fund, among others*

- 5.3 **Computation of the Borrowing Capacity.** The BC is defined as the maximum loanable amount for a given period of time and interest rate or annuity factor based on the LGU's ARI.

$$BC = NDSC \times \text{Annuity Factor}$$

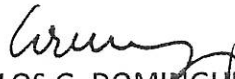
**Section 6. Effectivity and Applicability of the Certificate Issued.** The Certificate shall be effective up to one (1) year after issuance, unless otherwise revoked sooner due to change of terms and conditions, change of financing institutions, additional projects and other circumstances that may affect the content or integrity of the Certificate. For disaster-stricken LGUs, the Certificate issued shall be effective up to two (2) years after issuance, unless otherwise revoked sooner due to reasons mentioned in this section. For refinancing or restructuring of existing loan/s, either to extend the duration or increase the principal, a new certification shall be secured from the BLGF.

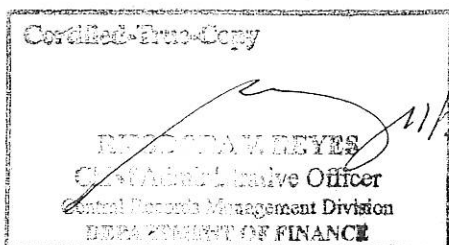
**Section 7. Reportorial Requirements.** For timely and accurate monitoring of LGU loans and borrowings, the Local Treasurer shall submit a Statement of Indebtedness, Payments and Balances (SIPB) setting out the details of each loan as specified, within ten (10) days after approval of the loan and thereafter update and submit said statement on an annual basis.

**Section 8. Sanctions.** Any violation of this Order shall be a ground for the imposition of sanctions in accordance with the Revised Rules on Administrative Cases in Civil Service (RRACCS), without prejudice to criminal and/or administrative liability in accordance with existing laws, rules and regulations.

**Section 9. Repealing Clause.** All Department issuances which are contrary to or inconsistent with the provisions of this Order are hereby repealed or modified accordingly.

**Section 10. Effectivity.** This Order shall take effect immediately upon publication in a newspaper of general circulation.

  
CARLOS G. DOMINGUEZ  
Secretary



005764

Streamlining the Certification of Net Debt Service Ceiling  
and Borrowing Capacity of Local Government Units

*Template Letter of Local Treasurer if Loan is Disapproved/Not Pursued*

\_\_\_\_\_ Date \_\_\_\_\_

**OIC EXECUTIVE DIRECTOR NIÑO RAYMOND B. ALVINA**

Bureau of Local Government Finance

Department of Finance

8<sup>th</sup> floor, EDPC Bldg., BSP Complex,

• Roxas Blvd., Malate, Manila

Dear **Director ALVINA:**

This refers to the loan application of this LGU Type with the Name of Financing Institution, with corresponding Certificate of Net Debt Service Ceiling (NDSC) and Borrowing Capacity (BC) issued by that Office, which contains the following information:

Certificate No.:	
Date Issued :	
Amount of NDSC:	Php
Amount of BC:	Php
Purpose of Loan:	

In connection therewith, please be informed that the said loan was state if the loan was disapproved or was not pursued by the LGU, and state the reason/s.

For your information.

Very truly yours,

\_\_\_\_\_  
Provincial/City/Municipal Treasurer

\_\_\_\_\_ Date \_\_\_\_\_

Hon. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dear **Mayor/Governor** \_\_\_\_\_:

This is to acknowledge receipt of your letter dated \_\_\_\_\_ Date \_\_\_\_\_ requesting \_\_\_\_\_ for the issuance of a Certificate of Net Debt Service and Borrowing Capacity of the \_\_\_\_\_ (LGU Name) \_\_\_\_\_ for its loan application with the Name of Financing Institution, for the (state purpose of the loan).

Rest assured that this Office will take appropriate action on your request within the reglementary period.

Thank you.

