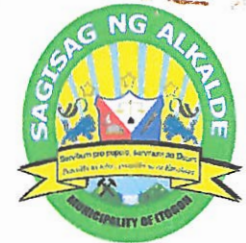




Republic of the Philippines
Province of Benguet
Municipality of Itogon
Office of the Municipal Mayor
Tel. No.: (074) 443-0818/Fax No.: (074) 442-3526
Email Address: vic.palangdan@gmail.com.ph



EXECUTIVE ORDER NO.: 2014 - 02
Series of 2014

AMENDMENT TO EXISTING PROCEDURES IN THE PREPARATION OF DETAILED ESTIMATES IN THE DETERMINATION OF THE APPROVED BUDGET FOR THE CONTRACT (ABC) FOR PUBLIC INFRASTRUCTURE WITHIN THE MUNICIPALITY OF ITOGON.

WHEREAS, there is an existing procedure being used in the determination of the Approved Budget for the Contract (ABC) for all civil works with budget allocation approved by the Local Sanggunian of the municipality including all civil works funded by barangay LGUs;

WHEREAS, the existing value for Indirect Cost is at 25% which accounts for 18% Mark-up and 7% Tax;

WHEREAS, there is a need to increase the value for mark-up to cover contingency costs and overhead expenses due to distant project locations and such other unforeseen expenditures relative to the realization of a quality public infrastructure;

WHEREAS, the Department of Public Works and Highways (DPWH) has issued Department Order No.72, series of 2012, amending D.O 29, series of 2011, setting guidelines in the preparation of the Approved Budget for the Contract;

WHEREAS, it is the preference of the LGU to adopt the provisions of the said Department Order, except for the Value Added Tax (VAT) component which shall remain at 7% and other pertinent provisions deemed not applicable to the LGU;

NOW, WHEREFORE, I ATTY. VICTORIO T. PALANGDAN, by virtue of the power and authority vested upon me by law as the Local Chief Executive of Itogon, do hereby amend the existing procedures in the preparation of Detailed Estimates in the determination of the Approved Budget for the Contract (ABC) for public infrastructure within the Municipality of Itogon, to wit;

1. The ABC shall be the sum of the ESTIMATED DIRECT COST (EDC) and the INDIRECT COST
2. The ESTIMATED DIRECT COSTS shall consist of the following:
 - 2.1 *Cost of materials* to be used in doing the work item called for, which shall include, inter alia, the following:
 - 2.1.a Cost at source, including processing, crushing, stockpiling, loading, royalties, local taxes, construction and/or maintenance of haul roads, etc.;
 - 2.1.b Expense for hauling to project site;
 - 2.1.c Handling expenses;
 - 2.1.d Storage expenses;
 - 2.1.e Allowance for waste and/or losses, not to exceed 5% of materials requirement.
 - 2.2 *Cost of Labor*:
 - 2.2.a Salaries and wages, as authorized by Local Ordinances
 - 2.2.b Fringe Benefits such as vacation and sick leaves, benefits under the Workmen's Compensation Act, GSIS and/or SSS contributions, allowances, 13th month pay, bonuses, etc.
 - 2.3 *Equipment Expenses*:
 - 2.3.a Rental of Equipment shall be based on the 2011 Revised Revenue Code of the Municipality. Rental rates of equipment not found in the Revenue Code shall be taken from the prevailing "Associated Construction Equipment Lessors, Inc. (ACEL) rental rates.

- 2.3.b Mobilization and demobilization, when necessary shall be treated as a separated pay item. It shall be computed based on the equipment requirement of the project. In no case shall mobilization and demobilization exceed 1% of the Estimated Direct Cost (EDC) of civil work items.

3. The INDIRECT COST shall be the sum of the following:

3.1 *Overhead Expenses*- ranges from 5-8% of the EDC, which included the following:

- 3.1.a Engineering and Administrative Supervision;
- 3.1.b Transportation allowances;
- 3.1.c Office Expenses, e.g. for office equipment and supplies, power and water consumption, communication and maintenance;
- 3.1.d Premium on Contractor's All Risk Insurance (CARI);
- 3.1.e Financing Costs
 - a. Premium on Bid Security
 - b. Premium on Performance Security
 - c. Premium on Surety for Advance Payment
 - d. Premium on Warranty Bond (one year)

3.2 *Contingencies*- ranges from 0.5-3% of the EDC. These include expenses for meetings, coordination with other stakeholders, billboards/markers (excluding Project Billboard which is a pay item under the General Requirements), and staging during ground breaking & inauguration ceremonies, and other unforeseen events.

3.3 *Miscellaneous Expenses*- ranges from 0.5-1% of the EDC. These include laboratory tests for quality control & plan preparation.

3.4 *Contractor's Profit Margin (CPM)*- shall be 8% of the EDC for projects above 5M and 10% for projects 5M & below.

3.5 *Value Added Tax (VAT)* - shall be 7% of the sum of the EDC, OCM and CPM

3.6 The following items shall not be subjected to OCM and Profit Mark-up

- 3.6.a Mobilization and Demobilization
- 3.6.b Provision of service vehicles

3.7 The following non-civil work items, if any, shall not be subjected to OCM

Mark-up:

- 3.7.a Field/Laboratory Office & Living Quarters (rental Basis)
- 3.7.b Furnishing of Furniture, Laboratory Equipment, Survey Equipment and consumables
- 3.7.c Assistance to the Engineers
- 3.7.d Photographs
- 3.7.e Health and Safety
- 3.7.f Traffic Management
- 3.7.g Environmental Compliance
- 3.7.h Communication Equipment, etc.

Note: Percentage Values for Mark-up (Overhead, Contingencies, Miscellaneous and Contractor's Profit Margin) according to EDC is tabulated as follows:


ESTIMATED DIRECT COST (EDC)	INDIRECT COSTS:%FOR MARK-UP		TOTAL INDIRECT COSTS: % FOR MARK-UP
	Overhead, Contingencies, Miscellaneous (OCM)	Contractor's Profit Margin (CPM)	
Up to PhP 5M	12	10	22
Above PhP 5M PhP50M	9	8	17
Above P50M PhP 150M	7	8	15
Above PhP50M	6	8	14

Source: DPWH Department Order No. 72, series of 2012

4. Since the ABC is to be compared with the Contractor's Bid and is the ceiling for acceptable bid prices in accordance with the provision of RA 9184, the ABC should be based on the approved Bidding and Contract Documents for the contract which contain the same work items and quantities as to those to be used by the contractors in preparing their bid.
5. Estimators shall continuously update their information/statistics on prevailing market prices of all construction inputs and use only unit prices that are realistic based on valid up-to-date information, in contrast to guesswork and haphazard pricing. All assumptions in generating the estimate should be shown in the cost analysis.

This Order shall take effect immediately

Signed this 21st of April 2014.


ATTY. VICTORIO T. PALANGDAN
Municipal Mayor

Cc;

- Sangguniang Bayan
- Provincial Governors' Office
- Budget Office
- MPDO
- Eng'g Office
- Treasury Office
- Accounting Office
- File