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BLGF MEMORANDUM CIRCULAR NO. 020.2019

SEP 02 2019

TO : All BLGF Central and Regional Directors; All Provincial, City and Municipal Treasurers; and Others Concerned

SUBJECT : Local Fees and Charges (LFC) Toolkit on the Review, Setting, and/or Adoption of Reasonable Local Fees and Charges

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- 1.0 LEGAL BASIS.** This Memorandum Circular is issued pursuant to Joint Memorandum Circular (JMC) No. 2019-01, dated 17 May 2019, issued by the Department of the Interior and Local Government (DILG) and the Department of Finance (DOF), entitled "*Guidelines for the Review, Adjustment, Setting and/or Adoption of Reasonable Regulatory Fees and Charges of Local Government Units.*"
- 2.0 POLICY OBJECTIVE.** It is the policy objective of this Circular to ensure uniform procedures in the setting, review and/or adoption of reasonable fees and charges of local government units (LGUs), as provided under Republic Act (RA) No. 7160, otherwise known as the Local Government Code (LGC) of 1991, and to promote a balance between recovering the cost of services rendered by the LGUs and attracting investments in the LGUs, in line with RA No. 11032, also known as the Ease of Doing Business and Efficient Government Service Delivery Act of 2018.
- 3.0 PURPOSE.** This Circular is issued to provide the guidelines and procedures on the use of the LFC Toolkit for the LGUs. The LFC Toolkit shall serve as the framework in the determination of the reasonable rate of fees and charges and for the primary purpose of analyzing the efficient cost-recovery of regulatory activities and user services of the LGUs. Further and in line with the BLGF Quality Policy, the guidelines provided herein aims to: (i) deliver quality service standards in determining reasonable fees and charges of LGUs; (ii) build the capacity of the BLGF concerned units and personnel in the use of the LFC Toolkit; (iii) provide relevant capacity building for the LGUs; and (iv) conduct information and education campaign in the use of the LFC Toolkit for the LGUs.
- 4.0 GENERAL GUIDELINES.** The following general guidelines shall be complied with, in accordance with the DILG-DOF JMC No. 2019-01:
- 4.1** The DOF, through the BLGF, shall prepare, update and issue the necessary guidelines and advisories on the LFC Toolkit.

- 4.2 The LFC Toolkit shall be available in two modes: (i) Excel-based template; and (ii) Local Fees and Charges Estimation System (LFCES) incorporated in the LGU Integrated Financial Tools (LIFT) System.
- 4.3 The DOF, through the BLGF and the Philippine Tax Academy (PTA), in coordination with the DILG, shall conduct capacity building, training, and technical assistance programs for concerned personnel relative to the review, setting, and/or adoption of reasonable regulatory fees and charges by using the LFC Toolkit in revising their fees and charges.
- 4.4 The DOF, through the BLGF, shall regularly monitor the fees and charges imposed by LGUs through the BLGF online portal, and shall ensure that the schedule of rates and analysis of such are regularly published online and readily available to the different stakeholders and the general public.
- 4.5 The DOF, through the BLGF, shall coordinate with the DILG in monitoring the compliance of the LGUs in the implementation of this Circular.

5.0 DETERMINATION OF REASONABLE RATES OF FEES AND CHARGES USING THE LFC TOOLKIT.

- 5.1 There are two basic requirements that must be undertaken before proceeding with the LFC Toolkit, as shown in **Part I** of **Annex A** hereof, to wit:

- 5.1.1 **Identify the Local Government Office/s Concerned.** The LGU shall identify the LGU office/s imposing any regulatory fees and user/service charges. These may include the Treasury Office, Business Permit and Licensing Office, Sanitation Office, Planning and Development Office, Assessor's Office, Office of the Building Official, Environment Management Office, among others; and

- 5.1.2 **Identify the Individual Local Fees and Charges Imposed.** The concerned LGU office/s shall identify every single fee and/or charge imposed. Once identified, the concerned office shall use the LFC Toolkit to review and rationalize the rates of local fees and charges.

- 5.2 In using the Excel-based LFC Toolkit, the user must have basic knowledge of MS Excel. The step-by-step procedures and detailed instructions to accomplish the LFC Toolkit are provided in **Part II** of **Annex A** hereof, to wit:

- 5.2.1 **Map the Process Flow.** Once a particular fee or charge has been identified, the LGU shall map its individual process flows for the concerned LGU office/s. The process flow refers to the step by step process of a service performed by a particular LGU office. The LGU office may refer to its Citizen's Charter or duly authorized office process flow for standard procedure.

- 5.2.2 **Identify the Resource Requirements for Each Regulatory Activity, Service or Function.** The LGU shall identify the offices and all key personnel involved in each activity. For uniformity, information shall be based on the Citizen's Charter or duly authorized office process flow in the LGU.

5.2.3 Classify Each Activity as 'Routine' or 'Special'. Each activity, service or function shall be classified as 'routine' or 'special' by considering the variation of requirements or costs for the purpose, such as the number of personnel to be deployed, the number of hours to be rendered, the number of visits/inspections to be conducted, among others.

- a. **Routine** - if the activity, service or function does not require alteration of the standard procedures to undertake the purpose. Each standard procedure may have different resource requirements to complete, and if there is no modification or the increase in resource requirement is minimal, e.g., less than or equal to 10% variation, the activity, service or function should still be classified as 'Routine'.
- b. **Special** - if the activity, service or function requires substantial alteration of or significant change in the standard procedures to undertake the purpose. When the resource requirements to complete the standard procedure increase by more than 10% or a special/additional requirement is introduced, the activity, service or function should already be classified as 'Special'. Such additional cost requirement shall be allocated or included in the analysis, as provided in *Item 5.2.5* hereof. Such cost allocation should be annually assessed as to applicability.

It should be noted that since the changes in the resource requirements may be different for each LGU, the number of hours, frequency of inspection, or any other variables should be considered. It is therefore important to identify at least one (1) special or additional step in the standard procedure. However, in cases where two (2) or more special or additional steps were identified in the process, these must be carefully considered to avoid double take up or counting of the cost.