Very truly yours,

\_\_\_\_\_  
Regional Director

REQUIREMENTS	INSTRUCTIONAL PROCEDURES FOR BLGF EVALUATOR
<p>1. Letter-request from the Local Chief Executive indicating:</p> <ul style="list-style-type: none"> <li>i. The selected lending institutions where the LGU is applying for a loan</li> <li>ii. Terms and condition of the proposed loan (repayment period and interest rate)</li> <li>iii. The specific purpose of the loan</li> </ul>	<p><b>STEP 1.</b> Validate the application letter of the Local Chief Executive (LCE) and check compliance using <b>Attachment A - BLGF Checklist of Requirements for the Certification NDSC and NBC.</b></p> <p><b>Note:</b> Please see <b>LGU Template A - Sample LCE Letter of Application.</b></p> <p><i>Determine if the request contains the following:</i></p> <ul style="list-style-type: none"> <li>1. Specific name of lending institution where to apply for a loan.</li> <li>2. Offer sheet/letter of the lending institution/bank wherein the interest rate and repayment period was indicated or the Terms and conditions of the proposed loan. <b>The Terms and conditions must be consistent with the letter of the LCE. In case of discrepancy the offer sheet shall prevail.</b></li> <li>3. Specific name of project/s to be undertaken out of the proposed loan. <b>Proposed project/s must be consistent with the approved Resolution authorizing the LCE to enter into a contract with the financing institution.</b></li> </ul> <p><b>STEP 2.</b> If any of the above stated requirements is not present, request the LCE to comply with the requirement No. 1, (see <b>Attachment B - Notice of Deficiency in Documentary Requirements</b> OR <b>Attachment C - Notice of Return of Letter Request Without Action</b>, whichever is applicable).</p> <p>END OF PROCESS</p>
<p>2. Certification by the Local Treasurer of presence or absence of loan/loans duly certified by the Local Treasurer with the following <b>details</b>:</p> <ul style="list-style-type: none"> <li>i. Types of loans and other obligations contracted;</li> <li>ii. Purpose of loan and other obligations contracted;</li> <li>iii. Name of lending institutions;</li> <li>iv. Date of approval and maturity;</li> <li>v. Terms and conditions (interest rate and number of years to pay);</li> <li>vi. Remaining balances of loans and other obligations; and</li> <li>vii. Annual amortization schedules (segregating the principal from the interest) issued by the lending institution/s</li> </ul>	<p><b>STEP 1.</b> Evaluate the certification on existence/absence of loan/s duly <b>certified</b> by the <b>Local Treasurer</b> as to the following <b>details</b>:</p> <ul style="list-style-type: none"> <li>- Types of loans &amp; other obligations contracted</li> <li>- Purpose of loan &amp; other obligations contracted</li> <li>- Name of lending institutions</li> <li>- Date of approval &amp; maturity</li> <li>- Terms and conditions (interest rate &amp; number of years to pay)</li> <li>- Remaining balances of loans and other obligations</li> </ul> <p><b>Note:</b> Please see <b>LGU Template B - Sample Certification of Local Treasurer on Existing Loans/Absence of Loans.</b></p> <p><b>STEP 2.</b> Validate the annual amortization schedule issued by the lending institution as to segregation of principal from the interest. Each loan of the LGU should have an individual annual amortization schedule issued by the lending institution. If not, emphasize in the letter to LCE (see <b>Attachment B - Notice of Deficiency in Documentary Requirements</b>).</p> <p>END OF PROCESS</p>



*Evaluation Procedures for the Issuance of Certificate of NDSC and BC  
(per DOF DO No. 054.2016, dated 25 October 2016)*

