

CITY OF SAN LEANDRO
CITY COUNCIL FINANCE COMMITTEE

March 1, 2006
4:00 p.m. - 5:30 p.m.

San Leandro City Hall
835 East 14th Street
San Leandro, California
(Sister Cities Gallery)

Agenda

1. Discussion Regarding 2005-06 Mid-Year Performance Report
2. Discussion Regarding 2005-06 Mid-Year Budget Adjustments
3. Review of Investment Report Quarter Ending December 31, 2005
4. Review of 2006-2007 Budget Process Calendar
5. Discussion Regarding Selection of Committee Chairperson
6. Discussion Regarding Committee Meeting Dates and Times
7. Public Comments
8. Committee Member Comments
9. Adjourn

Committee Members: Mayor Shelia Young
Councilmember Joyce Starosciak
Councilmember Bill Stephens

CITY COUNCIL FINANCE COMMITTEE

March 1, 2006
4:00 p.m. – 5:30 p.m.

San Leandro City Hall
835 East 14th Street
San Leandro, California
(Sister Cities Gallery)

HIGHLIGHTS

Committee Members: (Chair) Mayor Young, Councilmembers Starosciak and Stephens

City Staff Present: City Manager Jermanis, Assistant City Manager Hollister,
Finance Director Baloca, Budget & Compliance Manager Chan and
Deputy Finance Director Rodriguez

Public Present: Chamber of Commerce representative Heidi Feinberg

The meeting was called to order at 4:05 p.m.

1. Discussion Regarding 2005-06 Mid-Year Performance Report

Finance Director Baloca reported on the City's Mid-Year Performance. The City's General Fund utilized \$562,000 from available reserves for cash flow needs. \$10.4 million in available reserves are projected at the end of June 20, 2006, which is better than anticipated.

Factors that helped improve the City's overall finances are:

- a) Expected Sales tax growth of 2% appears to be on track.
- b) The City received \$1.38 million in 2003-04 vehicle license fee money (VLF), which the State borrowed and repaid a year in advance.
- c) Property assessed valuation increased 6.9% from the 2004-05 to 2005-06 fiscal year.
- d) LAIF's investment yield as of December 31, 2005 was at 3.63% which is 1.63% higher than a year ago.

The following will impact the City's \$3.1 million structural shortfall:

- a) Ongoing revenue growth compared to the increase of ongoing expenditures.
- b) Outcome of the business license tax ballot measure.
- c) Current employee negotiations.
- d) Postponed maintenance needs/ongoing deferrals.
- e) Success of future proposed revenue enhancements.

Baloca further explained that the one-time repayment of the City's 03-04 VLF loan to the State will be placed in reserves to offset last years 2004-05 \$1.9 million deficit and extend the time that reserves can be drawn upon.

With future sales tax and interest rate revenues unclear, Mayor Young suggested that the \$575K Kaiser transfer tax be redirected to reserves. Stephens verified that the \$1.38 million vehicle license fee money and Kaiser \$575K transfer tax are one-time receipts

Jermanis pointed out that this is the last year that the City will contribute \$1.2 million to the State as a result of Proposition 1A.

Starosciak questioned the increase of overtime for fire services, since their annual budget was increased by another \$600K. Her recollection was that the budget increase was to include additional people and eventually reduce the amount of overtime. Both Young and Starosciak requested a clear understanding of what mandatory overtime entails. Hollister was asked to verify why the City has to pay additional overtime and if it can be automatically added to the Alameda County Fire contract.

2. Discussion Regarding 2005-06 Mid-Year Budget Adjustments

Rodriguez explained staff's recommendation to formally approve the mid-year budget amendments, which include all adjustments made after the 2005-06 budget was originally adopted in June 2005. The following schedules were brought forward for review:

Schedule A: Summary of year-end budget adjustments by fund.

Schedule B: Detail expenditures and revenue adjustments and specific funding sources.

Schedule C: Summary of revenues and expenditures by fund after the City's mid-year budget review.

Jermanis suggested finding a way to automatically increase the carryover revenues along with the matching expenditures for the new fiscal year for all projects and grants, which will reduce Council's need to review previously approved items. Jermanis also reported that the City is now responsible for recording the financial transactions of the LINKS program.

3. Discussion Regarding Investment Report

Finance Director Baloca reported on the performance of the City's investments as of December 31, 2005. The City's investment portfolio had a market value of \$48.4 million, an increase of \$320K from September 30, 2005. The City's LAIF investments account for 18.2% of the City's total investments. The investment portfolio managed by Chandler Investments had a December 31, 2005 average book yield of 3.40%, an increase from 3.28% on September 30, 2005. The average maturity of investments with Chandler are 2 ½ years with a maximum maturity of 5 years. Baloca reported the recent change in strategy to reinvest back into LAIF (shorter-term investment) as Chandler investments mature. The change in investment strategy reflects the current Treasury rate environment where shorter-terms yield are exceeding longer-term rates.

Since inception, the performance gain to the City (less fees paid to Chandler) was \$179,041. Chandler remains favorable compared to LAIF. However, as of December 31, 2005, LAIF's 3.63% yields exceeds the City's Chandler portfolio rate of 3.40%.

4. Review of 2006-2007 Budget Process Calendar

Chan explained the key dates for the 2006-07 budget process. The process began January 20, 2006 with a budget kick-off that was attended by Department Heads and Financial Managers. The next finance Committee meeting will be on April 5, 2006 and April 25, 2006 if needed.

5. Discussion Regarding Selection of Committee Chairperson

Mayor Young was selected to be the Committee Chairperson.

6. Discussion Regarding Committee Meeting Dates and Time

The next meetings will be held on April 5, 2006 and April 25, 2006 at 4:00 p.m. All regular meetings will be held on the 1st Wednesday of each month.

7. Public Comments

No Public Comments.

8. Committee Member Comments


No Comments from the Committee Members

9. Adjournment

The meeting was adjourned at 5:05 p.m.

CITY OF SAN LEANDRO

MEMORANDUM

DATE: February 16, 2006
TO: Finance Committee
FROM: Jesse Baloca, Finance Director 
SUBJECT: FY 2005-06 Mid-Year Performance Report

RECOMMENDATION

Staff recommends Finance Committee acceptance of the Mid-Year Performance Report for the period ended December 31, 2005.

OVERVIEW

Attached is the FY 2005-06 Mid-Year Performance Report for the period ended December 31, 2005. The report summarizes the City's financial activities and begins with an **Executive Summary** Section, which provides an overview of all operating fund revenues and expenditures for the General Fund, Major Special Revenue funds, and Enterprise activity. The **Detail Operating Activity** Section provides a more in-depth analysis of the activities reported at the Executive Summary level. An **Overtime Expenditure Summary** Section is also included and provides a summary of July 1, 2005 through December 31, 2005 overtime costs as compared to the same period in fiscal year 2004-05.

Activities excluded from the report are the debt service, grants, and non-major funds since they typically represent principal and interest payments and reimbursements, and are not a significant part of the City's operations planning process. Internal services fund activities have also been excluded since their charges are duplicated in all other City funds as expenditures.



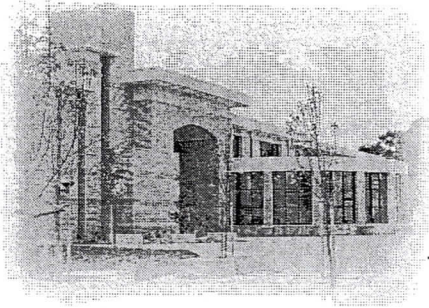
City of San Leandro

Mid-Year Performance

Report



For the Period Ending
December 31, 2005



Mid-Year Performance Report As of December 31, 2005

CITY OF SAN LEANDRO

835 East 14th Street • San Leandro, CA 94577

INTRODUCTION

February 16, 2006

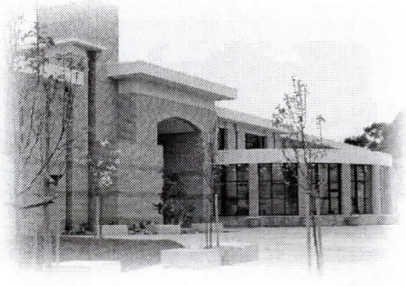
The Finance Department has produced this Mid-Year Performance Report in a format that provides an overview of year-to-date financial activities that have taken place during the reporting period July 1, 2005 through December 31, 2005.

The structure of this presentation begins with an overview of citywide information to specific General, Major Special Revenues, and Enterprise Fund information organized by revenue categories and program expenditures. Debt service, grants and non-major fund activities have been excluded since they are not a significant part of the City's operations planning process. Internal service funds have also been excluded since their charges are duplicated in all other City funds.

The report provides a comparison to the amended budget in an effort to reflect more accurate variances. If you have any questions, comments, or suggestions please contact the Finance Department at (510) 577-3376.

TABLE OF CONTENTS

	<u>Page</u>
Executive Summary:	
General Overview and Economic Outlook	2
All Fund Revenues	3
All Fund Expenditures	4
Detail Operating Activity:	
General Fund Revenues	5
General Fund Expenditure	8
Major Special Revenue Funds.....	9
Enterprise Funds	10
Overtime Expenditure Summary	11



Mid-Year Performance Report

As of December 31, 2005

CITY OF SAN LEANDRO

835 East 14th Street • San Leandro, CA 94577

INTRODUCTION

March 15, 2006

The Finance Department has produced this Mid-Year Performance Report in a format that provides an overview of year-to-date financial activities that have taken place during the reporting period July 1, 2005 through December 31, 2005.

The structure of this presentation begins with an overview of citywide information to specific General, Major Special Revenues, and Enterprise Fund information organized by revenue categories and program expenditures. Debt service, grants and non-major fund activities have been excluded since they are not a significant part of the City's operations planning process. Internal service funds have also been excluded since their charges are duplicated in all other City funds.

The report provides a comparison to the amended budget in an effort to reflect more accurate variances. If you have any questions, comments, or suggestions please contact the Finance Department at (510) 577-3376.

TABLE OF CONTENTS

	<u>Page</u>
Executive Summary:	
General Overview and Economic Outlook	2
All Fund Revenues	3
All Fund Expenditures	4
Detail Operating Activity:	
General Fund Revenues	5
General Fund Expenditure	8
Major Special Revenue Funds.....	9
Enterprise Funds	10
Overtime Expenditure Summary	11



EXECUTIVE SUMMARY

GENERAL OVERVIEW AND ECONOMIC OUTLOOK

Although Better Than Anticipated, Still Deficit Spending . . .