On the other hand, in case there is no special or additional step identified in the process, then only the normal costing procedure must be used and the computation using *Item 5 of Annex A* hereof must not apply. For reference on template for classification of activities and illustrative examples, please refer to *Item 3 of Annex A* hereof.

5.2.4 Identify and Quantify the Variable Costs for the Routine Activities. Variable costs are expenses that vary with the particular service being rendered by the LGU, such as personnel, transportation expenses, printed forms and other inputs necessary to deliver the service, to wit:

- a. **Personnel Costs.** Personnel is the most important component of service delivery in the LGU. The cost associated with personnel includes the compensation of supervisors and staff performing functions such as receiving and recording of applications, checking the

authenticity and completeness of documents, processing and approval of papers, collection of fees, and other tasks done until the service is fully delivered.

- b. Transportation Costs.** The LGUs need to provide inspectors with transportation in order to conduct inspections properly. Inspectors are normally provided with transportation vehicle and fuel to optimize efficiency. The vehicles used are either permanently assigned to the unit delivering the service or from the motor pool of the LGU. Transportation expenses have two components: vehicle cost and fuel cost. Further, in cases when an LGU does not provide vehicles for inspection, but only allows the reimbursement of actual transportation expenses.
- c. Other Variable Costs.** Other variable costs refer to materials, supplies, and other resources that are issued to each applicant.
- d. Summary of Variable Costs.** This refers to the cost components and their contribution to the total variable costs.

5.2.5 Allocate the Variable Cost for Special Activities. There shall be a separate allocation of variable cost for the Special Activities, as identified in *Item 5.2.3* hereof.

5.2.6 Estimate and Distribute the Fixed Costs. Fixed costs or overhead are costs that do not vary with outputs. These include the costs of office space, utilities, equipment, other facilities, supplies and other fixed costs. In delivering a service, the cost of delivering the service should also consider proportionate share of the overhead costs for delivering the service. Fixed costs include the following:

- a. Cost of Office Space.** Local government offices/departments are typically housed in the provincial/city/municipal halls/buildings where the office is shared with other departments. The objective is to determine the presumptive share of delivering the service (e.g. conduct of inspections) to the cost of space in the LGU hall/building occupied by the office delivering the service, or in cases when an LGU rents its office space.
- b. Cost of Utilities (Electricity, Water and Telephone).** These cost components include costs of electricity, water and telephone services paid by the LGU, and each has a different procedure in determining their respective annual costs.
- c. Cost of Equipment and Other Facilities.** The LGU must initially identify and count the number of equipment and other facilities regularly used for delivering the service.



- d. **Office Supplies and Other Fixed Costs.** The LGU must also consider the cost of office supplies and other fixed costs.
- e. **Summary of Fixed Costs.** All the cost components and their contribution to the total fixed costs must be summarized.

5.2.7 Compare and Analyze the Results with the Current Rates. The concerned LGU office shall compare its current fee rates with the total cost of regulation or delivering the subject service, as estimated using the Toolkit. The acceptable marginal difference shall not be greater than or less than the ten percent (10%) of the estimated actual cost of delivering the service.

- a. If the difference of the computed cost and the current rate of fees and charges are within the **10% acceptable range**, the fee/charge is reasonable. In this case, the LGU may retain its current rate/s.
- b. In case the result is above the 10% acceptable range, the imposition of the LGU is not reasonable. Hence, the LGU is encouraged to: (i) adopt the result of the estimated cost from LFC Toolkit and revise its schedule of fees and charges; or (ii) provide better or much improved service to the public to justify the fee rate and commensurate to the quality/efficiency of the service expected.
- c. In case the result is below the 10% acceptable range, the LGU is subsidizing the cost of the service being rendered. Hence, the LGU is encouraged to: (i) adopt the result of the estimated cost from LFC Toolkit and revise its schedule of fees and charges; or (ii) retain its schedule of fee rates if the actual intention of the LGU is to subsidize the cost of services.
- d. Upon accomplishing the LFC Toolkit for all fees and charges being imposed by the LGU concerned, the results shall be summarized for submission as required under *Item 6.0* hereof.

6.0 REPORTING AND ACCOUNTABILITY

6.1 Submission of the Results to the LGU Oversight Committee. After estimating the cost of delivering the subject service or regulation through the use of the Toolkit, the results shall be submitted to the LGU Committee on Revision of Fees and Charges, which shall be created by the local chief executive (LCE) within three (3) months after the effectivity of the JMC, as provided under *Item 6.4.2* thereof, to ensure that the submitted results of the LGU are in accordance with the guiding principles of the LGC and the JMC.

6.2 Propose Revision of the Local Revenue Code (LRC). In connection with the review made by the Committee on Revision of Fees and

Charges, adjustments shall be proposed to the LCE and the Sanggunian concerned in order to adopt and implement the reasonable rates of local fees and charges in accordance with Section 147 of the LGC, and the DILG-DOF JMC No. No. 2019-01.

6.3 Submit the Report and Proposed LRC Updates to the BLGF Central Office for LGUs within the National Capital Region and to the BLGF Regional Offices for LGUs within its Jurisdiction. Technical assistance by the BLGF may be provided to LGUs after submission of proposed adjustments of rates of fees and charges to the LCE and the Sanggunian. For this purpose, the concerned LGU Oversight Committee shall submit to the BLGF the following:

- a. **Accomplished LFC Toolkit for a particular fee/charge;**
- b. **Proposal to the LCE and the Sanggunian; and**
- c. **A copy of the revised LRC.**

6.4 Online Publication of the Schedule of Rates. The BLGF shall publish the newly adjusted and authorized rates of fees and charges of the LGU for purposes of disseminating information to the taxpayers.

