



5.9

DEPARTMENT OF
FINANCE

RISK MANAGEMENT &
INSURANCE DIVISION

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
ROOM 14
915 I STREET
SACRAMENTO, CA
95814-2685

916-449-5556

WILLIAM REDMOND
MANAGER

May 22, 1990
RM: 90032WP:WR/ph

City Council
Sacramento, California

Honorable Members In Session:

SUBJECT: APPROVAL OF FUNDING FOR UNEMPLOYMENT
INSURANCE LIABILITIES

APPROVED
BY THE CITY COUNCIL

MAY 22 1990

OFFICE OF THE
CITY CLERK

SUMMARY

This report recommends that the City approve the write-off of the Unemployment Insurance account receivable of \$1,275,141 and the appropriation of \$127,639 to provide the additional funding necessary to make the required unemployment insurance payments due for the period January 1, 1985 through March 31, 1986. This report was heard by the Budget and Finance Committee on May 15, 1990.

BACKGROUND

The City of Sacramento has successfully filed lawsuits asserting Unemployment Insurance (U.I) costs incurred as a result of a State mandated program, entitle local government to reimbursement by the State under SB90.

The City during the period from July 1, 1978 through December 31, 1984 has made payments for U.I. to the sum of \$1,275,141.

Early court actions in this matter supported the City's position regarding U.I. reimbursement for local government. Starting with the 1985/86 Fiscal Year and continuing through the 1988/89 Fiscal Year, the City of Sacramento's financial statements reflected an U.I. reimbursable accounts receivable in the amount of \$1,275,141.

As a result of the most recent court action taken (the California Supreme Court overturned previous court actions) the subject reimbursable U.I. accounts receivable must now be written off.

In addition to the write off of \$1,275,141 the City must also make a payment to the State of \$279,476.84 for the time period between January 1, 1985 through March 31, 1986 for its U.I. claim costs. These payments had not been made by the City at that time due to the litigation and reimbursement legislation that the State legislature had passed. The enabling legislation provided funding and established guidelines whereby local government would be reimbursed during the subject period (January 1, 1985 to April 1, 1986). Subsequently, the State withdrew its funding for these payments and now the City must incur these costs. Although the City must make a payment of \$279,476.84, only \$127,639 must be appropriated at this time because \$151,838 funding remains in the current budget for U.I. payments.

FINANCIAL DATA

The financial impact of the accounts receivable writeoff and the payment of the U.I. payments for the January 1, 1985 through March 31, 1986 period would reduce the Risk Management Fund Contingency Reserve by \$1,402,780. After funding these changes, the June 30, 1990 projected fund balance will be \$1,152,000.

POLICY CONSIDERATIONS

The City of Sacramento, according to General accepted accounting practices, recorded the estimated unemployment payments as an uncollected receivable in the amount of \$1,275,141 on June 30, 1985. Miscellaneous revenue was recognized and resulted in an increase in unreserved Fund Balance as of that date. This practice has been repeated through June 30, 1989. During the current year, an appeal of a lawsuit filed by the City against the State for reimbursement of expenditures related to state-mandated unemployment insurance was decided in favor of the State. The City had been carrying the \$1,275,141 claim as a receivable (money due to be received by the City) over the past several year since it had won the original trial. This means that the full amount was included in the Risk Management Fund resources. Now that the court case has been decided, the receivable will be eliminated thereby reducing the available fund balance by \$1,275,141.

The writeoff of this receivable was anticipated and the midyear review of the Risk Management Fund addressed the financial impact of this action.

MBE/WBE

No impact.

RECOMMENDATION

It is recommended that the Budget and Finance Committee forward with a recommendation for approval to the City Council the attached resolution to write-off the U.I. accounts receivable and to provide funding to pay outstanding U.I. bills for period January 1, 1985 through March 31, 1986, from funding to be transferred from Risk Management Fund Contingency Reserve.

Respectfully Submitted:



William Redmond
Risk Manager

RECOMMENDATION APPROVED:



WALTER J. SLUPE
City Manager

CONTACT PERSON: William Redmond, Risk Manager
Risk Management and Insurance Division, 449-5556

Attachments

May 22, 1990
All Districts

RESOLUTION NO. 90-406

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION AMENDING THE OPERATING BUDGET OF THE RISK MANAGEMENT DIVISION OF THE FINANCE DEPARTMENT TO REVERSE ACCOUNTS RECEIVABLE WRITE OFF AND FUNDING FOR PREVIOUS YEAR UNEMPLOYMENT INSURANCE PAYMENTS DUE BY TRANSFERRING FUNDS FROM RISK MANAGEMENT CONTINGENCY RESERVE

APPROVED
BY THE CITY COUNCIL
MAY 22 1990
OFFICE OF THE
CITY CLERK

1. Write-off the Unemployment Insurance Accounts Receivable that has been determined to be uncollectible. Appropriations in the amount of \$1,275,141 are transferred from Risk Management Fund Contingency Reserve (4-21-710-7012-4999) to the Risk Management Division Operating budget.

421-710-7012-4999	(\$1,275,141)
421-110-1152-4304	\$1,275,141

2. Increase the FY 1989/90 Risk Management budget by \$127,639 to provide necessary funding for unemployment insurance payments that are due for time period between January 1, 1985 through March 31, 1986. Appropriations in the amount of \$127,659 are transferred from the Risk Management Fund Contingency Reserve (4-21-710-7012-4999) to the Risk Management Division Operating Budget.

421-710-7012-4999	(\$127,659)
421-110-1152-4304	\$127,659

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____