- General Fund operations end the mid-year utilizing \$562 thousand of available reserves. Available reserves are projected to end the June 30, 2006 fiscal year at \$10.4 million or 14.5% of the City's expenditure budget, which is better than anticipated.
- The City received \$1.38 million from 2003-04 vehicle license fee money borrowed by the State, which was repaid a year in advance and will be used to partially offset last year's operating deficit of \$1.9 million and extend the life that reserves can be drawn upon.
- Expected sales tax growth of 2% appears to be on track and will restore the City back to the level of sales tax revenue experienced during the 2000-01 fiscal year.
- The County's Office of the Assessor reported that recorded property assessed valuations have increased 6.9% from 2004-05 to 2005-06, slightly better than the City's conservative growth projection of 5.5% but below the 9.2% Alameda County growth rate.
- The local economy continues to show improvement but at a rate that still lags behind the rest of the economy. The 2005 Bay Area annual average CPI of 2.0% is lower than both the national index of 3.4% and the Los Angeles regional index of 4.5%.
- LAIF's investment yield as of December 31, 2005 is at 3.63% as compared to 2.00% a year ago. The City invests approximately 18.2% of its idle cash in LAIF and 81.4% with Chandler Asset Management.

Forecast Crystal But Not Clear . . .

- City has proposed a June 2006 ballot measure to increase the current business license tax rates, which is anticipated to generate an additional \$2 million in annual revenue.
- The City's current \$3.1 million structural shortfall will be impacted by the following: ongoing revenue growth compared to the increase of ongoing expenditures, outcomes of the business license tax ballot measure and current employee negotiation processes, postponed maintenance needs/ongoing deferrals that have reached necessary replacement status, and the success of future proposed revenue enhancements.
- As a result of Proposition 1A, which provides additional safeguards to City revenues from State take-away, the City is obligated to make its final \$1.2 million property tax revenue contribution to the State this fiscal year.



Revenues – All Funds

- At mid-year, operating revenues for all funds are at 51.9% of budget with the anticipation that year-end projections will favorably exceed the budget by approximately \$2.2 million.
- Projected favorable variance primarily reflects the State’s early repayment of the vehicle license fee money borrowed during fiscal year 2003-04, the one-time real property transfer tax revenue from the sales of an Albertsons owned property to Kaiser Permanente, and additional property assessed valuation growth.
- Although the housing market experienced a slowdown during November and December it’s anticipated that the housing market will remain strong overall during the fiscal year, as a result of the flattening yield curve and where shorter-term rates have exceeded longer-term rates.
- The City has completed 12 months collecting the Emergency Communication System Access Fee (911 Fee) revenue. This new revenue is currently on track with its annual projection of \$2.17 million.
- The Business Improvement District for the Links shuttle service program was approved for an extension of four more years. The assessment rate increase of \$0.32 is projected to generate an additional \$3,760 for the program.
- The variance for the Enterprise fund primarily reflects stronger sewer connection permit revenues of \$98k, which is offset by a decline in Marina berth rental fees that are projected to end the fiscal year short of budget by \$113k or 3.9%.

The following represents the City’s All Fund Revenues by type:

ALL FUND REVENUES					
<i>(In Thousands)</i>					
Fund Type:	YTD Actual	05-06 Budget (As Amended)	Year End Projection	Projected Change from Budget	YTD % of Year End Projection
General	33,690	67,107	69,285	2,178	48.6%
Major Special Revenue	1,294	3,104	3,104	-	41.7%
Enterprise	10,860	15,945	15,930	(15)	68.2%
Subtotal All Funds	45,844	86,156	88,319	2,163	51.9%
Operating Transfers	775	775	775	-	100.0%
Total All Funds	46,619	86,931	89,094	2,163	52.3%

(Excluded are debt service, grants, and non-major fund activities since they are normally excluded from the operations planning process.)



Expenditures – All Funds

- All fund operating expenditures are at 38.8% of budget at the mid-year.
- At mid-year, General Fund expenditures are approximately \$1.4 million under budget or 48% of the annual budget.
- To-date for the 2005-06 fiscal year, the Deputy City Clerk position and an Assistant to the City Manager position have been added to the City’s attrition program.
- Major Special Revenue Fund expenditures are approximately \$2 million under budget and 19.8% of the annual budget. Variance primarily reflects timing of various street improvement projects and reduced expenditures related to Heron Bay activities.
- The low mid-year expenditures for Enterprise Fund activities primarily reflect large CIP projects that have yet to be expended (e.g., sanitary sewer repair and water treatment plant improvements) and the timing of debt service payments.

The following represents the City’s All Fund Expenditures by type:

ALL FUND EXPENDITURES				
<i>(In Thousands)</i>				
Fund Type:	YTD Actual	Amended Budget	Remaining Budget	YTD % of Budget
General Fund	34,201	71,343	37,142	47.9%
Special Revenue Funds	1,357	6,863	5,506	19.8%
Enterprise Funds	5,902	29,089	23,187	20.3%
Subtotal All Funds	41,460	107,295	65,835	38.6%
Operating Transfers	280	280	-	100.0%
Total All Funds	41,740	107,575	65,835	38.8%

(Excluded are debt service, grants, and non-major fund activities since they are normally excluded from the operations planning process.)

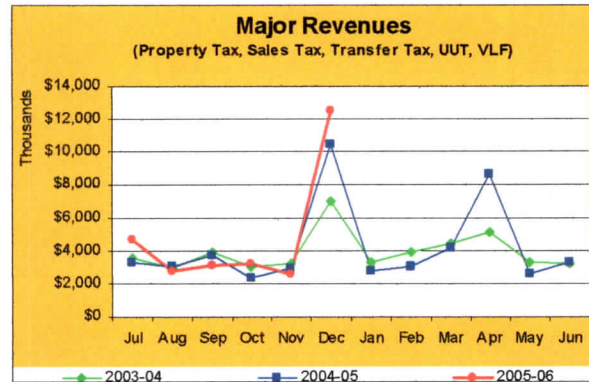


Revenue Cash Flow Analysis:

(Note: The City reports its revenues in the period earned. As a result, the timing of when cash is received may be slightly different from that currently reported. For example, June 2005 sales tax was not remitted to the City until August 2005.)

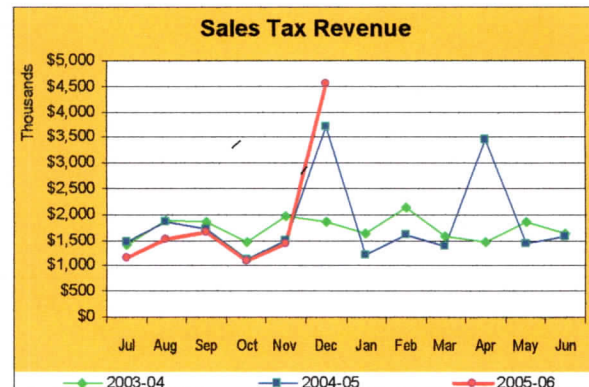
- Major revenues include sales taxes, property taxes, vehicle license fees (VLF), utility user taxes (UUT), and real property transfer taxes, which comprise 73.3% of the projected General Fund revenues. The spikes in December primarily reflect the Governor’s reduction of the VLF backfill revenue in 2004, and its replacement with a like amount of property tax. December also reflects the States 2004 change to the ¼ percent of monthly sales tax, which has been replaced with a semi-annual distribution of property tax. (See sales tax below).

MAJOR REVENUES			
	2003-04	2004-05	2005-06
Jul	\$3,502,339	\$3,276,339	\$4,644,373
Aug	2,976,079	3,046,375	2,769,758
Sep	3,881,639	3,710,178	3,132,718
Oct	3,026,431	2,318,057	3,223,790
Nov	3,237,864	2,900,546	2,616,068
Dec	6,999,894	10,477,466	12,545,673
Qtr 2 Total	\$23,624,246	\$25,728,961	\$28,932,380
Jan	3,313,655	2,781,010	-
Feb	3,887,215	3,037,281	-
Mar	4,391,448	4,159,535	-
Apr	5,073,405	8,614,571	-
May	3,282,341	2,619,713	-
Jun	3,172,390	3,260,615	-
Total	\$46,744,700	\$50,201,686	\$28,932,380



- Current year sales tax projections reflect the 2004 passing of Proposition 57, the Triple-Flip. As a result, ¼ percent of the City’s monthly sales tax revenues are back-filled semi-annually by an estimated equivalent amount of property tax. Approximately one-half of the fiscal year 2005-06 backfill was received in December 2005.

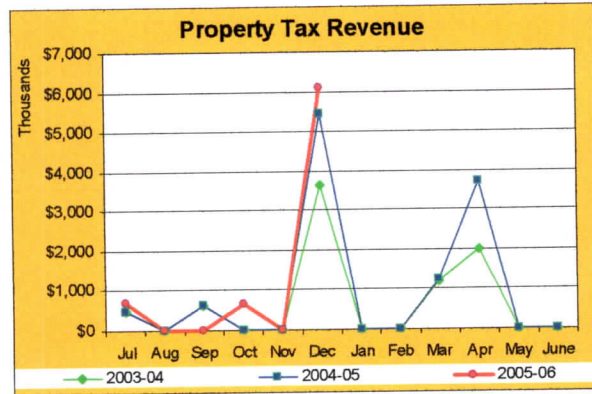
SALES TAX			
Month	2003-04	2004-05	2005-06
Jul	\$1,414,319	\$1,471,533	\$1,140,632
Aug	1,882,938	1,854,063	1,516,812
Sep	1,848,937	1,713,834	1,652,573
Oct	1,471,586	1,125,681	1,085,610
Nov	1,954,123	1,492,902	1,436,323
Dec	1,853,065	3,717,606	4,549,415
Qtr 2 Total	\$10,424,968	\$11,375,619	\$11,381,365
Jan	1,633,389	1,218,719	-
Feb	2,127,587	1,614,264	-
Mar	1,562,535	1,383,198	-
Apr	1,456,426	3,454,839	-
May	1,845,851	1,419,383	-
Jun	1,616,109	1,572,010	-
Total	\$20,666,865	\$22,038,032	\$11,381,365



- Beginning in fiscal year 2004-05, property tax reflects the permanent reduction of the VLF fee from 2% to 0.65% by the State, and the replacement of lost VLF backfill revenues to the City. As a result, the VLF backfill amount will increase at the growth rate of property assessed valuation. Fiscal year 2005-06 property tax revenues will also be reduced by the City’s final \$1.2 million obligation to the State as a result of Proposition 1A.