7.0 OPERATIONAL GUIDELINES. The following are the responsibilities of the local treasurers, and the BLGF Central and Regional Offices:

7.1 Provincial, City and Municipal Treasurers. The Local Treasurers shall be Co-Chairperson of LGU Committee on Revision of Fees and Charges:

7.1.1 For Provinces:

Chairperson	Local Chief Executive
Co-Chairperson	Provincial Treasurer
Members	Provincial Budget Officer; Provincial Planning and Development Coordinator; Provincial Accountant; Sanggunian Secretary

Note: Additional members may be identified depending on the type of fees and charges being reviewed and the department/office in-charge of the service e.g., Assessor, Environment Officer, Health Officer, etc.

7.1.2 For Cities and Municipalities:

Chairperson	Local Chief Executive
Co-Chairperson	City/Municipal Treasurer
Members	City/Municipal Budget Officer; City/Municipal Planning and Development Coordinator; City/Municipal Accounting; Sanggunian Secretary; Liga ng mga Barangay Representative

Note: Additional Members may be identified depending on the type of fees and charges being reviewed and the department/office in-charge of the service e.g., Assessor, BPLO, Building Official, Environment Officer, Sanitary Officer, Zoning Officer, etc.

7.1.3 The concerned city and municipal treasurers shall guide and assist the component barangays in determining and setting the rates of fees and charges within their respective jurisdictions to ensure uniformity and compliance with the law and the JMC.

7.1.4 The Provincial Treasurer shall:

- a. Regularly monitor the fees and charges imposed by LGUs within their jurisdiction if these are in accordance with the guidelines set herein as part of their regular conduct of local treasury operations evaluation; and
- b. Provide assistance and training to LGUs within their jurisdiction on the LFC Toolkit using the Excel-based template and the LFCES in the LIFT once developed.

7.2 BLGF Regional Offices (ROs):

- 7.2.1 Through the conduct of local treasury operations evaluation, regularly monitor the local fees and charges within their jurisdiction, if these are in accordance with the guidelines set in the LFC Toolkit;
- 7.2.2 Report to the BLGF CO, on an annual basis, the LGUs which have not revised their schedule of local fees and charges in accordance with the guidelines set in the LFC Toolkit and provide an implementation action plan for the LGUs;
- 7.2.3 Provide technical assistance and capacity building to LGUs, within their jurisdiction, on the use and adoption of the LFC Toolkit;
- 7.2.4 Once the BLGF online portal is developed, ensure that the schedule of rates of LGUs, within their jurisdiction, are regularly published online and readily available to the general public;
- 7.2.5 Coordinate with the concerned DILG Regional Office in monitoring the compliance of the LGUs in the implementation of the JMC; and
- 7.2.6 Disseminate the JMC to all local treasurers and others concerned for their information and guidance, provide relevant information, and respond to inquiries regarding the JMC.

7.3 BLGF Central Office (CO):

- 7.3.1 Prepare and recommend guidelines, rules and procedures, and advisories for the approval of the Executive Director, through appropriate office orders or circulars as required under *Item 6.5.3.1* of the JMC;
- 7.3.2 Conduct periodic review of the LFC Toolkit and adjust accordingly the parameters used, the identification of the process flow, fixed and variable costs, routine and special activity, among others;
- 7.3.3 Provide resource speakers and facilitators during trainings and capacity building activities to BLGF ROs and LGUs within the NCR;
- 7.3.4 Regularly monitor the consolidated reports of the BLGF-ROs, on an annual basis, concerning LGUs which have not revised their schedule of fees and charges in accordance with the guidelines set in the LFC Toolkit and their implementation action plans;
- 7.3.5 Once the BLGF online portal is developed, ensure that the schedule of rates of LGUs within its jurisdiction are regularly published online and are readily available to the general public;

- 7.3.6 Provide enhancement, feedback, and/or inputs on the parameters used, such as the identification of the process flow, fixed and variable costs, routine and special activity, among others during the periodic review of the LFC Toolkit;
- 7.3.7 Coordinate with the PTA on the conduct of capacity building and technical assistance programs relative to the JMC implementation;
- 7.3.8 Provide consolidated semestral report on the number of LGUs and personnel trained on the LFC Toolkit, and monitor the compliance of all LGUs on the revision and implementation of new schedule of fees and charges under their respective LRCs; and
- 7.3.9 Ensure that the BLGF online portal for the LGU schedule of rates and fees are regularly analyzed, published and made available in the BLGF website.
- 8.0 **SEPARABILITY CLAUSE.** If any provision or part of this Circular shall be suspended, revoked or invalidated by competent authority, the other provisions or parts hereof not affected thereby shall continue to be in full force and effect.
- 9.0 **REPEALING CLAUSE.** All Bureau orders and issuances or parts thereof that are inconsistent herewith are hereby repealed or modified and amended accordingly.
- 10.0 **EFFECTIVITY.** This Circular shall take effect fifteen (15) days after its publication in the Official Gazette and the University of the Philippines Office of the National Administrative Register or in a newspaper of general circulation in the Philippines.

All concerned shall be guided accordingly.

