

**CITY OF ALBANY  
CITY COUNCIL AGENDA  
STAFF REPORT**

Agenda Date: Sept. 21, 2009  
Reviewed by BP

**SUBJECT:** Unaudited Financial Statements, June 30, 2009, Interfund Transfers, Self-Insurance Reserves and Appropriations Limit.

**REPORT BY:** Beth Pollard, City Administrator  
Charles Adams, Finance and Administrative Services Director

---

**STAFF RECOMMENDATION**

That Council accept the unaudited financial report for the fiscal year ended June 30, 2009 (Exhibits A&B), approve the updated schedule of inter-fund transfers (Exhibit C), approve the carry-forward of the self-insurance reserve balances as reported at June 30, 2009, and adopt Resolution #09-43.

**BACKGROUND**

The accompanying financial statements of the City of Albany General Fund are compiled from the financial records maintained by the City's Finance Department. They reflect all transactions completed during the year, and the accrual of revenues and expenditures as required by generally accepted accounting principles. The City's comprehensive financial statements are currently undergoing independent audit, and this audit may result in modification of the financial results reported in these unaudited financial statements.

The Council has previously approved a schedule of interfund transfers as part of the fiscal year 2009-10 budget update on November 17, 2008. Several of these transfers were based on estimated revenues and expenditures, and at this time are being adjusted to reflect the actual operations for the year. In addition, previously unbudgeted transfers of \$701,802 from the General Fund to other funds were made to implement the funding of accrued liabilities and to reserve funds for anticipated capital expenditures.

The City is self-insured for general liability claims up to \$50,000 per claim and for worker's compensation claims up to \$150,000. To provide for payment of these claims, reserve funds are maintained at levels determined by actuarial projections of future liabilities. At June 30, 2009 the insurance reserves exceeded the amount required to provide a confidence level of 90% that the reserves were sufficient to cover future claims. Although claims paid during the year exceeded the budgeted transfers to the reserves the reserves remain above the 90% confidence level at June 30, 2009.

Since the passage of Proposition 4 (Gann Initiative ) in November 1979, local governments in California must annually adopt a resolution which states their

appropriations limit. In 1990, Proposition 111 amended Proposition 4 giving governmental entities more latitude in calculating their appropriations limit. These amendments allow the City to use either the City's annual percent change in population or the overall for the County's change in population percentage. Currently, it is more advantageous to utilize the Alameda County's population change of 1.25% increase, as compared to 0.04% increase for the City of Albany.

### **DISCUSSION/ANALYSIS**

**Financial Statements** – The City of Albany's financial results for the fiscal year ended June 30, 2009 were favorable. The bottom line in measuring the financial results of the General Fund for a city is the net increase or decrease to the fund balance from revenues, expenditures and transfers. The City's adopted budget projected a net increase to the fund balance of \$13,275. The actual (unaudited) net increase for the year was \$188,075.

Revenues for the year were \$13,933,772, an increase of .4% over fiscal year 2007-08, and 6% over budgeted revenues. The only revenue source significantly under budget was earnings on investment, which were impacted by the extremely low interest rate on government securities, resulting from the financial crisis that occurred in 2008. The City's major revenue sources held up well in the face of generally declining revenues. Property tax revenue increased, sales tax revenue held steady and other taxes (principally property transfer taxes) only declined modestly.

Expenditures for the year were \$16,055,058, an increase of 7% over fiscal year 2007-08, but were only .3% over budgeted expenditures. Fringe benefits exceeded budget by 4.5% and were the largest single unfavorable budget variance. The principal components of fringe benefits are retirement contributions and health insurance.

**Inter-fund Transfers** – A detailed analysis of inter-fund transfers is provided in Exhibit B – Funds Transfers.

**Worker's Compensation Insurance Reserve** – The undiscounted projected losses at the 90% confidence level as of June 30, 2009 is \$1,224,000. The reserve balance at June 30, 2009 is \$2,018,067, which is 165% of the projected loss. Because these balances are subject to major shifts from year to year, no reduction of the June 30, 2009 reserve is proposed.

**General Liability Insurance Reserve** – The undiscounted projected losses at the 90% confidence level as of June 30, 2009 is \$161,414. The reserve balance at June 30, 2009 is \$187,338 which is 116% of the projected loss. Because these balances are subject to major shifts from year to year, no reduction of the June 30, 2009 reserve is proposed.

**Appropriations Limit** - The City's appropriation limit for fiscal year 2009-10 is \$14,040,530. Expenditures in the 2009-10 budget, subject to this limit, are \$12,040,654. As such, budgeted expenditures are \$1,999,876 below the limit.

### **SUSTAINABILITY**

Not applicable.

**FINANCIAL IMPACT**

These favorable results allowed for an increase in undesignated fund balance (reserves) of \$188,075 from \$3.209 million to approximately \$3.397 million, which is 21% of operating expenses.

The final accounting for the fiscal year, in the form of the *Comprehensive Annual Financial Report*, will be presented as part of the City's independent audit report, which is currently being prepared, and will be completed by the end of the calendar year.

Attachments:

**Exhibit A** – Statement of Revenues, Expenditures and Changes in Fund Balances

**Exhibit B** –Funds Transfers

**Resolution #09-43**