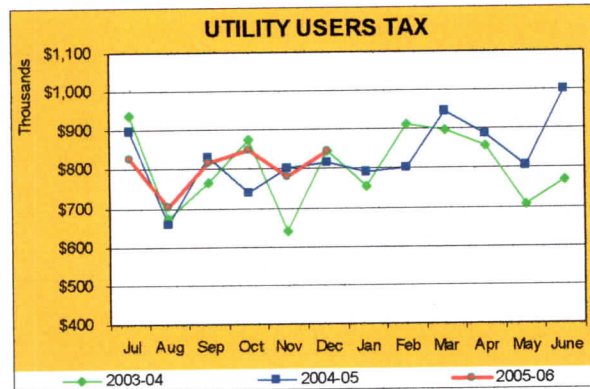


PROPERTY TAX			
Month	2003-04	2004-05	2005-06
Jul	\$486,000	\$488,354	\$706,606
Aug	-	-	-
Sep	619,109	632,218	-
Oct	-	-	645,845
Nov	-	-	-
Dec	3,616,292	5,449,624	6,098,503
Qtr 2 Total	\$4,721,401	\$6,570,196	\$7,450,954
Jan	-	-	-
Feb	-	-	-
Mar	1,207,842	1,239,316	-
Apr	1,988,282	3,691,762	-
May	-	-	-
Jun	4,778	-	-
Total	\$7,922,303	\$11,501,274	\$7,450,954



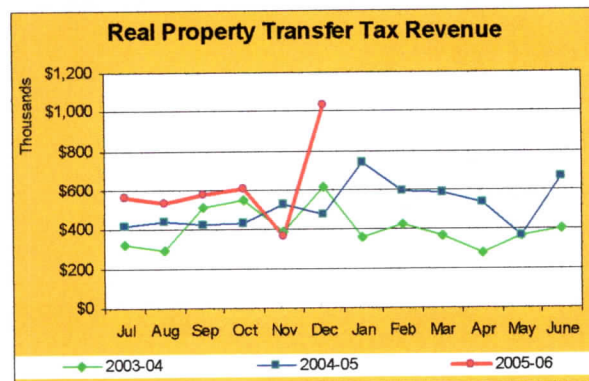
- Utility user tax projections were budgeted to decline slightly, by \$105k or 1.1%, to reflect PG&E's scheduled electricity rate reductions. However, the wide fluctuations in year-to-year natural gas rates (up to 55%) will result in greater UUT revenue to the City. Year-to-date receipts reflect a 1.4% increase over the prior fiscal year. This revenue will continue to be monitored.

UTILITY USER TAX			
	2003-04	2004-05	2005-06
Jul	\$936,632	\$898,048	\$826,847
Aug	671,497	656,942	702,135
Sep	763,382	831,861	814,567
Oct	873,767	739,157	848,082
Nov	638,271	801,267	778,029
Dec	847,289	817,752	844,315
Qtr 2 Total	\$4,730,838	\$4,745,027	\$4,813,975
Jan	754,768	788,850	-
Feb	910,687	800,362	-
Mar	896,798	946,942	-
Apr	855,957	887,579	-
May	706,899	804,126	-
June	768,702	1,001,872	-
Total	\$9,624,649	\$9,974,758	\$4,813,975



- December 2005 RPTT revenues reflect \$575k from the sale of Albertson owned property to Kaiser Permanente. With the exclusion of the Kaiser Permanente purchase as an anomaly, November and December 2005 revenues reflect a current slowdown of property sales. This revenue will continue to be monitored closely.

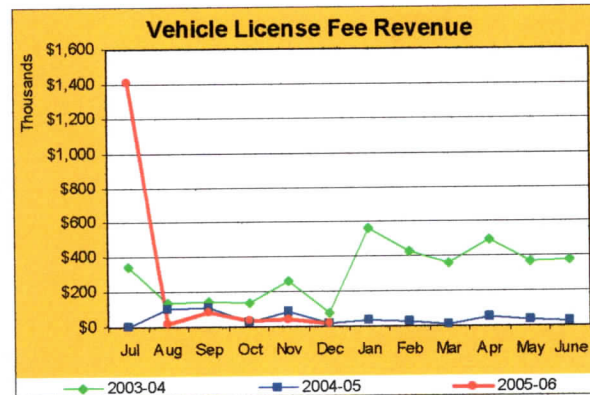
REAL PROPERTY TRANSFER TAX			
	2003-04	2004-05	2005-06
Jul	\$ 325,332	\$ 418,404	\$ 560,253
Aug	291,564	438,590	531,329
Sep	508,665	426,383	580,422
Oct	546,316	431,079	608,794
Nov	389,725	524,970	363,491
Dec	611,374	475,889	1,033,452
Qtr 2 Total	\$ 2,672,976	\$ 2,715,315	\$ 3,677,741
Jan	360,900	735,968	-
Feb	424,204	596,044	-
Mar	363,837	581,716	-
Apr	279,346	533,627	-
May	364,589	363,202	-
June	403,151	664,831	-
Total	\$ 4,869,003	\$ 6,190,703	\$ 3,677,741





- Related to the discussion on property taxes, vehicle license fee revenues primarily reflect the permanent reduction of the fee from 2% to 0.65% by the State. The loss of this revenue source has been replaced by an equal amount of property tax, which is expected to increase at the growth rate of property assessed valuation.

VEHICLE LICENSE FEES			
	2003-04	2004-05	2005-06
Jul	\$340,056	-	\$1,410,035
Aug	130,080	96,779	19,482
Sep	141,546	105,883	85,155
Oct	134,762	22,140	35,460
Nov	255,745	81,407	38,226
Dec	71,874	16,596	19,988
Qtr 2 Total	\$1,074,063	\$322,805	\$1,608,346
Jan	564,598	37,473	-
Feb	424,737	26,611	-
Mar	360,436	8,364	-
Apr	493,394	46,764	-
May	365,002	33,002	-
June	379,650	21,902	-
Total	\$3,661,880	\$496,921	\$1,608,346



GENERAL FUND EXPENDITURES

- At the mid-year, overall expenditures are approximately \$1.4 million under budget or 48% of the annual budget.
- Anticipated savings in the City Manager’s Office include the recent attrition of the Deputy City Clerk position and six month vacancy savings from an Assistant to the City Manager position.
- Finance savings primarily reflect six months of vacancy savings from the Budget & Compliance Manager, Senior Account Clerk, and part-time Accountant positions.
- Fire Department expenditures reflect the January 2006 contract payment made in December 2005.
- Savings in Recreation include six months vacancy of a Recreation Supervisor position.

The following represents the City’s General Fund Expenditures by program type:

GENERAL FUND EXPENDITURES (In Thousands)				
	YTD Actual	Amended Budget	Remaining Budget	YTD % of Budget
General Fund Programs:				
Legislative	215	482	267	44.6%
City Attorney	157	313	156	50.2%
City Manager	881	1,992	1,111	44.2%
Finance	1,028	2,362	1,334	43.5%
Human Resources	722	1,577	855	45.8%
Non-Departmental	2,095	5,082	2,987	41.2%
Police Services	11,255	23,354	12,099	48.2%
Fire Contract	8,729	15,344	6,615	56.9%
Public Works	2,002	4,811	2,809	41.6%
Development Services	1,397	3,333	1,936	41.9%
Engineering & Transportation	1,330	2,880	1,550	46.2%
Recreation & Leisure	2,145	5,033	2,888	42.6%
Library Services	2,245	4,780	2,535	47.0%
Subtotal Programs	34,201	71,343	37,142	47.9%
Operating Transfers	51	51	-	100.0%
Total General Fund	34,252	71,394	37,142	48.0%



MAJOR SPECIAL REVENUE FUNDS: Are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Revenues

- Favorable increase in development fees for street improvements primarily reflect new restaurants (e.g. Chili's, Popeye's) and changes in tenant uses (e.g. Evergreen, Pacific Development, Washington Mutual, etc.) that were not anticipated in earlier revenue projections.
- Annual assessments for the Heron Bay Maintenance Fund exceeded the budget favorably by 1.4%.
- Assessments for the Business Improvement District are billed annually in January for the Links shuttle service program. Revenues are projected to be collected according to budget.

SPECIAL REVENUE FUND REVENUES					
<i>(In Thousands)</i>					
	YTD Actual	05-06 Budget (As Amended)	Year End Projection	Projected Change from Budget	YTD % of Year End Projection
Special Revenue Funds:					
Street/Traffic Improv. (DFSI)	198	273	273	-	72.5%
Park Development Fees	58	271	271	-	21.4%
Parking	141	300	300	-	47.0%
Gas Tax	627	1,559	1,559	-	40.2%
Heron Bay Maintenance	251	265	265	-	94.7%
Business Improvement District	19	436	436	-	4.4%
Subtotal Special Revenue	1,294	3,104	3,104	-	41.7%
Operating Transfers	496	496	496	-	100.0%
Total Special Revenue Funds	1,790	3,600	3,600	-	49.7%

Expenditures

- Street and Traffic Improvement fund expenditures primarily reflect a hold on the Monarch Bay/Fairway Drive project budgeted of \$510k. The project is currently on hold pending a decision on the future of the Marina.
- Park development fees of approximately \$1.1 million will be expended on the Manor Park Pool project after CIP and grant funds have been expended first.
- The Heron Bay Maintenance fund anticipates approximately \$400k in appropriation savings at fiscal year end, which will be placed back into reserves for future maintenance projects.

SPECIAL REVENUE FUND EXPENDITURES				
<i>(In Thousands)</i>				
	YTD Actual	Amended Budget	Remaining Budget	YTD % of Budget
Special Revenue Funds:				
Street/Traffic Improv. (DFSI)	73	1,912	1,839	3.8%
Park Development Fees	3	1,188	1,185	0.3%
Parking	184	434	250	42.4%
Gas Tax	835	2,016	1,181	41.4%
Heron Bay Maintenance	113	856	743	13.2%
Business Improvement District	149	457	308	32.6%
Subtotal Special Revenue	1,357	6,863	5,506	19.8%
Operating Transfers	-	-	-	
Total Special Revenue Funds	1,357	6,863	5,506	19.8%



ENTERPRISE FUNDS: Are used to account for operations where the intent of the City is to provide services and recover costs through user charges.

Revenues

- Sewer connection permits collected by the Water Pollution Control Plant fund is projected to exceed previous projections by \$98k at year-end.
- The Environmental Services Fund variance primarily reflects Certified Unified Program Agency (CUPA) permits that are billed annually in February.
- The Shoreline fund projects that Marina berth rental fees will end the fiscal year short of budget by 3.9% or \$113k.