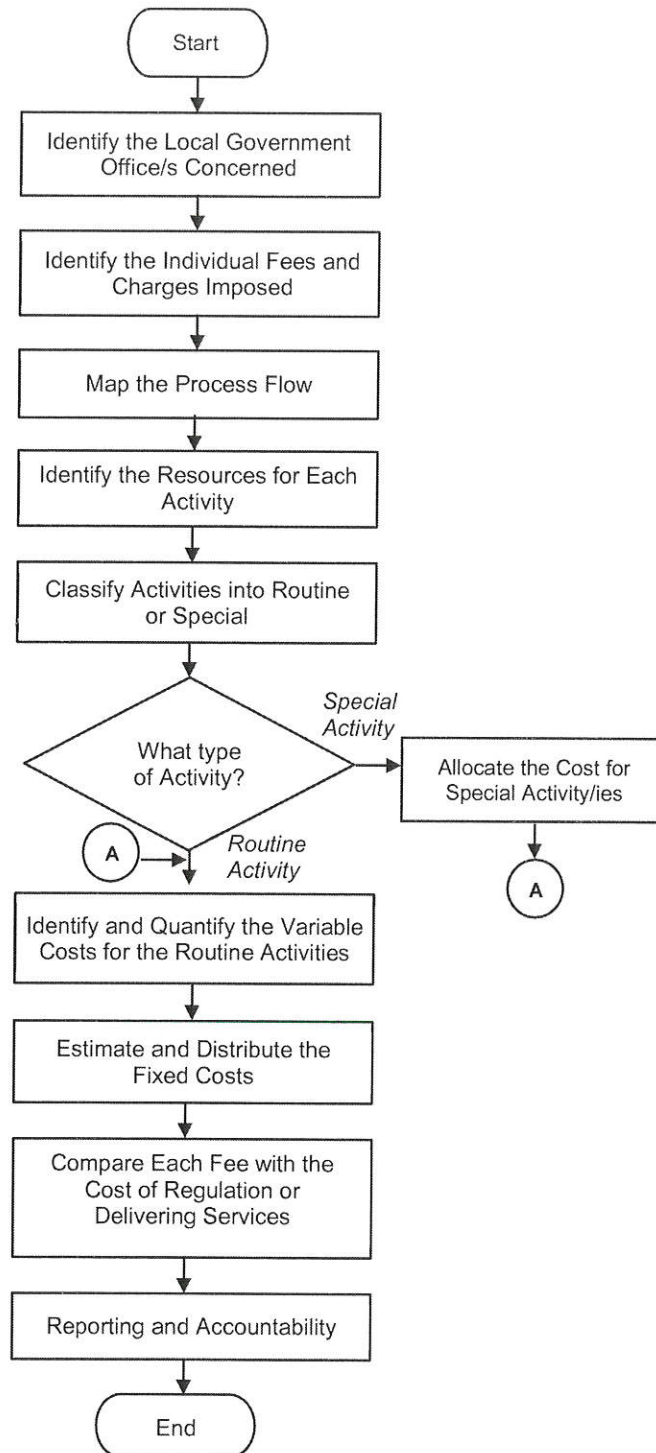

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Executive Director



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ANNEX A

Part I – Summary Flow Chart



Part II – Step-by-Step Procedures in Accomplishing the Excel-Based Template of the LFC Toolkit

Per Part I and Item 5.1 of the MC, two basic requirements must be done before proceeding with the procedures hereunder: (i) Identify the Local Government Office/s Concerned, and (ii) Identify the Individual Local Fees and Charges Imposed.

1 Map the Process Flow

Table 1. Sample Process Flow

Activity	
1	Receives requests/application
2	Verifies correctness and accuracy of submitted information
3	Reviews completeness and authenticity of attached supporting documents
4	Schedules the application for processing
5	Performs actual "inspection"/"ocular"
6	Evaluates the results of the inspection
7	Releases the results to the applicant
8	Receives the payment of fees/charges
9	Releases the approval

Note: Activities in the Process flow may be revised in accordance with the Citizen's Charter or duly authorized process flow of the concerned office.

2 Identify Resource Requirements for Each Regulatory Activity, Service or Function

Table 2. Identification of Resources

Activity		Office Involved	Personnel	Supply/ Material
1	Receives requests/application	Office A	Admin Assistants 1 and 2	Forms
2	Verifies correctness and accuracy of submitted information	Office A	Doc Processor 1 and 2	Ballpen, forms
3	Reviews completeness and authenticity of attached supporting documents	Office A	Doc Processor 3 and 4	-
4	Schedules the application for processing	Office B	Encoder	-
5	Performs actual "inspection"/"ocular"	Office B	Inspectors 1, 2, 3 and 4	-
6	Evaluates the results of the inspection	Office B	Senior Inspector 1	Forms
7	Releases the results to the applicant	Office B	Doc Processor 5	-
8	Receives the payment of fees/charges	Office C	Revenue Collector 1	Official Receipt
9	Releases the approval	Office B	Doc Processor 6	Certificate

Note: Additional roles may be added as may be necessary and in accordance with the Citizen's Charter or duly authorized process flow of the concerned office.

3 Classify Each Activity as 'Routine' or 'Special'

Table 3. Classification of Activities

Activity		Office Involved	Personnel	Supply/ Material	Type of Activity
1	Receives requests/application	Office A	Admin Assistants 1 and 2	Forms	Routine
2	Verifies correctness and accuracy of submitted information	Office A	Doc Processor 1 and 2	Ballpen, forms	Routine
3	Reviews completeness and authenticity of attached supporting documents	Office A	Doc Processor 3 and 4	-	Routine
4	Schedules the application for processing	Office B	Encoder	-	Routine
5	Performs actual "inspection"/"ocular"	Office B	Inspectors 1, 2, 3 and 4	-	Special
6	Evaluates the results of the inspection	Office B	Senior Inspector 1	Forms	Routine
7	Releases the results to the applicant	Office B	Doc Processor 5	-	Routine
8	Receives the payment of fees/charges	Office C	Revenue Collector 1	Official Receipt	Routine
9	Releases the approval	Office B	Doc Processor 6	Certificate	Routine

ILLUSTRATION

Case 1. The Administrative Assistant I from the Business Permit and Licensing Office (BPLO) receives and checks business applications that would take 5-10 minutes to process each application, depending on the required documents to be submitted.

Explanation: The number of minutes rendered for receiving and checking of business application differs per application, hence, the cost of service rendered for the said activity is significantly small in nature.

Case 2. The LGU sends one (1) inspector for retailers and spends eight (8) hours for such activity. For manufacturers, the LGU sends three (3) inspectors for simultaneous inspection and eight (8) hours were spent in rendering such service.

Explanation: The activity is classified as "Special" since the number of personnel deployed varies according to the type of business being inspected; thus, the cost varies significantly.

