

## Title: Municipality of Corella vs. Philkonstrak Development Corporation

### Facts:

- In 2009, the Municipality of Corella, Bohol, represented by then-Mayor Vito Rapal, conducted a public bidding for a project on the rehabilitation and improvement of its municipal waterworks system.
- Philkonstrak Development Corporation emerged as the winning bidder and a contract was signed with Rapal, the total amount of the contract being P15,997,732.63.
- Philkonstrak began work, procuring materials and equipment, and as of December 2009, had completed over 50% of the project, incurring costs of P8,233,000.00.
- When Mayor Jose Nicanor D. Tocmo succeeded Rapal, Corella refused to pay Philkonstrak, questioning the contract's validity due to alleged lack of authorization from Corella's sangguniang bayan.
- Philkonstrak sent formal demand letters to Corella denying liability, citing political differences.
- In April 2011, Philkonstrak filed for recovery before the Construction Industry Arbitration Commission (CIAC), demanding payment for expenses, attorney's fees, and damages.
- Rapal, in his defense, asserted that he was authorized to enter into the contract under Municipal Ordinance No. 2010-02.
- Corella countered that the ordinance violated the Implementing Rules of Republic Act No. 7160 (Local Government Code), allegedly rendering the contract invalid.
- CIAC ruled in favor of Philkonstrak, affirming the contract's validity and ordering Corella to pay a sum of P12,844,650.00.
- Corella contested the decision through a motion for correction which was denied on procedural grounds.
- Execution of the decision was initiated by CIAC when Corella's motion failed to serve as a stay.

### Issues:

1. Whether the contract entered into between Corella (through Mayor Rapal) and Philkonstrak is valid despite the alleged procedural deficiencies.
2. Whether Corella is obligated to pay Philkonstrak under the principle of quantum meruit.
3. If the procedural shortcomings, like the absence of sangguniang bayan authorization, were fatal to the binding nature of the contract.
4. Whether a CIAC decision, perceived as final and executory, can still be reviewed

judicially.

### ### Court's Decision:

- **Validity of the Contract**: The Supreme Court found the contract between Corella and Philkonstrak invalid due to improper authorization procedure by the sangguniang bayan. The ordinance did not meet the required voting mandate, as it is an appropriation ordinance that directs payment.
- **Quantum Meruit**: Despite the contract's invalidity, the Court held that Philkonstrak deserved compensation under the principle of quantum meruit. Philkonstrak had undertaken over 50% of the project, from which Corella benefited and contributed to the town's infrastructure.
- **Sangguniang Bayan Authorization**: The Court clarified the necessity of a specific voting threshold for authorization under the Local Government Code. Municipal Ordinance No. 2010-02 failed to achieve the required majority. The reliance on a DILG Opinion was invalid as it erroneously interpreted such requirements.
- **Finality of CIAC Decision**: The Supreme Court recognized CIAC decisions as subject to judicial review, but only when procedural protocols are adhered to. Corella's motion for correction did not toll the period for appeal, and thus, the CIAC award was considered final and immutable.

### ### Doctrine:

- **Quantum Meruit**: The doctrine that compensation may be granted based on the reasonable value of services provided or benefits conferred even if a formal contract is absent or invalid.
- **Finality of Judgments**: Once a decision becomes final and executory, it cannot be altered except under specific, narrow conditions (e.g., clerical errors, void judgments).

### ### Class Notes:

- **Quantum Meruit**: Applied when services are rendered and accepted without a formal, valid contract; it prevents unjust enrichment.
- **Local Government Code Compliance**: Contracts by municipal officials must be backed

by clear authorization from the sangguniang bayan, especially when expenditures are involved.

- **Final and Executory Decisions**: Understanding the limited scenarios where modification of such decisions is permissible is crucial.

### ### Historical Background:

The case sits within the broader framework of Philippine local governance structures as outlined in Republic Act No. 7160, reform efforts under the Government Procurement Act, and long-standing attempts to clarify the roles of local officials in fiscal matters. The complexities of navigating inter-authority dynamics and political rivalries at the municipal level provide a background for analyzing governance issues prevalent in smaller political units in the Philippines. Such cases also illuminate the extent and limitations of administrative and judicial review mechanisms available within the sector.