ENTERPRISE FUND REVENUES					
<i>(In Thousands)</i>					
	YTD Actual	05-06 Budget (As Amended)	Year End Projection	Projected Change from Budget	YTD % of Year End Projection
Enterprise Funds:					
Water Pollution Control Plant	8,220	11,045	11,143	98	73.8%
Environmental Services	370	945	945	-	39.1%
Shoreline Enterprise	1,215	2,901	2,788	(113)	43.6%
Storm Water	1,055	1,054	1,054	-	100.1%
Subtotal Enterprise Funds	10,860	15,945	15,930	(15)	68.2%
Operating Transfers	279	279	279	-	100.0%
Total Enterprise Funds	11,139	16,224	16,209	(15)	68.7%

Expenditures

- The Water Pollution Control Plant year-to-date expenditures of 16.2% primarily reflect timing and delay of budgeted CIP projects (e.g., sanitary sewer repair and water treatment plant improvements).
- Shoreline Enterprise Fund variance of 28.6% primarily reflects the timing of debt service payments and the progression of CIP projects. Shoreline budget includes \$1.2 million for a dredging project and \$355k for dredging maintenance.

ENTERPRISE FUND EXPENDITURES				
<i>(In Thousands)</i>				
	YTD Actual	Amended Budget	Remaining Budget	YTD % of Budget
Enterprise Funds:				
Water Pollution Control Plant	3,581	22,130	18,549	16.2%
Environmental Services	562	1,365	803	41.2%
Shoreline Enterprise	1,329	4,655	3,326	28.5%
Storm Water	430	939	509	45.8%
Subtotal Enterprise Funds	5,902	29,089	23,187	20.3%
Operating Transfers	229	229	-	100.0%
Total Enterprise Funds	6,131	29,318	23,187	20.9%



OVERTIME EXPENDITURE SUMMARY

The following chart reflects a comparison of overtime costs for July 1 through December 31, 2005 as compared to July 1 through December 31, 2004.

- At the mid-year, overall overtime expenditures for the City are at 57% and \$127k higher than last year's costs.
- Increase to General Government reflects the Hurricane Katrina support provided by a building regulations employee, which will be reimbursed by a FEMA grant.
- Increase to Library overtime primarily reflects the library remaining open during the City's December 2005 holiday.
- Increase in Recreation overtime primarily reflects the needs to cover youth sports, day camp, and community center activities as a result of a vacant Recreation Supervisor position.
- Increase to the Information Services overtime reflects time involved with the new CAD/RMS project (approximately 50%) and upgrades to the Eden financial system and library network.
- Increase to Redevelopment Agency overtime primarily reflects work on various CIP projects.
- The Fire Department projects that overtime will exceed their annual budget by approximately \$87k at fiscal year end.


Category	Budget 2004-05	Actual 2004-05	% Expended	Budget 2005-06	Actual 2005-06	% Expended
General Government	7,414	649	9%	8,475	2,088	25%
Police	1,238,707	503,357	41%	1,240,338	704,559	57%
Engineering & Transportation	11,352	3,858	34%	17,621	4,295	24%
Community Development	18,554	3,213	17%	11,127	2,278	20%
Public Works	49,821	18,789	38%	52,724	21,591	41%
Library Services	1,325	704	53%	1,325	2,600	196%
Recreation & Human Resources	23,684	1,022	4%	24,204	4,212	17%
Non-Departmental				-	5,069	
Capital Improvements	-	6,640		-	11,502	
Water Pollution Control Plant	63,855	57,171	90%	64,304	44,832	70%
Environmental Services	8,562	170	2%	8,608	110	1%
Parking Fund	2,303		0%			
Storm Water Fund	16,415	4,756	29%	16,635	4,936	30%
Marina Fund	5,797	4,885	84%	5,797	3,936	68%
Building Maintenance Fund	15,438	3,231	21%	15,472	3,317	21%
Information Services Fund	5,429	306	6%	5,429	1,188	22%
Insurance Fund	-	76		-	82	
Equipment Maintenance Fund	5,875	634	11%	5,875	-	0%
Agency Funds	-	5,235		-	10,756	
Total City Overtime	1,474,531	614,696	42%	1,477,934	827,351	56%
Alameda County Fire Department	1,345,797	802,482	60%	1,213,087	716,856	59%
Total Overtime	2,820,328	1,417,178	50%	2,691,021	1,544,207	57%

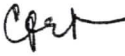
CITY OF SAN LEANDRO

MEMORANDUM

DATE: February 14, 2006

TO: Finance Committee

VIA: Jesse Baloca, Finance Director 

FROM: Carla Rodriguez, Deputy Finance Director 
Christine Galvin, Senior Accountant

SUBJECT: Recommended Mid-Year Adjustments to 2005-06 Budget

RECOMMENDATION

Staff recommends Finance Committee approval of the attached budget amendments. The amendments to the budget reflect activities previously approved by Council and other mid-year recommended adjustments to be approved by formal budget resolution.

DISCUSSION

Attached for your review are the following:

Schedule A: This schedule gives a summary of recommended mid-year budget adjustments by fund to fiscal year 2005-06.

Schedule B: This schedule provides a detail of recommended expenditure and revenue adjustments and their specific funding sources.

Schedule C: This schedule provides a summary of the budgeted revenues, expenditures and a projected outlook of year-end balances as of mid-year fiscal year 2005-06.

Schedule A - Summary - Impact to Fund Balance & Retained Earnings

<u>Funding Source</u>	<u>Amount</u>
General Fund Balance	\$ (50,894)
Park Development Fees Fund	(200,000)
Measure B Fund	9,475,214
Business Improvement District Fund	33,918
WPCP Enterprise Fund	56,801
Shoreline Enterprise Fund	(81,967)
Special Grants Fund	8,771,477
Community Development Block Grant (CDBG) Fund	1,415,950
Home Grant Fund	853,360
Capital Improvement Projects Fund	6,686,138
Cherrywood Debt Service	(18,778)
Redevelopment Agency - Plaza Area	(40,000)
Redevelopment Agency - Joint Project Area	(10,000)
Redevelopment Agency - West San Leandro/ Macarthur Project Area	(430,000)
Total	<u>\$ 26,461,219</u>

**CITY OF SAN LEANDRO
FISCAL YEAR 2005-06 BUDGET ADJUSTMENT DETAIL
MID-YEAR**

Schedule B

GENERAL FUND

	<u>Amount</u>
Revenue Budget Adjustments:	
Library donation books, databases and programs	\$ 7,600
Friends of the Library carnival donation	25,000
Total Increase in Revenues	<u>\$ 32,600</u>
Expenditure Budget Adjustments:	
Planning Service Division Replaced Office Assistant with Permit Clerk	\$ (8,894)
To cover actual bid for annual trimming of Yarwood trees.	(32,000)
Library donation books, databases and programs	(7,600)
Friends of the Library carnival expenses	(25,000)
Police bullet proof vests from Asset Seizure reserve	(10,000)
Total Increase in Expenditures	<u>\$ (83,494)</u>
Total Decrease to Projected Ending Fund Balance	<u>\$ (50,894)</u>

PARK DEVELOPMENT FEES FUND

	<u>Amount</u>
Expenditure Budget Adjustments:	
Washington Manor pool Slide	\$ (150,000)
Additional funding for Washington Manor Pool Project	(50,000)
Total Increase in Expenditures and	<u>\$ (200,000)</u>
Decrease to Projected Ending Fund Balance	<u>\$ (200,000)</u>

**CITY OF SAN LEANDRO
FISCAL YEAR 2005-06 BUDGET ADJUSTMENT DETAIL
MID-YEAR**

Schedule B

MEASURE B FUND

Amount

Revenue Budget Adjustments:	
ACTIA Reimbursed Capital Improvement Projects (Carry-Over funding)	\$ 9,514,355
Total Increase in Revenues	\$ 9,514,355
Expenditure Budget Adjustments:	
Westgate Parkway-Appropriate vendor reimbursement	\$ (87,847)
Remove Engineer Position Funded with CIP	48,706
Total Increase in Expenditures	\$ (39,141)
Total Increase to Projected Ending Fund Balance	\$ 9,475,214

BUSINESS IMPROVEMENT DISTRICT FUND

Amount

Revenue Budget Adjustments:	
Links Shuttle Grant - MTC	\$ 266,666
Bay Area Quality Management Grant Funding/Carry-over from 2004-05	33,918
Total Increase in Revenues	\$ 300,584
Expenditure Budget Adjustments:	
Links Shuttle Grant - MTC	(266,666)
Total Increase in Expenditures	\$ (266,666)
Total Increase to Projected Ending Fund Balance	\$ 33,918

WATER POLLUTION CONTROL PLANT ENTERPRISE FUND

Amount

Expenditure Budget Adjustments:	
Remove Engineering Inspector Position Funded with carry-over funds	\$ 56,801
Total Decrease in Expenditures and Increase to Projected Ending Fund Balance	\$ 56,801

**CITY OF SAN LEANDRO
FISCAL YEAR 2005-06 BUDGET ADJUSTMENT DETAIL
MID-YEAR**

Schedule B

<u>SHORELINE ENTERPRISE FUND</u>	<u>Amount</u>
Revenue Budget Adjustments:	
Cingular property rental for cellular antenna	12,000
Total Increase in Revenues	\$ 12,000
Expenditure Budget Adjustments:	
Bunker Refurbishing Project	\$ (52,167)
Pescador Point Fishing Pier Repair	(41,800)
Total Increase in Expenditures	\$ (93,967)
Total Decrease to Projected Ending Fund Balance	\$ (81,967)
<u>SPECIAL GRANTS FUND</u>	<u>Amount</u>
Revenue Budget Adjustments:	
Grant Funds - Carry-over from 2004-05 (Including Washington Manor Pool, Manor Branch Library and various other Street & Road reconstruction grants.)	\$ 8,771,477
Grant award from Office of Traffic Safety for traffic safety equipment	40,000
TDA Grant Award	12,177
LSTA Grant For Employee Training and Global Language Material	3,073
Metropolitan Transportation (MTC) Grant	450,000
Total Increase in Revenues	\$ 9,276,727
Expenditure Budget Adjustments:	
New Grant award for traffic safety equipment	\$ (40,000)
To match TDA grant funding	(12,177)
Metropolitan Transportation (MTC) Grant for transit planning station	(450,000)
LSTA Grant For Employee Training and Global Language Material	(3,073)
Total Increase in Expenditures	\$ (505,250)
Total Increase to Projected Ending Fund Balance	\$ 8,771,477

**CITY OF SAN LEANDRO
FISCAL YEAR 2005-06 BUDGET ADJUSTMENT DETAIL
MID-YEAR**

Schedule B

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

Amount

Revenue Budget Adjustments:

Carry-Over funding from CDBG Block Grant

\$ 1,475,565

Total Increase in Revenues

\$ 1,475,565

Expenditure Budget Adjustments:

Appropriation to match grant funding for CDBG Housing action plan

\$ (59,615)

Total Increase in Expenditures

\$ (59,615)

Total Increase to Projected Ending Fund Balance

\$ 1,415,950

HOME GRANT FUND

Amount

Revenue Budget Adjustments:

Carry-Over funding from HOME Grant

\$ 865,242

Total Increase in Revenues

\$ 865,242

Expenditure Budget Adjustments:

Appropriation to match grant funding for CDBG Housing action plan

\$ (11,882)

Total Increase in Expenditures

\$ (11,882)

Total Increase to Projected Ending Fund Balance

\$ 853,360

CAPITAL IMPROVEMENT PROJECTS

Revenue Budget Adjustments:

Amount

West Estudillo reimbursement from utility companies

100,000

Increase in actual receipts of Underground Utility Fees

345,000

Carry-Over funding from reimbursed CIP Projects

6,473,138

Total Increase in Revenues

\$ 6,918,138

Expenditure Budget Adjustments:

West Estudillo Pedestrian Connection Joint Trench

(100,000)

Davis/Doolittle Intersection Improvements (Council approved 11-001)

\$ (132,000)

Total Increase in Expenditures

\$ (232,000)

Total Increase to Projected Ending Fund Balance

\$ 6,686,138

**CITY OF SAN LEANDRO
 FISCAL YEAR 2005-06 BUDGET ADJUSTMENT DETAIL
 MID-YEAR**

Schedule B

CHERRYWOOD DEBT SERVICE

	<u>Amount</u>
Expenditure Budget Adjustments:	
Net Ala CO. Tax Collection Fees And Arbitrage Rebate Calculation	\$ (18,778)
Total Increase in Expenditures and Decrease to Projected Ending Fund Balance	<u>\$ (18,778)</u>

REDEVELOPMENT AGENCY

Plaza Project Area:

	<u>Amount</u>
Expenditure Budget Adjustments:	
McNely Construction advance 1040 Davis St	\$ (40,000)
Total Increase in Expenditures and Decrease to Projected Ending Fund Balance	<u>\$ (40,000)</u>

Joint Project Area

	<u>Amount</u>
Bayfair Mall Legal Expenses	\$ (10,000)
Total Increase in Expenditures and Decrease to Projected Ending Fund Balance	<u>\$ (10,000)</u>

West San Leandro/MacArthur Project Area:

	<u>Amount</u>
1045 MacArthur Blvd. Rehabilitation (2004 TAB)	\$ (100,000)
MacArthur Streetscape crown removal (2004 TAB)	(330,000)
Total Increase in Expenditures and Decrease to Projected Ending Fund Balance	<u>\$ (430,000)</u>

**Summary of Revenues, Expenditures and Fund Balance
FISCAL YEAR 2005-06**

Schedule C


	Summary of Resources					Summary of Expenditures			Loans	Budgeted Ending Fund Balance
	Actual Beginning Fund Balance *	Adopted Revenue Budget	Revenue Budget Adjustments	Total Revenue Budget	Total Resources	(2) Amended Expenditure Budget	Expenditure Budget Adjustments	Total Expenditure Budget	Interfund Loans	
OPERATING FUNDS:										
General										
(Available Reserves) (1)	\$ 13,488,954	\$ 67,074,568	\$ 32,600	\$ 67,107,168	\$ 80,596,122	\$ 71,310,405	\$ 83,494	\$ 71,393,899	(534,861)	\$ 8,667,362
Special Revenue Funds:										
Park Development Fees	963,193	271,381		271,381	1,234,574	988,240	200,000	1,188,240		46,334
Measure B Fund	1,273,194	1,281,681	9,514,355	10,796,036	12,069,230	11,661,096	39,141	11,700,237		368,993
Business Improvement District	25,062	135,000	300,584	435,584	460,646	190,807	266,666	457,473		3,173
Total Special Revenue Funds	\$ 2,261,449	\$ 1,688,062	\$ 9,814,939	\$ 11,503,001	\$ 13,764,450	\$ 12,840,143	\$ 505,807	\$ 13,345,950	\$ -	\$ 418,500
Enterprise Funds:										
Water Pollution Control	\$ 16,284,872	\$ 11,045,113		\$ 11,045,113	\$ 27,329,985	\$ 22,249,643	\$ (56,801)	\$ 22,192,842		\$ 5,137
Shoreline Fund	1,191,942	2,888,640	12,000	2,900,640	4,092,582	4,561,078	93,967	4,655,045	534,861	(2,000)
Total Enterprise Funds	\$ 17,476,814	\$ 13,933,753	\$ 12,000	\$ 13,945,753	\$ 31,422,567	\$ 26,810,721	\$ 37,166	\$ 26,847,887	\$ 534,861	\$ 5,137
NON OPERATING FUNDS:										
Special Grant & Capital Improvement Funds:										
Grants	\$ 1,627,820	\$ 1,690,531	\$ 9,276,727	\$ 10,967,258	\$ 12,595,078	\$ 12,089,828	\$ 505,250	\$ 12,595,078		\$ -
Community Dev. Block Grant (CDBG)	110,691	899,262	1,475,565	2,374,827	2,485,518	2,425,903	59,615	2,485,518		-
Home Grant Housing	(51,912)	335,918	865,242	1,201,160	1,149,248	1,137,366	11,882	1,149,248		-
Capital Improvements	10,629,543	110,000	6,918,138	7,028,138	17,657,681	17,346,307	232,000	17,578,307		79,374
Total Special Grants & Capital Improvement Funds	\$ 12,316,142	\$ 3,035,711	\$ 18,535,672	\$ 21,571,383	\$ 33,887,525	\$ 32,999,404	\$ 808,747	\$ 33,808,151	\$ -	\$ 79,374
Debt Service Funds:										
Cherrwood Debt Service Fund	\$ 741,691	\$ 450,218		\$ 450,218	\$ 1,191,909	\$ 454,162	\$ 18,778	\$ 472,940		\$ 718,969
Total Debt Service Funds	\$ 741,691	\$ 450,218	\$ -	\$ 450,218	\$ 1,191,909	\$ 454,162	\$ 18,778	\$ 472,940	\$ -	\$ 718,969
Agency Funds:										
RDA - Plaza Area	\$ 7,270,397	\$ 7,278,919	\$ -	\$ 7,278,919	\$ 14,549,316	\$ 7,174,854	\$ 40,000	\$ 7,214,854		\$ 7,334,462
RDA - Joint Project Area	4,639,824	4,685,467	-	4,685,467	9,325,291	2,350,172	10,000	2,360,172		6,965,119
RDA - W. San Leandro/MacArthur Area	6,980,841	7,001,707	-	7,001,707	13,982,548	4,863,058	430,000	5,293,058		8,689,490
Total Agency Funds	\$ 18,891,062	\$ 18,966,093	\$ -	\$ 18,966,093	\$ 37,857,155	\$ 14,388,084	\$ 480,000	\$ 14,868,084	\$ -	\$ 22,989,071

* As adjusted, per year end closing and audit.
 (1) Available reserves excludes advancements/loans due from other funds and amounts owed to other external agencies (i.e. Asset Seizure). Available General Fund Reserves include the City's Emergency, Economic Uncertainty, Fire Equipment Replacement and others.
 (2) Includes carry-overs and adjustments previously approved by Council budget amendment resolutions.

Excludes Funds where there was no change in Budget Authority.

CITY OF SAN LEANDRO

MEMORANDUM

DATE: January 24, 2005
TO: Finance Committee
FROM: Jesse Baloca, Finance Director 
SUBJECT: Investment Report - Quarter Ended December 31, 2005

RECOMMENDATION

Staff recommends Finance Committee acceptance of the attached investment report for the quarter ended December 31, 2005.

OVERVIEW

On December 31, 2005 the City's investment portfolio had a market value of \$48.4 million, which is an increase of \$320 thousand from September 30, 2005. Currently, the City's LAIF investments account for 18.2% of the City's total investments. The investment portfolio managed by Chandler had a December 31, 2005 average book yield of 3.40%, an increase from 3.28% on September 30, 2005.

The average maturity of the Chandler portfolio for the December 31, 2005 was slightly under 2 years and its performance measured against 1-3 year government securities benchmark. As of January 24, 2006 the 2-year Treasury rate of 4.37% continues to exceed the 3, 5, and 7-year Treasury rates of 4.33%, 4.32%, and 4.34%, respectively.

Since inception (May 2004), the performance gain to the City, less the fees paid to Chandler for portfolio management, is \$179,041 and remains overall favorable as compared to LAIF. However, as of December 31, 2005, LAIF's 3.63% yield exceeds the City's portfolio with Chandler of 3.40%. Also as of January 24, 2006, the 3-month to 1-year Treasury rate exceeds the current average maturity. As a result, upcoming maturities will be evaluated prior its reinvestment into either LAIF or with Chandler Asset Management with a strategy of possibly further reducing the average maturity.

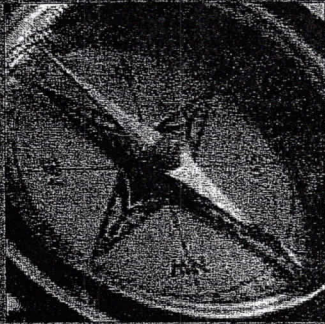


City of San Leandro City Council Investment Report

Quarter Ending
December 31, 2005

BOND MARKET REVIEW

A MONTHLY REVIEW OF FIXED INCOME MARKETS



WHAT'S INSIDE

Market Summary 1

- Yield Curve
- Current Yields
- Treasury Yield Spreads

A Look Back 2

2005: A Year In Review

Economic Round-Up 3

- Recent Bond Issues
- Economic Indicators

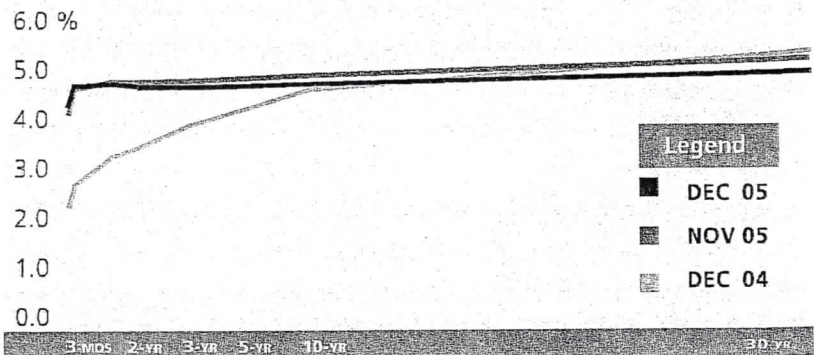
MARKET SUMMARY

The Federal Open Market Committee increased the federal funds rate 0.25% to 4.25% on December 13, 2005. The Federal Reserve's statement continued to highlight several of their concerns. Although energy prices remain elevated, economic activity appears to be solid. Core inflation has remained relatively low in recent months and longer-term inflation expectations remain contained. Resource utilization as well as higher energy prices still hold the potential to add to inflation pressures.