4 Identify and Quantify the Variable Costs for the Routine Activities

Variable costs include personnel costs, transportation expenses, printed forms and other inputs necessary to deliver the service. These are expenses that vary with output, such as:

4.1 Personnel Cost. The steps for filling out Table 4 - Personnel Cost is shown below:

- a. **Column 1:** Base it on the staff identified as directly involved in the Routine Activities of the subject service. The actual number may be obtained from the Citizen's Charter or authorized office process flow, including the list of contractual positions for the particular service/s being rendered.
- b. **Column 2:** Match the salary grade for each staff. The salary grade data will be available at the Citizen's Charter, HR, Accounting, or Budget Office of the City.
- c. **Column 3:** Fill out the salary rate per month for each staff. The salary rates per month may be obtained from HR, Accounting, or Budget offices of the LGU.
- d. **Column 4:** Compute annual salary of staff by multiplying Column 3 by 12 months.
- e. **Column 5:** Identify all remunerations regularly received by staff, e.g., cash gift, ACA/PERA, mid/yearend bonuses, uniform allowance, etc., which shall be available at the LGU Budget or Accounting Office. If the data are not readily available, approximate other benefits as 20% of the annual salary.
- f. **Column 6:** Sum up Columns 4 and 5, and multiply by 80%. The 20% covers lag time usually allotted to attendance in seminars/trainings, leaves, and other admin activities not related to the service. Other method/s may be devised to determine the annual % of time assigned, exclusive of lag time, to deliver the subject service.
- g. **Column 7:** Approximate the annual percentage of time each staff performs the task directly related to the activity. Data shall be provided by the head of units performing the service, e.g., if exclusively doing such task, use 100%.
- h. **Column 8:** Get the total personnel cost attributable to Routine Activities by adding the cost for each staff involved in delivering the service.

Table 4. Personnel Cost

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Name and Position	Compensation					% Time Assigned in the Delivery of the Subject Service	Annual Cost of the Service
	SG-Step	Monthly Salary	Annual Salary	Other Benefits	Annual Compensation		
Admin Assistant 1							
Doc Processor 1							
Supervisor 1							
Records Keeper 1							
<i>Insert additional rows as may be necessary, i.e. every additional staff involved.</i>							
Total							

4.2 Transportation Costs include the following variable costs: (i) Vehicle Cost, (ii) Fuel Cost, (iii) Other Variable Costs, described hereunder.

4.2.1 Vehicle Cost. To fill out Table 5, follow the steps below:

- a. **Column 1:** Identify the vehicle/s used for inspection.
- b. **Column 2:** Identify the number of vehicles used for inspection.
- c. **Column 3:** Verify the unit cost of vehicle/s.
- d. **Column 4:** Determine the total cost by multiplying Columns 2 and 3.
- e. **Column 5:** Apply the depreciation rate (Note: Economic life of a vehicle is 10 years).
- f. **Column 6:** Compute the annual depreciation cost by multiplying Columns 4 and 5.
- g. **Column 7:** Verify from the City Accounting Office the actual amount spent for maintenance of the vehicle used for inspection. In the absence of actual data, the amount can be computed by multiplying Column 5 by 20%.
- h. **Column 8:** Determine the frequency of use of the vehicle. In the sample case, half day use from February to November is 44/52 weeks x .5 days. Note that the LGUs may devise other method to determine the actual frequency of use of vehicle.
- i. **Column 9:** Compute the cost of vehicle for inspection by adding Columns 6 and 7 then multiply the frequency of use in Column 8.

Table 5. Variable Cost: Vehicle

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
List of Vehicle/s	Number of Vehicle/s	Unit Cost	Total Cost	Depreciation Rate/Year	Annual Depreciation Cost	Maintenance Cost	% Use for Inspection per Week	Annual Cost of Vehicle for Inspection
Vehicle 1								
Vehicle 2								
<i>Insert additional rows as may be necessary</i>								
TOTAL								

4.2.2 Cost of Fuel. To fill out Table 6, follow the steps below:

- a. **Column 1:** Identify the vehicles used for inspection
- b. **Column 2:** Identify the number of vehicles used for inspection
- c. **Column 3:** Verify the unit cost of fuel per liter
- d. **Column 4:** Check the average weekly fuel consumption in liters
- e. **Column 5:** There are 52 weeks in one year. Identify the number of weeks the vehicles(s) has been used in a year
- f. **Column 6:** Compute annual cost of fuel by multiplying Columns 2, 3, 4 and 5
- g. **Column 7:** Determine the percentage for the frequency of use of the vehicle for inspection. In the specific case sample, half day use from February to November is 44/52 weeks X .5 days. Note that the LGUs may devise other method to determine the actual percentage for the frequency of use of the vehicle.
- h. **Column 8:** Compute cost of fuel for inspection by multiplying Columns 6 and 7

Table 6. Variable Cost: Fuel

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
List of Vehicle/s	No. of Vehicle	Ave. Cost per Liter	Ave. Weekly Consumption in Liters	No. of Weeks in a Year	Annual Cost of Fuel for the Vehicle	% of Use for Inspection per Week	Annual Cost for Fuel for Inspection
Vehicle 1							
Vehicle 2							
<i>Insert additional rows as may be necessary</i>							
Total							

- i. If the LGU does not use vehicles in the inspection, but allows the reimbursement of actual transportation expenses, the annual cost should be computed by determining the monthly reimbursements multiplied by 12, per Table 7 below and with reference to Table 4 above:

Table 7. Variable Cost: Transportation Allowance/Reimbursements

(1)	(2)	(3)	(4)	(5)
Name and Position	Transportation Cost Based on Allowance/Reimbursements		% Time Assigned in the Delivery of the Subject Service	Annual Cost of the Service
	Monthly Average	Annual Allowance		
Admin Assistant 1				
Doc Processor 1				
Supervisor 1				
Records Keeper 1				
<i>Insert additional rows as may be necessary, i.e. every additional staff involved.</i>				
Total				

4.2.3 Other Variable Costs. To fill out Table 8, follow the steps below:

- Column 1:** List down the supplies, materials and other resources which are issued to each applicant or vary directly with the number of applicants.
- Column 2:** Count all filled application forms, schedule slips, results forms, etc., and those issued with official receipts. Consider if applicants were successfully processed and approved, and provided with new business plate, stickers and/or certificates.
- Column 3:** Secure the unit cost for each and every item identified as other variable cost from the City Accounting Office.
- Column 4:** Compute annual other variable cost by multiplying Columns 2 and 3.