REQUIREMENTS	INSTRUCTIONAL PROCEDURES FOR BLGF EVALUATOR
<p>3. Commission on Audit (COA) Annual Audit Certificate for the most recent year, which shall be supported by the year-end financial reports for the past three (3) years:</p> <ul style="list-style-type: none"> <li>i. Pre-closing Trial Balance (General Fund)</li> <li>ii. Detailed Statement of Financial Performance</li> </ul> <p>An <b>Agency Action Plan and Status of Implementation (AAPSI)</b> report on COA recommendations shall be required if the LGU has adverse findings.</p>	<p><b>STEP 1.</b> Evaluate the COA Audit Certificates for the most recent year, and determine if there are adverse findings. If the Audit Certificate of the most recent year is not yet available, require the submission of year-end financial reports bearing the stamp received by COA.</p> <p><b>STEP 2.</b> If there were adverse findings and recommendations made by the Auditor, the LGU should submit an <b>Agency Action Plan and Status of Implementation (AAPSI)</b> as to the level of compliance on such recommendations duly certified by the Auditor. <b>Note:</b> Please see <b><u>LGU Template C - Status of Implementation of Prior Year's Audit Recommendations</u></b>. If this is not complied with, inform the LCE (see <b><u>Attachment B - Notice of Deficiency in Documentary Requirements</u></b>).</p> <p><b>STEP 3.</b> Validate if the LGU submitted financial reports for the past three (3) years, and cross-check the financial data from each reports:</p> <ul style="list-style-type: none"> <li>- Pre-closing Trial Balance (General Fund) and</li> <li>- Detailed Statement of Financial Performance</li> </ul> <p>If there are no submitted financial reports, request the LCE to submit reports for the past three (3) years (see <b><u>Attachment B - Notice of Deficiency in Documentary Requirements</u></b>).</p> <p><b>STEP 4.</b> Validate if the financial reports are certified correct by the Local Accountant. If not certified, request the LCE for certified financial reports for the past three (3) years (see <b><u>Attachment B - Notice of Deficiency in Documentary Requirements</u></b>).</p> <p>END OF PROCESS</p>
<p>4. Certification issued by the lending institution stating that it shall not require LGU deposits as compensating balance for the loan, if such lending institution is (1) not an authorized government depository bank or (2) an authorized government depository bank required to obtain the prior approval of the DOF, as provided under the DOF Department Circular No. 002-2016 dated 8 July 2016.</p>	<p><b>STEP 1.</b> Validate if the lending institution is not an authorized government depository bank that meets the requirements of DOF Department Circular No. 002-2016 dated 8 July 2016.</p> <p><b>STEP 2.</b> If the lending institution is not an authorized depository bank, request the LCE to secure certification from the bank/lending institution stating that it shall not require LGU deposits as compensating balance for the loan (see <b><u>Attachment B - Notice of Deficiency in Documentary Requirements</u></b>).</p> <p>END OF PROCESS</p>
<p><b><u>In case the LGU has been declared under the state of calamity either by the national or local authorities shall, for a period of one (1) year from the declaration of state of calamity, be required only to submit the documents stated in Item Nos. 1 and 2, together with certified copy of the declaration.</u></b></p>	
<p><b>Note:</b> If any or all of the required documents are not submitted within 30 days from receipt of application, issue <b><u>Attachment C - Notice of Return of Letter Request Without Action</u></b>, copy furnished the BLGF CO.</p>	

### 1<sup>st</sup> Indorsement

(Date)

Respectfully transmitted to the OIC-Executive Director, Bureau of Local Government Finance, Manila, for appropriate action the herein preliminary computation of Net Debt Service Ceiling (NDSC) and Borrowing Capacity (BC) of the (Name of LGU), relative to its loan application for fiscal year       , with the (Name of Financing Institution/Bank), for the purpose of (as stated in the Resolution/ enumerate the loan purposes if provided).

The Name of LGU has an estimated NDSC of **Php**\_\_\_\_\_ and an NBC of **Php**\_\_\_\_\_, based on the submitted audited financial reports of the LGU for the past three years, herein enclosed for ready reference, as follows: *(identify the enclosures)*

1. Enclosure A – Detailed Statement of Income Sources;
2. Enclosure B – Computation of Annual Regular Income; and
3. Enclosure C – Computation of NDSC and BC.

This Indorsement further certifies to the completeness and orderliness of the original documents submitted by the same LGU, per Attachment A - BLGF Checklist of Requirements for the Certification NDSC and BC duly certified by the Financial Analyst of this Office, with the recommendation for the final issuance of the Certificate by that Office.

Thank you.