The Committee maintains its belief that some further measured policy firming will likely be needed to keep the risks to the attainment of both sustainable economic growth and price stability roughly in balance.

The next FOMC meeting is scheduled for January 31, 2006 where another 0.25% increase in the federal funds rate is generally expected. This will also be the final meeting for Federal Reserve Chairman Alan Greenspan.

TREASURY YIELDS MIXED



The curve flattened as a pronounced decrease in medium and long rates compared to very short rates actually caused the curve to invert in the 2yr to 10yr sector.

YIELDS	12/30/05	11/30/05	Change
3 Month	4.07	3.93	0.14
2 Year	4.40	4.41	(0.01)
3 Year	4.36	4.39	(0.03)
5 Year	4.35	4.41	(0.06)
10 Year	4.39	4.48	(0.09)
30 Year	4.53	4.69	(0.16)

YIELD SPREADS	12/30/05	11/30/05	Change
5yr - 2yr T-Note	(0.05)	0.00	(0.05)
10yr - 2yr T-Note	(0.01)	0.07	(0.08)

Source: Bloomberg

As of 12/30/05

2005: A YEAR IN REVIEW

Before we leap into the New Year, let's look back one last time at the events that helped to shape the economy in 2005.

The Federal Reserve raised the Fed Funds target at eight consecutive meetings during 2005, from 2.25% to 4.25%. Short term treasury yields followed, with the three month bill rising 183 basis points to 4.08% and the two year treasury rising 131 basis points to 4.40%. Strong demand and tame inflation kept longer term rates relatively stable though, with the ten year treasury yield rising only 18 basis points to 4.39%. The result was a much flatter yield curve, and indeed, at the end of December the spread between two year and ten year treasuries became inverted for the first time since 2000. In the past this relationship has often forecast the onset of a recession, so it bears careful monitoring into the New Year.

On August 29th, Hurricane Katrina made landfall on the Gulf Coast near New Orleans with sustained winds in excess of 125 miles per hour. High winds and flooding along the Gulf Coast caused an estimated \$100 billion in damage, and nearly 1400 confirmed deaths. Shockwaves from the disaster were felt throughout the economy and financial markets; oil and natural gas prices soared, Congress approved a massive rebuilding package, and speculation abounded that the Fed would pause in its campaign of rate increases (it did not.) Although the disaster occurred more than four months ago, its effects will continue to be felt throughout 2006 as reconstruction continues.

Soaring energy prices and supply shortages rarely left the headlines in 2005. The industrialization of China, India and other emerging economies continued to provide strong demand, while geopolitical uncertainty in key oil producing regions such as the Middle East

and Latin America contributed to supply concerns. Matters came to a head at the end of the summer as Hurricane Katrina struck the gulf coast, seriously damaging US production and refining capacity. Crude oil prices, which had started the year at \$42.12/bbl, soared as high as \$69.81/bbl on August 30th. Prices have subsequently retreated somewhat from their post-disaster high, but still closed the year at \$61.04/bbl, up nearly 41%.

Housing prices in America continued to rise in 2005. In addition to favorable demographics, this boom in housing has been fueled by a series of Federal Reserve rate cuts which in turn produced low mortgage rates. Speculative purchases of second and third homes, as well as

exotic mortgage products, have fueled one of the great equity creation events of the past fifty years. The strength in housing flows through to the economy in three ways. First the construction, purchase and sale of homes produce job creation and demand for raw materials. Second, homeowners "feel" wealthier when the value of their house is rising, and are therefore willing to spend more. Finally, many homeowners "extract" cash from their houses via home equity loans, and thus increase demand throughout the economy.

In 2005, the labor market enjoyed its second year in a row of job growth and lower unemployment. The economy added an average of 168,000 jobs each month last year, comparable to the 182,000 jobs per month added the year before. This recent performance stands in stark contrast to 2003, when there was concern about a "jobless recovery", and the economy added only 94,000 jobs the entire year. The unemployment rate has steadily declined during this period from as high as 6.30% during 2003 to 4.90% at the end of 2005.

Themes to Look for in 2006

- Continued high energy prices
- The "twin deficits" and other structural imbalances
- The continued growth of China, India and other emerging economies
- The mid-term Congressional elections in November
- A very flat and possibly inverted yield curve
- Tight spreads for credit and other risky assets
- The prospect of stronger growth from Japan and Germany
- The return of thirty year treasury auctions in February
- Ben Bernanke taking over as Fed chairman for Alan Greenspan

ECONOMIC ROUNDUP

CONSUMER AND PRODUCER PRICES

For November, the economy's headline inflation readings improved from the September energy-price peak. Year-over-year CPI decreased to 3.5% from 4.3%. The favorable trend in core inflation continued as the year-over-year Core CPI (CPI less food and energy) was unchanged at 2.1%. Core CPI continues to depict a very favorable inflationary environment for the economy.

LABOR MARKETS

The December non-farm payroll employment report showed a modest increase of 108,000 jobs. In addition the previous two-months were revised higher by 71,000 jobs. This report continued to confirm an underlying, positive growth trend in jobs, as we ended 2005.

OIL PRICES

Oil prices for West Texas Intermediate crude increased by nearly \$4 per barrel during the month of December. The price per barrel closed at \$61.04 up from \$57.32 per barrel for the previous period. Price levels moved higher due to concerns about the possibility of future production cuts by OPEC, expected in early 2006. Consumers also felt more of a pinch at the pumps following a short reprieve of near \$3.00 dollar a gallon gas this year.

THIRD QUARTER ADVANCED GDP

The US economy continued to expand strongly during the third quarter of 2005 as the final indication for Q3 2005 Gross Domestic Product (GDP) was reported at 4.1%, as compared to Q2 2005 GDP reading of 3.3%. Strong consumer spending led the economy's third quarter growth.

CREDIT SPREADS MIXED

RECENT ISSUES	Spread to Treasuries (%)	One Month Ago (%)	Change
3-month top-rated commercial paper	0.32	0.34	(0.02)
2-year AA corporate note	0.36	0.33	0.03
5-year AA corporate note	0.46	0.44	0.02
5-year Agency note	0.43	0.42	0.01

During the month of December, Spreads were slightly wider in all sectors with the exception of very short corporate paper.

Source: Bloomberg

As of 12/30/05

SUSTAINABLE ECONOMIC GROWTH

ECONOMIC INDICATOR	Current Release	Prior Release	One Year Ago
Trade Balance	(68.9) \$Bln OCT 05	(66.0) \$Bln SEP 05	(55.6) Bln OCT 04
GDP	4.1% SEP 05	3.3% SEP 05	4.0% SEP 04
Unemployment Rate	5.0% NOV 05	5.0% NOV 05	5.4% NOV 04
Prime Rate	7.25% DEC 05	7.00% NOV 05	5.25% DEC 04
CRB Index	331.83 DEC 05	314.27 NOV 05	283.90 DEC 04
Oil (West Texas Int.)	\$61.04 DEC 05	\$57.32 NOV 05	\$43.45 DEC 04
Consumer Price Index (y/o/y)	3.5% NOV 05	4.3% OCT 05	3.5% NOV 04
Producer Price Index (y/o/y)	4.40% NOV 05	5.90% OCT 05	5.00% NOV 04
Dollar / EURO	1.18 DEC 05	1.18 NOV 05	1.36 DEC 04

Source: Bloomberg

As of 12/30/05

© 2005 Chandler Asset Management, Inc, An Independent Registered Investment Adviser.

The information contained herein was obtained from sources we believe to be reliable, but we do not guarantee its accuracy. Opinions and forecasts regarding industries, companies, and/or the economy are all subject to change at any time, based on market and other conditions, and should not be construed as a recommendation.

Page 3

COMPLIANCE WITH INVESTMENT POLICY

City of San Leandro

December 31, 2005

Assets managed by Chandler Asset Management are in full compliance with State law and with the City's investment policy.

Category	Standard	Comment
Treasury Issues	No limitations	Complies
Agency Issues	No limitations	Complies
Banker's Acceptances	40% maximum; 30% per issuer; A-rated; 180-day max. maturity	Complies
Commercial Paper	15% maximum; 10% per issuer; 270-day max. maturity; A1/P1 and A-rated if LT debt	Complies
Negotiable Certificates of Deposit	30% maximum; 10% per issuer; AA-rated	Complies
Medium Terms Notes	10% maximum; A-rated	Complies
Money Market Funds	AAA/Aaa rated; assets greater than \$500MM; 20% maximum	Complies
LAIF	Currently not used by adviser	Complies
Maximum Maturity	5 years	Complies

City of San Leandro

The investment goals of the City of San Leandro are to preserve principal, to provide liquidity, and to attain a rate of return commensurate with the City's investment risk constraints and cash flow needs.

**Investment Report
Performance Objectives**

The performance objective for the City of San Leandro is to attain a rate of return greater than the benchmark of 1-3 year government securities over a market cycle.

Strategy

In order to achieve these objectives, the City of San Leandro invests in US Treasury securities, federal agency securities, high quality money market instruments and high quality corporate medium term notes in accordance with the City's investment policy and California Government Code Section 53600 et seq.