Table 8. Other Variable Costs

(1)	(2)	(3)	(4)
Particulars	Annual Number of Applications	Cost/Measuring Unit	Annual Cost
Application Forms			
Schedule Slip/Forms			
Report Forms - Results of Inspection			
Certificates			
Stickers/Plates			
Official Receipt			
<i>Insert additional rows as may be necessary</i>			
Total			

- e. Depending on the structure of the unit operations of the concerned offices, there may be other variable costs not included in this illustration. LGUs must include such additional cost items in the template and compute their annual costs.

4.2.4 Summary of Variable Costs. The foregoing variable costs should be summarized using Table 9 to show the cost components and their respective contributions to total variable costs associated with the service. The costs can be substantially reduced if services are delivered efficiently. To fill out Table 9, follow the steps below:

- Column 1:** Identify the annual number of applications, then list all identified variable costs, and their cost components.
- Column 2:** Provide the number of applications, then fill out the variable costs for the subject service, and reflect the sum of all entries of each cell to total.
- Column 3:** Divide the amount in Column 2 with the number of applications (annual) to get the Estimated Routine Variable Cost per Application.

Table 9. Summary of Variable Costs

(1) Particulars	(2) Total	(3) Estimated Variable Cost Per Application
Annual Number of Applications		
Variable Costs		
▪ Routine Personnel		
▪ Transportation Costs		
▪ Other Supplies/ Forms/ Materials		
Total		

5 Allocate the Variable Cost for Special Activities.

Determine separately the allocation of variable cost for the Special Activities identified in Step 3. To fill out Table 10, follow the steps below:

- Column 1:** List the staff (N=name, P=position) assigned to the "Special" activity/ies.
- Column 2:** Match the salary grade and step for each staff.
- Column 3:** Fill out the salary rate per month for each staff.
- Column 4:** Compute the annual staff salary by multiplying Column 3 by 12 months.
- Column 5:** Identify other remunerations, such as RATA, PERA, bonuses and other benefits received by staff during the year (c/o Budget or Accounting Office). If data are not available, use 20% factor to approximate benefits of the service delivery unit.
- Column 6:** Sum up columns 4 and 5.
- Column 7:** Estimate the annual % of time each staff performs directly to the issuance of the subject service. The rate shall be provided by concerned unit head.
- Column 8:** Add each cost for staff involved to get total the cost of Special Activity.

Table 10. Variable Cost – Special Activities

(1) Name, Position	(2) SG- Step	(3) Monthly Salary	(4) Annual Salary	(5) Other Com- pensation	(6) Total Annual Compensation	(7) % Time Allocated for the Service	(8) Annual Cost of Inspection Service
N1, P1							
N2, P2							
<i>Insert additional rows as may be necessary</i>							
Total							

5.1 Weight Allocation. This refers to allocating the special cost of the identified Special Activity in an equitable manner. The following illustration shows different scenarios on how 'Special' activities are being accounted for according their complexity, type of business, number of personnel, or a combination of both, among others.

ILLUSTRATION

Case 1. The LGU has identified that the number of personnel sent for inspection is the Special factor for the change of activity level. Thus, the number of personnel sent for inspection varies according to type of transaction, whether 'Simple' or 'Complex'. One (1) personnel sent for inspection is considered a Simple transaction, while three (3) personnel sent for inspection is considered Complex transaction. The LGU must then allocate the weight according to the number of personnel and type of transaction. The basis in allocating the weight is the ratio of simple transaction over complex transaction.

Table 11. Basis of Allocation: Number of Personnel

Categories	No. of Personnel	Weight	Allocation
Simple	1	0.25	206,326.25
Complex	3	0.75	618,978.74
Total	4	1.00	943,205.68

Note: The values and categories above are for illustration only.

ILLUSTRATION

Case 2. The LGU identified that the 'Special' factor for the change of activity level is the business classification present within its jurisdiction since the number of personnel sent for inspection varies according to the area of the business. As such, the weight for 'Manufacturer' is presumed to be greater than other types or classification of business due to the area/space it occupies within the LGU. It is important to emphasize that the weight to be allocated to other business classifications shall be in accordance with the sound and professional judgment of the LGU official concerned. The basis for the allocation is the weight distributed per business classification, as illustrated below:

Table 12. Basis of Allocation: Business Classification

Classification	Weight	Allocation
Manufacturer	4	235,801.42
Wholesalers	2	117,900.71
Exporters	2	117,900.71
Retailers	2	117,900.71
Contractors	2	117,900.71
Banks and other institutions	1	58,950.36
Peddlers	0	-
Others	1	58,950.36
Total	16	943,205.68

Case 3. The LGU chooses to allocate the Special cost of inspection according to business classification and complexity of transaction. In doing so, the LGU should first allocate the weight according to business classification as illustrated in Case 2. The weight of each classification must then be distributed according to complexity of transactions. In Table 13, 'Manufacturers', after being allocated according to its classification, is further distributed to simple and complex transaction to further allocate the cost of service rendered by the respective personnel in the inspection activity.

Table 13. Basis of Allocation: Business Classification

Business Classification	Category	Allocation	Weight		Total	Simple	Complex
			Simple	Complex			
Manufacturer	Complex	235,801	1	3	4	58,950	176,851
Wholesalers	Simple	117,901	1	-	1	117,901	-
Exporters	Simple	117,901	1	-	1	117,901	-
Retailers	Simple	117,901	1	-	1	117,901	-
Contractors	Complex	235,801	1	3	4	58,950	176,851
Banks and other institutions	Simple	58,950	1	-	1	58,950	-
Others	Simple	58,950	1	-	1	58,950	-
Total		943,206				589,504	353,702

Note that there may be different scenarios for each LGU and may not be limited to the above illustrations.