**Signature over Printed Name  
of the BLGF-Regional Director**

CC: Hon. NAME OF LCE, *Title*, Name of LGU

**Annex "F"**  
Simplified Statement of Indebtedness, Payments and Balances (SIPB)

**Annual Statement of Indebtedness, Payments and Balances (SIPB)**

Name of LGU: \_\_\_\_\_

*Instruction: Please prepare a Statement for each kind of loan.*

ITEM NO.	PARTICULARS	DETAILS
1	LGU Income Classification	
2	Date of Report	
3	Lending Institution ( <i>Bank or Creditor</i> )	
4	Certificate Number – NDSC/BC	
5	Date of Certification – NDSC/BC	
6	Monetary Board (MB) Resolution Number	
7	Date of MB Opinion	
8	Date of Approval of Loan	
9	Amount Approved*	
10	Maturity Date	
11	Type of Indebtedness Instrument ( <i>Loan, Bond or other form of indebtedness</i> )	
12	Purpose of Indebtedness	
13	Terms and Conditions: Fixed or Variable	
14	Terms and Conditions: No. of Years of Indebtedness	
15	Terms and Conditions: Interest Rate	
16	Terms and Conditions: Grace Period ( <i>Number of Months or Years</i> )	
17	Frequency of Payment	
18	Annual Amortization: Principal	
19	Annual Amortization: Interest	
20	Annual Amortization: Gross Receipt Tax (GRT)	
21	Starting Date of Payment	
22	Cumulative Payment from Starting Date: Principal	
23	Cumulative Payment from Starting Date: Interest	
24	Cumulative Payment from Starting Date: GRT	
25	Total Amount Released ( <i>Availment as of date</i> )	
26	Remaining Balance to Date / Undrawn Amount ( <i>Line 9-25=26</i> )	
27	Outstanding Loan Balance After Principal Payment ( <i>Line 9-22=27</i> )	
28	Arrears: Principal (if any)	
29	Arrears: Interest (if any)	
30	Collateral Security	
31	Deposit to bond sinking fund for the year	
32	Sinking fund balance to date, if any	
33	Breakdown of fees and other related costs (of loan)	
34	Other relevant terms and conditions (of loan)	

Certified Correct by:

Date Issued:

\_\_\_\_\_  
Signature over Printed Name of Local Treasurer

*Note:*

*\* Please indicate if on a staggered basis*

## SOURCES OF SIPB INFORMATION

Item No.	Information Type	Instruction	Source of Information
1	Income Class	Indicate the LGU income classification.	Latest DOF Department Order
2	Date (mm/dd/yyyy)	Indicate cut-off date of report, e.g. Ending 1st Qrt. March 31, 2016.	Reporting date
3	Name	Indicate the name of the lending institution (Bank/Financial Institution or Private Corporation). Write full name. Example: Land Bank of the Philippines, Development Bank of the Philippines	Loan Agreement
4	Number	Issued Certificate Number of Borrowing Capacity.	NDSC/BC issued by BLGF
5	Date (mm/dd/yyyy)	Input the issue date of Certificate of Net Debt Service and Borrowing Capacity (CNDSSBC) by BLGF.	CNDSSBC issued by BLGF
6	Number	Loans from GFI (DBP/LBP) passes through the Monetary Board. Refer to the MB resolution number provided.	Bangko Sentral ng Pilipinas (BSP)
7	Date (mm/dd/yyyy)	Refer to the MB resolution date of approval.	Bangko Sentral ng Pilipinas (BSP)
8	Date (mm/dd/yyyy)	Date of Approval of Loan.	Loan Agreement
9	Amount	Indicate the principal approved amount of loan.	Loan Agreement
10	Date (mm/dd/yyyy)	Indicate the date that the loan finally becomes due or date of settlement or completion of payment.	Loan Agreement
11	Description List – Kind of indebtedness	Specify the type of indebtedness instrument. Example: Bond or Syndicated/Bilateral Debt, Loan (Secured or Unsecured), Lease (Build-Operate-Transfer, Build-Lease-Transfer, etc), Mortgage, Combination, etc.	Loan Agreement
12	Description List – Type of Loan	Indicate the reason for borrowing. Example: Construction of: Health Care Center, Social Welfare Centers, Trade Center (Public Market or alike), Water District, School, Government Center (Provincial Hall, City Hall, Municipal Hall, Barangay Hall), Transport Terminal, Sea Port, IT Systems, Entertainment/Sports Center, Waste Management Facility, Disaster/Risk Management Center, Others	Loan Agreement / Council Resolution
13	Description List	Specify If the loan rate is fixed or variable (floating), indicate the base and spread.)	Loan Agreement
14	Number	Specify the number of years the LGU is bound to the lending institution to pay in full. (Period covered to pay the loan.)	Loan Agreement
15	Rate	Indicate the agreed interest rate of the loan.	Loan Agreement
16	Number	Indicate the number of years that the lending institution provided to LGU to defer the payment of principal. Usually this first one or two years of the loan.	Loan Agreement
17	Amount	Indicate the amount of annual principal payment made based on amortization schedule.	Loan Agreement
18	Pre-defined Answer	Indicate the agreed frequency of payment: Monthly, Quarterly, Semi-annually, or Annually Select only one answer.	Loan Agreement
19	Amount	Indicate the amount of annual interest payment made based on the amortization schedule.	Loan Agreement
20	Amount	Indicate the amount of annual Gross Receipt Tax (GRT) payment made based on the amortization schedule.	Loan Agreement
21	Date (mm/dd/yyyy)	Indicate the 1st date of payment in relation to the amortization schedule.	Record of Debt Service (RDS) Amortization Schedule
22	Amount	Indicate the amount of cumulative principal payment made from starting date of payment.	RDS-Amortization Schedule
23	Amount	Indicate the amount of cumulative interest payment made from starting date of payment.	RDS-Amortization Schedule