Portfolio Characteristics

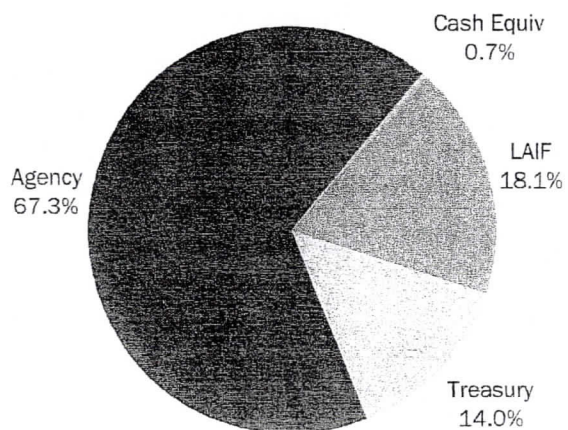
	12/31/2005	9/30/2005
LAIF - City Pool	\$977,903	\$12,309,326
LAIF - Redevelopment Agency	5,316,228	5,577,931
LAIF - RDA 1993A Bond Proceeds	34,748	34,472
LAIF - RDA 2004 Bond Proceeds	4,430,113	4,767,136
Managed Pool Accounts	301,539	298,640
Passbook/Checking Accounts	19,446	4,527,279
Total LAIF and Bank Accounts	\$11,079,977	\$27,514,784
Investment Portfolio Market Value	\$48,394,796	\$48,073,940
Total Market Value	\$59,474,773	\$75,588,724
LAIF Quarterly Apportionment Rate	3.63%	3.18%
2 year US Treasury Yield to Maturity	4.40%	4.16%
5 year US Treasury Yield to Maturity	4.35%	4.19%
Investment Portfolio:		
Average Maturity (yrs)	1.79	1.80
Modified Duration	1.64	1.65
Average Book Yield	3.40%	3.28%
Average Yield to Maturity at Market	4.62%	4.25%
Average Quality	AAA	AAA

Portfolio Activity

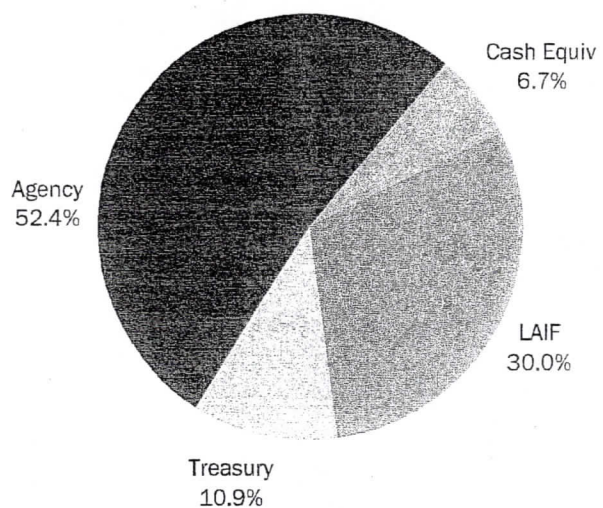
During the fourth quarter of 2005, activity in the portfolio managed by Chandler Asset Management consisted of the re-investment of maturing balances into Agency securities with maturities ranging between January 2009 and September 2009. The portfolio sector allocation was little changed, as the portfolio held 83% in Agencies and 17% in Treasuries. We will continue to maintain the City's portfolio duration very close to the duration of the portfolio's 1-3 Year Government benchmark.

Sector Distribution

December 31, 2005

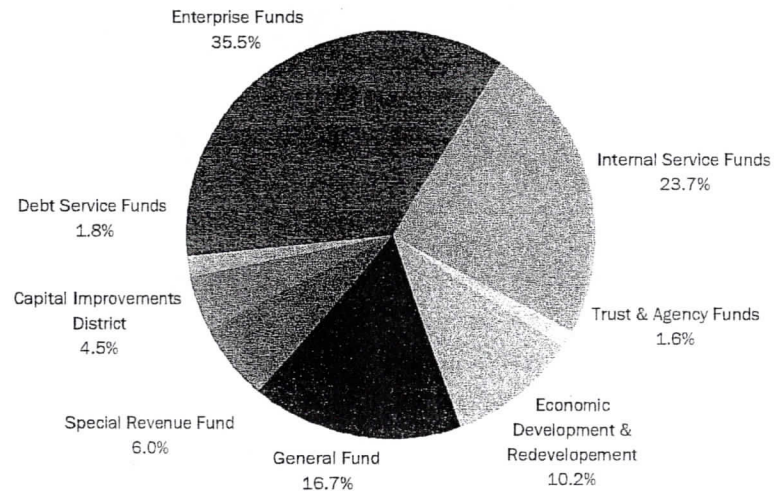


September 30, 2005

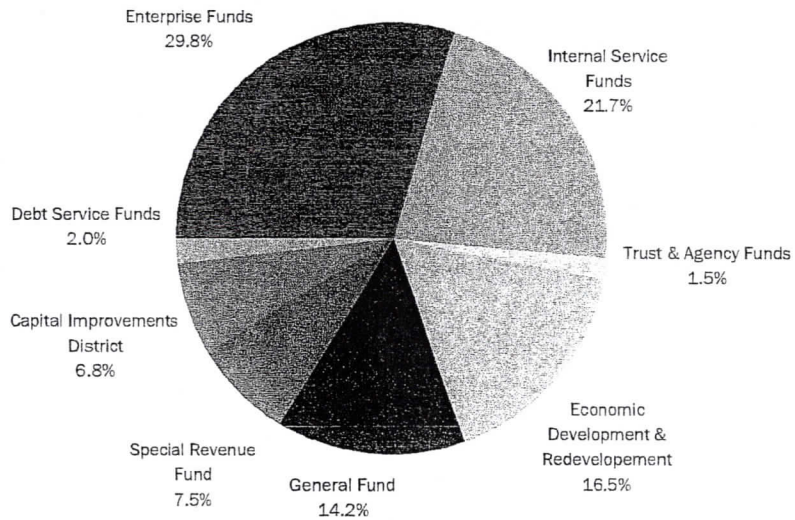


City Fund Allocation

December 31, 2005



September 30, 2005



City of San Leandro
Investments by All Types
Active Investments
December 31, 2005

CUSIP	Issuer	Coupon	Maturity Date	Par	Purchase Price	Book Value	Purchase Yield	MVACC
LAIF								
SYS113	LAIF - City Pool			977,902.96	100.00000	977,902.96	3.63	977,902.96
SYS114	LAIF - Redevelopment Agency			5,316,227.69	100.00000	5,316,227.69	3.63	5,316,227.69
SYS115	LAIF - RDA 1993A Bond Proceeds			34,748.41	100.00000	34,748.41	3.63	34,748.41
	LAIF - RDA 2004 Bond Proceeds			4,430,112.85	100.00000	4,430,112.85	3.63	4,430,112.85
				subtotal	\$ 10,758,991.91	\$ 10,758,991.91		\$ 10,758,991.91
Managed Pool Accounts - 2								
SYS144	Dreyfus Cash Management Fund			301,539.34	100.00000	301,539.34	4.12	301,539.34
				subtotal	\$ 301,539.34	\$ 301,539.34		\$ 301,539.34
Passbook/Checking Accounts								
SYS142	Nations			19,445.57	100.00000	19,445.57		19,445.57
				subtotal	\$ 19,445.57	\$ 19,445.57		\$ 19,445.57
Government Issues								
44041V506	Nations Treasury Reserves			78,473.14	100.00000	78,473.14		78,473.14
3136F3S23	FNMA Callable Note	2.000	01/30/06	1,000,000.00	100.00000	1,000,000.00	2.00	1,006,513.89
3133X02Z1	FHLB Callable Note	2.030	02/13/06	1,000,000.00	100.00000	1,000,000.00	2.03	1,004,969.67
3134A4UP7	FHLMC Note	1.875	02/15/06	1,000,000.00	99.92581	999,258.14	2.49	1,003,958.33
3133MDJP9	FHLB Note	5.125	03/06/06	1,225,000.00	100.21345	1,227,614.80	3.88	1,245,820.75
3134A4SX3	FHLMC Note	2.375	04/15/06	1,000,000.00	99.95595	999,559.54	2.53	998,763.89
31339YF31	FHLB Callable Note	2.010	04/24/06	1,000,000.00	99.99297	999,929.73	2.03	995,615.83
3128X1CU9	FHLMC Callable MTN	2.375	05/19/06	980,000.00	100.00000	980,000.00	2.38	974,569.66
31339XD35	FHLB Callable Note	2.150	05/26/06	1,000,000.00	100.00000	1,000,000.00	2.15	992,403.28
31359MVA8	FNMA Note	2.500	06/15/06	1,000,000.00	99.93746	999,374.59	2.64	991,736.11
912827Y55	US Treasury Note	7.000	07/15/06	1,000,000.00	101.67790	1,016,778.97	3.77	1,045,461.96
3134A4UB8	FHLMC Note	2.750	08/15/06	1,000,000.00	100.05045	1,000,504.46	2.66	998,826.89
3136F4MC5	FNMA Callable Note	2.400	10/17/06	1,000,000.00	100.00000	1,000,000.00	2.40	987,121.33
9128277F3	US Treasury Note	3.500	11/15/06	1,375,000.00	100.79078	1,385,873.26	2.56	1,370,506.77
3134A4CR3	FHLMC Note	2.875	12/15/06	1,000,000.00	100.06228	1,000,622.76	2.81	983,777.78
31359MLZ4	FNMA Note	5.000	01/15/07	1,500,000.00	100.96020	1,514,403.04	4.03	1,537,395.83
3134A4UN2	FHLMC Note	2.375	02/15/07	1,000,000.00	99.23166	992,316.60	3.09	983,035.22
9128272J0	US Treasury Note	6.250	02/15/07	1,400,000.00	103.71194	1,451,967.12	2.80	1,460,175.27
31359MFL2	FNMA Note	7.125	03/15/07	1,000,000.00	104.86205	1,048,620.51	2.90	1,047,854.17
3134A4UZ5	FHLMC Note	3.750	04/15/07	1,500,000.00	99.67391	1,495,108.68	4.01	1,493,125.00
3133X0E88	FHLB Note	3.125	08/15/07	1,000,000.00	99.80495	998,049.45	3.25	986,805.56
9128273E0	US Treasury Note	6.125	08/15/07	1,400,000.00	105.21513	1,473,011.81	2.76	1,469,577.47
912828CR9	US Treasury Note	2.750	08/15/07	1,500,000.00	98.27312	1,474,096.84	3.87	1,476,675.34
3133X82V3	FHLB Note	3.375	09/14/07	1,500,000.00	98.92542	1,483,881.26	4.04	1,482,703.88
31359MGH0	FNMA Note	6.625	10/15/07	1,000,000.00	105.46283	1,054,628.31	3.37	1,045,549.11
3133MTQB7	FHLB Note	3.500	11/15/07	1,000,000.00	100.13299	1,001,329.90	3.42	981,972.22
31339X4M3	FHLB Callable Note	3.000	12/12/07	1,000,000.00	100.00000	1,000,000.00	3.00	987,521.33
3133MVZA4	FHLB Note	3.375	02/15/08	1,000,000.00	99.63338	996,333.77	3.56	984,938.00
3134A2DT2	FHLMC Note	5.750	04/15/08	1,000,000.00	104.73334	1,047,333.38	3.51	1,033,701.89
31359MDU4	FNMA Note	6.000	05/15/08	1,000,000.00	105.25149	1,052,514.94	3.60	1,035,791.67
3133X0LJ6	FHLB Note	3.750	08/15/08	1,000,000.00	98.63660	986,365.99	4.31	990,416.67
31359MSQ7	FNMA Note	3.250	08/15/08	1,000,000.00	99.15799	991,579.88	3.60	976,340.78
3134A2UJ5	FHLMC Note	5.125	10/15/08	1,000,000.00	104.61552	1,046,155.17	3.34	1,021,132.44
3133X2BZ7	FHLB Note	3.625	11/14/08	1,000,000.00	99.51686	995,168.55	3.81	974,631.94
31359MEK5	FNMA Note	5.250	01/15/09	1,200,000.00	101.80221	1,221,626.47	4.60	1,247,425.60
912828BV1	US Treasury Note	3.250	01/15/09	1,500,000.00	98.01029	1,470,154.35	3.96	1,474,707.88
31359MTZ6	FNMA Note	3.250	02/15/09	1,200,000.00	95.42720	1,145,126.41	4.85	1,164,108.93
3134A3EM4	FHLMC Note	5.750	03/15/09	1,000,000.00	105.46681	1,054,668.14	3.87	1,046,305.56
31359MVE0	FNMA Note	4.250	05/15/09	1,000,000.00	100.90074	1,009,007.41	3.95	990,743.56
31359MEV1	FNMA Note	6.375	06/15/09	1,000,000.00	107.45618	1,074,561.82	3.98	1,053,458.33
3134A4US1	FHLMC Note	4.250	07/15/09	1,000,000.00	102.17736	1,021,773.57	3.57	1,003,972.22
3134A3M78	FHLMC Benchmark Note	6.625	09/15/09	1,000,000.00	109.35856	1,093,585.62	3.83	1,082,006.94
31359MEY5	FNMA Note	6.625	09/15/09	1,150,000.00	106.11013	1,220,266.52	4.80	1,245,386.69
3134A33L8	FHLMC Note	7.000	03/15/10	1,300,000.00	110.51386	1,436,680.14	4.23	1,438,106.94
31360CWC2	FNMA Pool # 002443	12.500	12/01/13	635.43	107.78843	684.92	11.06	710.56
				subtotal	\$ 47,809,108.57	\$ 48,538,989.96		\$ 48,394,796.28
				Total	\$ 58,889,085.39	\$ 59,618,966.78		\$ 59,474,773.10