6

Estimate and Distribute the Fixed Costs.

Fixed costs or overhead are costs that do not vary with outputs. This includes the costs of office space, utilities, equipment and furniture, supplies and other fixed costs. In delivering a service, the cost of delivering the service should also consider proportionate share of the overhead costs for delivering the service. Fixed costs include the following:

6.1 Cost of Office Space. To estimate the cost of office space, fill out Table 14, as follows:

- Determine the floor area occupied by the office delivering the inspection service.
- Estimate the construction cost of the LGU hall/building by multiplying the cost of construction (approximately Php20,000/sq.m.) with its total floor area.
- Compute the proportionate share of the office delivering the service by first dividing the floor area occupied by said office by the total floor area of the LGU hall/building and then multiplying this share by the construction cost of the LGU hall/building.

- d. Compute the annual depreciation cost by applying the annual depreciation rate of 4% (considering 25-year economic life for reinforced concrete) to construction cost
- e. Get the building maintenance cost for the office delivering the service from the Building Maintenance Unit, usually attached to the General Services Office or the Administration Department. However, in the absence of actual data, use 20% of the annual depreciation rate to approximate the imputed value of maintenance cost.
- f. Estimate the annual cost for office space allocated to the delivery of the service by adding the amount of annual depreciation expense and the maintenance cost, and multiplying this by the proportion of the inspection function attributed to the entire responsibilities of the Office involved.

Table 14. Fixed Cost - Office Space

(1)	(2)
Particulars	Value/Amount
Construction Cost (per sq. m)	
Floor area of City Hall (sq. m)	
Building Construction Cost (Php)	
Office Area Occupied (sq. m)	
Cost of Office Area Occupied (Php)	
Depreciation Rate (%)	
Annual Depreciation Expense (Php)	
Annual Maintenance Cost (Php)	
Percent of Work for Subject Service	
Share of Cost Attributable to Delivering the Service (Php)	

6.1.2 Cost of Rented Office Space. To fill out Table 15, follow the steps below:

- a. **Column 1:** Determine the monthly rental rate and multiply by the number of months the office space was rented to know the annual cost for rental. Add actual cost for maintaining the Office space. If the actual data is not available add 20% of the annual cost of rental to determine the annual cost for rented office space. The annual fixed cost for rented office space attributable to rendering the service is the annual cost of rented office space multiplied by the proportion of time used for the subject service in relation to the total responsibility of the concerned office.
- b. **Column 2:** Apply the formula described above for the concerned office.

Table 15. Rented Office Space

(1)	(2)
Particulars	Value/Amount
Rental rate per month	
Number of months use	
Annual cost of rental	
Maintenance Cost	
Annual cost of rented office space	
% of time used for the delivery of the service in relation to the responsibility of the Office	
Annual fixed cost (rented office space) attributable to delivering the service	

6.2 Cost of Utilities (Electricity, Water and Telephone). These cost components include costs of electricity, water and telephone services paid by the LGU. Each will have different procedure to determine annual costs as follows:

6.2.1 Cost of Electricity. Electricity cost is typically lumped together with the total electricity cost of the entire LGU Hall/Building. In order to get an accurate cost for the office involved in the inspection service, the LGU can use the following procedure:

- a. **Column 1:** Describe the particulars/formula for computing the proportion of electricity cost of the offices delivering the subject service. Initially, determine the cost of electricity rate per kilowatt hour and the kilowatt consumption/hour of the Office delivering the service.

The regular operations of a government office could be 7:30 am to 5:30 pm or up to 10 hours a day, and there are approximately 260 days per year. The annual cost of electricity for the offices delivering the service is the product of the electricity rate per kwh, the kilowatt consumption per hour of the office, the number of operating hours per days, and the number of operating days per year.

The percent of work to be considered is an approximation by the head of unit delivering the service in relation to its total responsibilities. When known, the net cost of electricity attributed to delivery of service shall be the annual cost of electricity for the office multiplied by the % of work devoted by the office for the subject service.

- b. **Column 2:** Apply the above formula for the office involved in the subject service.

Table 16. Cost of Electricity

(1)	(2)
Particulars	Value/Amount
Electricity rate per kilowatt hour (Php)	
Kilowatt consumption per hour for the unit delivering the service	
Number of operating hours per day	
Number of days per year	
Electricity cost per year	
Percent of work for delivery of service	
Net electricity cost attributed to subject service	

6.2.2 Cost of Water. Similarly, the amount of water consumed by the office providing the service must be accounted for in order to get an accurate cost of providing services in connection with the service of conducting inspection. The following steps in accomplishing the template to determine to cost of water must be considered:

- a. **Column 1:** Describe the particulars/formula for computing the proportion of water cost of the offices delivering the subject service. Initially, determine the number of people directly related to the provision of subject service. The estimated water bill per person per month is Php100. The net cost of water attributed to the delivery of the subject service can be approximated by the using the water bill of the office per year multiplied by the percent of the subject service performed by the office in relation to the total responsibilities assigned to the said office.
- b. **Column 2:** Apply the above formula for the office involved in the subject service.

Table 17. Cost of Water

(1)	(2)
Particulars	Value/Amount
Number of people	
Water bill per person per month	
Estimated water bill of the office per year	
Percent of work for delivery of service	
Net water cost attributed to subject service	

6.2.3 Cost for Communication. The cost of communication may be easily obtained because the billings are linked to the monthly subscription account. The steps in computing the cost for communication are listed below:

- a. **Column 1:** The cost of telephone can be computed by identifying first the number of telephone lines available in the Office and the monthly subscription rates. The annual cost of telephone services is the number of telephone lines multiplied by the monthly subscription rate over a period of 12 months. The net cost of telephone services attributed to processing and issuance of permit or providing a service is the annual cost of telephone services multiplied by the % of work performed by the Office in providing the subject service as a % of total responsibilities of the Office.
- b. **Column 2:** Apply the formula described above for the office involved in the delivery of the subject service.