- SOURCES OF SIPB INFORMATION -

Item No.	Information Type	Instruction	Source of Information
24	Amount	Indicate the amount of cumulative GRT payment made from starting date of payment.	RDS-Amortization Schedule
25	Amount	Indicate the total amount that the lending institution released to the LGU.	Loan Agreement
26	Amount	Indicate the remaining unreleased balance as of the reporting date. <b>(Line 9-25=26)</b>	Accounting Office Subsidiary Ledger
27	Amount	Indicate the outstanding loan balance after principal payment, as of the reporting date. <b>(Line 9-22=27)</b>	Accounting Office Subsidiary Ledger
28	Amount	Indicate the amount of principal in arrears as of reporting date.	Subsidiary Ledger
29	Amount	Indicate the amount of interest in arrears as of reporting date.	Subsidiary Ledger
30	Description List	Indicate the collateral if any, attached to the loan/s	Loan Agreement
31	Amount	Indicate the amount set aside for the installment payment of maturing loans / bonds	Accounting
32	Amount	Indicate the cumulative balance of sinking fund if any, reporting date.	Accounting
33	Description List/ Amount	There are costs associated in each loan. Enumerate here the fees and other related cost incurred to facilitate the loan. i.e. Documentary Stamp Fees, Up-front Fees and Commitment Fees	LGU
34	Description List	If any, and other than the terms and conditions indicated above, enumerate herewith the other relevant terms.	Loan Agreement

- SOURCES OF SIPB INFORMATION -

**Annex G**  
**Reporting Tool on Issued NDSC/BC**

Approved Loan Application of LGUs  
Corresponding to the issued Certificate of NDSC/BC  
BLGF Regional Office No. \_\_\_\_\_  
As of \_\_\_\_\_

LGU Name	NDSC/BC certificate No.	Date of Certificate	Date of Loan Approval	Loan Purpose

*Note: Add rows to cover all LGUs with issued certificate of NDSC/BC within Regional jurisdiction. Provide additional column for "Remarks" if necessary.*

Prepared by:

\_\_\_\_\_

Noted by:

\_\_\_\_\_  
Regional Director



## DETAILED STATEMENT OF INCOME SOURCES

Name of LGU: \_\_\_\_\_

Income Classification: \_\_\_\_\_

	2013	2014	2015	2016
<b>Real Property Tax (RPT)</b>	0.00	0.00	0.00	
Less: Discount	0.00	0.00	0.00	
<b>Net RPT</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
<b>Business Tax</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
- Tax on Business	0.00	0.00	0.00	
- Franchise Tax	0.00	0.00	0.00	
- Tax on Sand, Gravel & Other				
Quarry Resources	0.00	0.00	0.00	
Contractors	0.00	0.00	0.00	
- Tax on Delivery Trucks & Vans	0.00	0.00	0.00	
- Amusement Tax on Admission	0.00	0.00	0.00	
- Banks & Other Financial Institutions	0.00	0.00	0.00	
- On Peddlers	0.00	0.00	0.00	
- Other Business Taxes	0.00	0.00	0.00	
- Fines & Penalties	0.00	0.00	0.00	
<b>Other Taxes</b>				
- Tax on Transfer of Real Property Ownership	0.00	0.00	0.00	
- Real Property Tax on Idle Lands	0.00	0.00	0.00	
- Professional Tax	0.00	0.00	0.00	
- Occupational Tax	0.00	0.00	0.00	
- Community Tax	0.00	0.00	0.00	
- Other Local Taxes	0.00	0.00	0.00	
- Fines & Penalties - Local Taxes	0.00	0.00	0.00	
<b>Fees &amp; Charges</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
- Weights and Measures	0.00	0.00	0.00	
- Permit Fees	0.00	0.00	0.00	
- Motor Vehicles User Charges	0.00	0.00	0.00	
- Other Permits & Licences	0.00	0.00	0.00	
- Fishery Rental Fees	0.00	0.00	0.00	
- Franchising and Licensing Fees	0.00	0.00	0.00	
- Fines & Penalties	0.00	0.00	0.00	
- Registration Fees	0.00	0.00	0.00	
- Registration Plates, Tags & Sticker Fees	0.00	0.00	0.00	
<b>Service Income</b>				
- Clearance/Certificates/Fees	0.00	0.00	0.00	
- Affiliation Fees	0.00	0.00	0.00	
- Garbage Fees	0.00	0.00	0.00	
- Inspection Fees	0.00	0.00	0.00	
- Medical, Laboratories, Dental Fees	0.00	0.00	0.00	
- Toll and Terminal Fees	0.00	0.00	0.00	
- Library Fees	0.00	0.00	0.00	
- Hospital Fees	0.00	0.00	0.00	
- Occupation Fees	0.00	0.00	0.00	
- Processing Fees	0.00	0.00	0.00	
- Landing and Parking Fees	0.00	0.00	0.00	