CITY OF SAN LEANDRO

MEMORANDUM

Date: January 27, 2006
To: Finance Committee
Via: Jesse Baloca, Finance Director *JB*
From: Victor Chan, Budget and Compliance Manager *VC*
Subject: FISCAL YEAR 2006-07 BUDGET CALENDAR

The attached Budget Calendar provides a chronological detailed listing of key dates for the Fiscal Year 2006-07 budget process. The process began on January 20, 2006 with a budget kick-off meeting attended by department Financial Managers and Department Heads. The table below lists dates of Finance Committee and City Council meetings, which are pertinent to this process. The Council is scheduled to adopt the Fiscal Year 2006-07 Budget on June 19, 2006.

Date	Meeting and (Items for Consideration)
March 1	Finance Committee Meeting (review Budget Calendar)
April 5	Finance Committee Meeting (subject to change)
April 19	Special Finance Committee Meeting (if needed)
May 3	Finance Committee Meeting (Proposed FY 2006-07 Increases in Fees and Charges for Services, and Preliminary Budget)
May 8	City Council Work Session (Presentation of Preliminary Budget)
May 15	City Council Meeting (Public Hearing on Proposed FY 2006-07 Increases in Fees and Charges for Services by City Departments)
May 17	Special Finance Committee Meeting (if needed)
June 5	City Council Meeting (Presentation on City Manager's Proposed Budget)
June 12	City Council Work Session (Discussion on impact of June 6 th Ballot Measure – tentative if Ballot Measure fails)
June 19	City Council Meeting (Public Hearing, Budget Adoption, including the San Leandro Redevelopment Agency, San Leandro Economic Development Agency, San Leandro Parking Authority and San Leandro Public Finance Authority, and Appropriation Limit)
June 26	(Budget Adoption – tentative and if needed)

Appendix A - Budget Calendar

Date	Action	Dept	Staff
11/23	Internal Service Request Forms to Depts.	FIN	
	<u>January 2006</u>		
1/06	Cost of Living Adjustment and Health & PERS rate increases due to Finance	HR	Justinian & Louise
01/13	Internal Service Requests due to IS (Rayan Fowler), Facility Maintenance (Jim Carrick) & Garage (Andy Wright) Committee Chairs	DEPTS	
1/20	Budget Kick-Off Meeting with Departments to Provide the Budget Preparation Manual to Departments (includes Position Budget Worksheets, Position Control Worksheets, Expenditure Account Flex-Sheets for 5000-7000 Operating Accounts, and Revenue Estimate Worksheets and Fee Schedules).	FIN/CMO	Jesse, Carla & Victor
1/18 – 2/3	Internal Service Committees review requests	FM, IS, & Garage	
1/25	Financial Forum on Budget Prep/Questions	FIN	
	<u>February, 2006</u>		
2/1	City Council Finance Committee Meeting (Budget Calendar, Mid-Year & Quarterly Investment Reports)	FIN/COM	
2/9	CIP Revenue Information to CIP Committee	FIN	Christine
2/6 – 2/17	Human Resources & Payroll Review of Position Control with Departments	HR/FIN & DEPTS	Justinian, Yana, Carla, Christine & Julia
2/6 – 2/10	Internal Service Committees review recommended expenditures with Asst. City Manager	FM, IS, & Garage/ CMO	Jim, Rayan, & Andy
2/9	Revenue Worksheets and Fee Forms due to Finance including new and increased fees with justifications	DEPTS	
2/17	Budget Expenditure Forms & 2005-06 Year-End Projections due to Finance	DEPTS	
2/22	Personnel Cost Calculation Forms due to Finance & HR	DEPTS	
2/22	Position Control Spreadsheets due to Finance	HR	Justinian & Yana
2/22	Internal Service Fund Overhead Allocation Methodologies updated with Internal Service Committee Chairs	FM, IS, Garage/ FIN	Darryl/ Victor
2/22	Salary and Benefit Costs Finalized in Eden	FIN	Christine & Julia

Date	Action	Dept	Staff
2/22	Internal Service Funds Finalized	FIN	Christine
2/22	Administrative Overhead Allocation Methodology Study completed	FIN	Victor
2/24 - 3/10	Analyst Review of Proposed Budget by Dept	ANALYST & DEPTS	
	<u>March, 2006</u>		
3/1	City Council Finance Committee Meeting	FIN/CMO	
3/3	Submit Notice to City Clerk for Public Hearing for Fee Increase	FIN	Sally
3/10	Budget Roll-up to "Assistant City Manager Level" in Eden	FIN	Christine
3/17	Finance & Engineering to discuss available funding for CIP Projects	FIN/E&T	
3/14 - 3/21	Analyst review of recommendations with Finance Director	ANALYST & FD	
3/17 - 3/24	Analyst review of recommendations with Asst City Manager & FD	ANALYST & CMO	
3/27	Budget Roll-up to "City Manager Level" in Eden	FIN	Christine
3/31	Preliminary Budget numbers due to City Manager's Office	FIN	Jesse
3/31	Recommended CIP Projects due to Finance	E&T	Ken Joseph
	<u>April, 2006</u>		
4/5	City Council Finance Committee Meeting	FIN/CMO	
4/3 - 4/14	City Manager Budget review (meetings with City Manager, Finance, Analysts, HR, & Depts.)	ALL	
4/14	Meeting between Finance and E&T to Review CIP Projects and Narrative	FIN/E&T	Jesse, Victor, Christine, & Ken
4/14	Budget Narratives due to Kathy Ornelas	DEPTS	
4/19	Tentative City Council Finance Committee Meeting	FIN/CMO	
4/28	Edited Budget Narratives to Finance	KATHY O	
	<u>May, 2006</u>		
5/3	City Council Finance Committee (Proposed Increases in Fees and Charges for Services for FY 2006-07) & Preliminary Budget	FIN/CMO	
5/8	Presentation to City Council at Work Session	FIN/CMO	

Date	Action	Dept	Staff
5/15	City Council Meeting – A Public Hearing on Proposed Increases in Fees and Charges for Services by City Departments for FY 2006-07	FIN & DEPTS	
5/16	Budget Master final assembly, Index, and Table of Contents to Central Services	FIN	
5/17	Tentative City Council Finance Committee meeting	FIN/CMO	
5/25	Statutory deadline to deliver City Manager's Proposed Budget to City Council	FIN	
	<u>June, 2006</u>		
6/5	All Employee Briefing	FIN/CMO	
6/5	City Council Meeting – Presentation on City Manager's Proposed Budget	FIN/CMO	
6/12	Tentative City Council Work Session (Discussion on impact of June 6 th Ballot Measure).		
6/14	Financial Forum re: Budget Process Wrap-up	FIN	
6/19	City Council Meeting – Public Hearing and Budget Adoption (including the San Leandro Redevelopment Agency, San Leandro Economic Development Agency, San Leandro Parking Authority and San Leandro Public Finance Authority), and Appropriation Limit.	FIN/CMO	
6/26	<i>City Council Meeting - Budget Adoption continued (Pending, if needed)</i>	FIN/CMO	
	<u>July 2006</u>		
7/31	Distribution of Adopted Budget	FIN	

Notes:

Public Hearing Notices due to City Clerk's Office four (4) weeks prior to proposed Public Hearing

Proposed Budget due from City Manager to City Council at least 35 days prior to beginning of each fiscal year.

FINANCE COMMITTEE

Meeting

3/1/06

Date

PUBLIC MEETING SIGN-IN SHEET

(This information may be used for future public hearing/meeting notification.)

	NAME	ADDRESS	TELEPHONE NUMBER
1.	STEVE HOLLISTER	ASST CM	577-3389
2.	Carla Rodriguez	Dep Finance Dept	577-3360
3.	JOHN JERMANIS	CITY MANAGER	577-3390
4.	JOYCE STAROSCIAK	CITY COUNCIL	CITY HALL
5.	Shelia Young	MAYOR	577-3355
6.	Bill Stephens	CITY COUNCIL	
7.	Jesse Baloc	Finance	577-3330
8.	VICTOR CHAN	FINANCE	577-3380
9.	Heidi Finberg	SL Chamber	351-1484
10.			
11.			
12.			
13.			
14.			
15.			
16.			
17.			
18.			
19.			
20.			