Table 18. Cost for Communication

(1)	(2)
Particulars	Value/Amount
Number of phone lines in the subject office	
Rate of subscription per month	
Annual cost of telephone/mobile services	
Percent of work for the subject service	
Net communication cost attributed to subject service	

6.3 Cost of Equipment and Other Facilities. The LGU must initially identify and count the number of equipment and other facilities regularly used for delivering the service. Follow the below steps in accomplishing Table 19 to estimate the cost of other facilities:

- a. **Column 1:** Identify all the equipment, and other facilities used for the delivery of the subject service.
- b. **Column 2:** Count the number of each type of equipment or facility.
- c. **Column 3:** Verify acquisition cost from the Accounting Unit.
- d. **Column 4:** Compute the total cost of acquisition by multiplying Columns 2 and 3.
- e. **Column 5:** Compute the annual depreciation rate by dividing 100% with the estimated economic life in years.
- f. **Column 6:** Verify from the LGU Accounting Office the actual amount spent for maintenance of the vehicle used for inspection. In the absence of actual data, the amount can be computed by multiplying Column 5 by 20%.
- g. **Column 7:** Secure from the LGU Accounting Office the actual amount spent for maintenance of equipment and other facilities used for the delivery of the subject service. In the absence of actual data, the amount can be derived by multiplying Column 5 by 20%.
- h. **Column 8:** Add Columns 6 and 7 to determine the annual cost of equipment and other facilities.
- i. **Column 9:** Determine the % of time used for delivering the specific service in relation to responsibilities of the office involved in delivering the subject service.
- j. **Column 10:** Compute the annual cost share for equipment and other facilities by multiplying Columns 8 and 9.

Table 19. Cost of Equipment, Furniture and Other Facilities

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Particulars	No.	Acquisition Cost	Total Cost	Depreciation Rate	Annual Depreciation Cost	Maintenance Cost	Total Annual Cost	% Used for Delivering the Service	Annual Cost Share for Equipment
<i>A. Equipment</i>									
Air Condition									
Computers									
Photocopier									
								Sub-Total	
<i>B. Other Facilities</i>									
Filing Cabinets									
Tables and Chairs									
								Sub-Total	
								Total	

Note: The LGU may add other equipment or other facilities not mentioned in this illustration. When costs are significant, those fixed costs must be identified and added in the table. But negligible costs may be dropped from the calculations.

6.4 Office Supplies and Other Fixed Costs. Table 20 shows the template and procedures to estimate the cost of office supplies and other fixed costs, as follows:

- Column 1:** Identify the office/s delivering the subject service and the type of other fixed costs significant for their operations. In Table 10, these are costs for internet subscription and regular office supplies for the offices involved.
- Column 2:** Verify actual office expenses from the LGU Accounting Office. If data are hard to get, reflect the budget allocation of each office (c/o LGU Budget Office).
- Column 3:** Determine the percentage of time used by the Office in delivering the specific service in relation to its total responsibilities.
- Column 4:** Compute the other variable cost by multiplying Columns 2 and 3.

Table 20. Cost of office Supplies and Other Fixed Costs

(1)	(2)	(3)	(4)
Particulars	Annual Rate	Percent of Use for Subject Service Fees	Annual Cost
Internet Services			
Regular Office Supplies			
Information Tech Team			
Security Team			
Janitorial Team			
Reception Services			
Hotline Services			
Total			

Note: Consider other major fixed costs not mentioned above. When there are other significant costs, these must be added in the template; if negligible, they may be dropped.

6.5 Summary of Fixed Cost. After computing the different fixed cost components, total costs should be summarized as shown Table 21 and following the below steps:

- Column 1:** List all identified fixed costs.
- Column 2:** Fill up the fixed costs for the subject service and reflect the sum of all entries of each cell under this Column.
- Column 3:** Divide the amount in Column 2 with the number of applications (annual) to get the Estimated Routine Fixed Cost per Application

Table 21. Summary Table - Fixed Costs

(1)	(2)	(3)
Fixed Cost	Total	Estimated Routine Fixed Cost Per Application
Annual Number of Applications		
Office Space		
Utilities		
Equipment and Furniture		
Other Fixed Cost		
Total		

7

Compare and Analyze the Results with Current Rates

The current fee rates must be compared with the estimates using the Toolkit to summarize the costs vs revenues generated and draw conclusion from the results. Follow the steps below to accomplish Table 22 and Table 23:

- For every fee or charge, compare Total Revenue with Total Cost of delivering the subject service based on the results of the foregoing procedures.
- Compute the difference and determine the corresponding variance. If it yields a variance (-/+) of more than 10%, the LGU is either subsidizing (-) or generating revenues (+) in relation to the subject Service.
- Input the results in a summary form using Table 23 for ease in reference and appreciation during the review and deliberation of the results of the Toolkit.
- The LGU must then submit, along with the report of the results, a proposed rationalized fees and charges based on the analysis of results of the Toolkit.

Table 22. Comparison of Fee with Cost of Delivering Services

Fee Rate Estimation Using Costs of Issuing Permits Plus Cost of Surveillance	Comparison with Current Fee Rates	Difference	% Variance (-/+)	Remarks: Reasonable/ Not Reasonable
<i>Name of Fee/Charge:</i>				
Total Cost	Total Revenue			
No. of Applications Processed	No. of Applications Processed			
Average Fee Rate	Average Fee Rate			

Table 23. Summary of Rationalized Local Fees and Charges

Local Fee/Charge	Current Rate	Rationalized Rate	% Variance	Remarks/ Recommendations
Fee No. 1				
Fee No. 2				
Charge No. 1				
Charge No. 2				
<i>Insert additional rows as may be necessary</i>				

- E N D -

NOTE: All references, templates and related resources on the DILG-DOJ JMC No. 2019-01 and the BLGF LFC Toolkit may be downloaded from www.blgf.gov.ph/lguafc.