- Other Service Income	0.00	0.00	0.00	
- Other Fines & Penalties	0.00	0.00	0.00	
<b>Receipts from Economic Enterprises</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
- Income from Cemetery	0.00	0.00	0.00	
- Income from Canteen-Operations-Trng. Center	0.00	0.00	0.00	
- Income from Markets	0.00	0.00	0.00	
- Income from Transportation System	0.00	0.00	0.00	
- Income from Slaughterhouse	0.00	0.00	0.00	
- Income from Waterworks System	0.00	0.00	0.00	
- Rent Income	0.00	0.00	0.00	
- Other Fines and Penalties	0.00	0.00	0.00	
- Other Business Income	0.00	0.00	0.00	
- Fines and Penalties Business Income	0.00	0.00	0.00	
<b>Other Income</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
- Interest Income	0.00	0.00	0.00	
- Sales Revenue - Demo Farm	0.00	0.00	0.00	
- Insurance Income	0.00	0.00	0.00	
- Income fr Grants, Donations	0.00	0.00	0.00	
- Other (Miscellaneous) Income	0.00	0.00	0.00	
- Subsidy from (Other Funds)	0.00	0.00	0.00	
- Gain on Sale of Disposed Asset	0.00	0.00	0.00	
- Other Fines and Penalties - Other Income	0.00	0.00	0.00	
<b>Internal Revenue Allotment</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Other Share from National Tax Collection</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
Share from Evat	0.00	0.00	0.00	
Share from PAGCOR/PCSO	0.00	0.00	0.00	
Share from National Wealth	0.00	0.00	0.00	
<b>GRAND TOTAL</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	

Prepared by:

Date Prepared: \_\_\_\_\_

Name and Signature of Financial Analyst  
 BLGF Region \_\_\_\_\_

**Note:** To be included as enclosure in the indorsement letter to be sent to BLGF-CO after the preliminary computation of Net Debt Service Ceiling and Borrowing Capacity.

## COMPUTATION OF ANNUAL REGULAR INCOME

(In Thousand Pesos)

<b>A. Locally Sourced Income</b>				
Item	2013	2014	2015	Average
1. Real Property Taxes	-	-	-	-
2. Business Taxes	-	-	-	-
3. Fees and Charges	-	-	-	-
4. Receipts from Eco. Ent.	-	-	-	-
5. Other Income - Interest Income	-	-	-	-
<b>Total</b>	-	-	-	-

<b>B. Other Shares from National Tax Collection</b>				
Item	2013	2014	2015	Average
1. Share from E-VAT	-	-	-	-
2. Share from PAGCOR/PCSO	-	-	-	-
3. Share from National Wealth	-	-	-	-
<b>Total</b>	-	-	-	-

<b>C. Current Year IRA (2016)</b>	-
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<b>ANNUAL REGULAR INCOME (A+B+C)</b>	-
--------------------------------------	---

**Note:**

IRA in the Average Annual Income is based on CY 2016 Final IRA as estimated by DBM.

<b>Amortization Schedule</b>				
Financing Institution	Total	Principal	Interest	GRT
Name of Financing Institution	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total</b>	-	-	-	-

Prepared by:

Date Prepared:

\_\_\_\_\_  
Financial Analyst

**Note:** To be included as enclosure in the indorsement letter to be sent to BLGF-CO after the preliminary computation of Net Debt Service Ceiling and Borrowing Capacity.

**NET DEBT SERVICE CEILING AND BORROWING CAPACITY  
FY 2016**

(In Thousand Pesos)

Year	Average Locally Sourced Income (LSI)	Other Share from National Tax Coll.	IRA	Annual Regular Income (ARI)	Maximum Debt Service Capacity	Annual Amortization of Existing Loan  (Principal + Interest)	Net Debt Service Ceiling	Borrowing Capacity
(1)	(2)	(3)	(4)	(2+3+4) (5)	(5 x 20%) (6)	(7)	(6-7) (8)	(8 x _____) (9)
2016	-	-	-	-	-	-	-	-

- Note: 1) **Debt Service Capacity** is computed in accordance with **Sec. 324b of the LGC**, which is 20% of the ARI.  
 2) **Annual Regular Income** for CY 2016 is determined based on the average locally sourced income and share from national tax collection for the past 3 years plus CY 2016 Final IRA DBM estimate.  
 3) Annual Amortization of existing loans were based from the availed loans from the \_\_\_\_\_  
 4) Net Borrowing Capacity is computed based on the annuity factor of \_\_\_\_\_ (\_\_\_\_%, \_\_\_\_ yrs).

Prepared by:

Noted by:

\_\_\_\_\_  
Financial Analyst

\_\_\_\_\_  
Regional Director

Date Prepared \_\_\_\_\_

**Note:** To be included as enclosure in the indorsement letter to be sent to BLGF-CO after the preliminary computation of Net Debt Service Ceiling and Borrowing Capacity.

BLGF Checklist of Requirements for the Certification NDSC and BC  
Pursuant to DOF DO No. 054.2016 dated 25 October 2016

REQUIREMENTS		✓ or X	COMMENTS									
1.	<b>Letter request from the Local Chief Executive</b> indicating : <ul style="list-style-type: none"> <li>i. The lending institution;</li> <li>ii. Terms and conditions of the proposed loan; and</li> <li>iii. The purpose of the loan.</li> </ul>	<div></div> <div></div> <div></div> <div></div>										
2.	<b>Certification of existing/absence of loan/s duly certified by the Local Treasurer</b> with the following details <ul style="list-style-type: none"> <li>i. Types of loans &amp; other obligations contracted;</li> <li>ii. Purpose of the loans &amp; other obligations contracted;</li> <li>iii. Name of the lending institutions;</li> <li>iv. Date of approval &amp; maturity;</li> <li>v. Terms &amp; conditions (interest rate &amp; number of years to pay);</li> <li>vi. Remaining balances of loans and other obligations; and</li> <li>vii. Annual amortization schedules (segregating the principal from the interest) issued by the lending institution</li> </ul>	<div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div>										
3.	<b>Commission on Audit (COA) Annual Audit Certificate</b> for the most recent year, which shall be supported by the year-end financial reports for the past three (3) years: <div style="margin-top: 20px;"> <table border="1" style="display: inline-table; vertical-align: top;"> <tr> <td style="width: 33.33%; text-align: center;">20__</td> <td style="width: 33.33%; text-align: center;">20__</td> <td style="width: 33.33%; text-align: center;">20__</td> </tr> <tr> <td>i. Pre-closing Trial Balance (GF)</td> <td></td> <td></td> </tr> <tr> <td>ii. Detailed Statement of Financial Performance</td> <td></td> <td></td> </tr> </table> </div> <p style="margin-top: 20px;">An <b>Agency Action Plan and Status of Implementation (AAPSI)</b> report on COA recommendations shall be required if the LGU has adverse findings.</p>	20__	20__	20__	i. Pre-closing Trial Balance (GF)			ii. Detailed Statement of Financial Performance			<div></div> <div></div>	
20__	20__	20__										
i. Pre-closing Trial Balance (GF)												
ii. Detailed Statement of Financial Performance												

	REQUIREMENTS	✓ or X	COMMENTS
4.	<b>Certification issued by the lending institution stating that it shall not require LGU deposits as compensating balance for the loan</b> , if such lending institution is (1) not an authorized government depository bank or (2) an authorized government bank required to obtain the prior approval of the Department of Finance, as provided under the DOF Department Circular No. 002-2016 dated 8 July 2016.	_____	
<b><i>In case the LGU has been declared under the state of calamity either by the national or local authorities shall, for a period of one (1) year from the declaration of state of calamity, be required only to submit the documents stated in Item Nos. 1 and 2, together with certified copy of the declaration.</i></b>			

Prepared and Evaluated by:

Date of Evaluation:

• \_\_\_\_\_  
Financial Analyst

\_\_\_\_\_



**Attachment B**  
*Notice of Deficiency in Documentary Requirements*

\_\_\_\_\_ Date \_\_\_\_\_

Hon. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dear **Mayor/Governor** \_\_\_\_\_:

This refers to your letter dated \_\_\_\_\_ date \_\_\_\_\_ requesting for the issuance of a Certificate of Net Debt Service Ceiling and Borrowing Capacity of the name of LGU for its loan application with the Name of Financing Institution, for the (state purpose of the loan).

In this connection and in order to complete the assessment of your application and determine the financial viability of the proposal, please submit to this Office the soonest possible time the documents marked **X** in the attached checklist, per DO No. 054.2016, dated 25 October 2016.

Please be reminded that should this Bureau fail to receive any information regarding the matter within thirty (30) days from receipt hereof, said request shall be **returned without action**.

Thank you.

Very truly yours,

\_\_\_\_\_  
Regional Director

**Attachment C**  
*Notice of Return of Letter Request Without Action*

\_\_\_\_\_ Date \_\_\_\_\_

Hon. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dear **Mayor/Governor** \_\_\_\_\_:

This refers to your letter dated \_\_\_\_\_ date \_\_\_\_\_ requesting for the issuance of a Certificate of Net Debt Service Ceiling and Borrowing Capacity of the name of LGU for its loan application with the Name of Financing Institution, for the (state purpose of the loan).

In connection therewith, since thirty (30) working days have lapsed and no reply was received from your Office, per our letter request dated \_\_\_\_\_ date \_\_\_\_\_, requiring the submission of the lacking documents to facilitate the request (copy attached), we regret to return your letter request **without action**.

Thank you.

Very truly yours,

• \_\_\_\_\_  
Regional Director

Cc: The OIC-Executive Director, BLGF Central Office

\_\_\_\_\_ Date \_\_\_\_\_

**OIC EXECUTIVE DIRECTOR NIÑO RAYMOND B. ALVINA**

Bureau of Local Government Finance  
Department of Finance  
8<sup>th</sup> floor, EDPC Bldg., BSP Complex,  
Roxas Blvd., Malate, Manila

**Thru:** (Name of Regional Director)  
(Address of BLGF-Regional Office)

Dear **Director ALVINA:**

Relative to the loan application of the (Name of LGU), with the (Name of Financing Institution), may we request for the issuance of Certificate of Net Debt Service Ceiling and Borrowing Capacity from that Office, with the following information provided for your reference/consideration:

<b>Credit Facility</b> <i>(Specific Purpose of Loan)</i>	<b>Term of Loan</b>	<b>Amount of Loan</b>
▪ Indicate the purpose of the loan (state what exactly it is in the approved Resolution)	▪ Indicate the number of years to pay including grace period and the interest rate	▪ Indicate the amount of proposed loan

*Add rows for other additional information as may be necessary*

Attached are the documents required to facilitate our request in compliance with DOF DO No. 054.2016, dated 25 October 2016, to wit:

1. Certification by the Local Treasurer of presence or absence of loan/loans duly certified by the Local Treasurer;
2. Commission on Audit (COA) Annual Audit Certificate for the most recent year, which supported by the year-end financial reports for the past three (3) years;
3. Certification issued by the lending institution stating that it shall not require LGU deposits as compensating balance for the loan;

Thank you.

Very truly yours,

\_\_\_\_\_  
Name and Signature  
Title of LCE

**LGU Template B**

*Sample Certification of Local Treasurer on Existing Loans/Absence of Loans*

## CERTIFICATION

This is to certify that the \_\_\_\_\_ (Name of LGU) has (state whether the LGU has an existing loan or has no existing loan).

Financing Institution	Type of Loan	Purpose	Amount	Date Availled	Date of Maturity	Interest Rate	Tenor (# of years to pay)	Outstanding Balance as of _____
1.								
2.								
3.								

*Add rows as may be necessary*

Attached is/are the amortization schedule/s for reference.

This certification is issued in support of the request of the \_\_\_\_\_ (Name of LGU) for the issuance of the Certificate of Net Debt Service Ceiling and Borrowing Capacity from the Bureau of Local Government Finance.

Done this \_\_\_\_\_ Date \_\_\_\_\_, at \_\_\_\_\_ (Name of LGU) \_\_\_\_\_, Philippines.

**(Name and Signature)**  
**Provincial/City/Municipal Treasurer**

**LGU Template C**  
*Status of Implementation of Prior Year's Audit Recommendations*

**Status of Implementation of Prior Year's Audit Recommendations**

CY \_\_\_\_ Annual Audit Report

<b>Audit Observation</b>	<b>Recommendations</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason/s for Partial Or Non Implementation</b>
1				
2				
3				

**Name and Signature of Concerned LGU Officials**