City of Portland Office of Management & Finance

THE FINANCIAL OUTLOOK

Accounting Period 5 (Oct. 20 to November 16, 2005)

General Fund Financial Outlook (Issue Date: Dec. 28, 2005)

Estimated Year-End General Fund Resources At AP-5 are forecast to range from \$436.6 million (LOW) to \$451.9 million (HIGH). Council's revised budget, period 5, continues to be \$439.0 million and remains unchanged compared to Council's FY2005-06 Adopted Budget. The "Fall Bump" budget updating and adjustment process is now complete and approved by Council. Period 6 will reflect fall budget adjustments. Revenues as of period 5 (mid-November) total about \$82.1 million, up 9 percent over last year. Eliminating earlier bureau inter-agency billings from this comparison, puts year-over-year growth at about 3.5 percent.

RESOURCE REC	CAP
* IBIS Budgeted Resources	\$439,037,343
* Resource Range(High)	\$451,881,453
(Low)	\$436,586,929
* Revenues At AP-5(*)	\$82,128,284
Versus Year-AgoUP	8.93%
(*) Net of Short-Term Borrov	ving
NOTEWORTHY AT	Г АР-5
* Hotel/Motel Up 14.5 % vs. year	-ago
* Utility License Up 0.3 % vs. yea	r-ago

*) And net of intrafund revenues

Estimated Year-End Resource Range FY2004-05 General Fund Financial Model

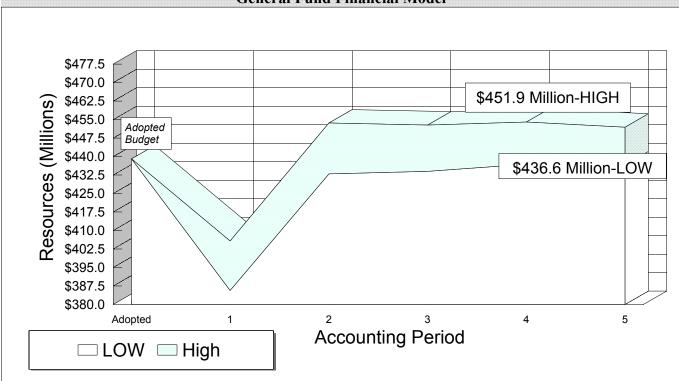


Figure 1-General Fund Resources, Year-End FY2003-04

The Bottom Line: Resources, year-end, are estimated to range from \$436.6 million (Low) to \$451.9 million (High). Budgeted resources are \$439.0 million. Year-end expenditure estimates range from \$422.2 million (Low) to \$427.7 million (High). Forecast year-end balance, beginning FY2006-07 balance, is forecast at somewhere between \$8.9 million (Low) to as much as \$29.7 million (High).

General fund discretionary revenues continue well ahead of year-ago levels, but a lot of the year-over-year difference is due to the fact that property tax revenues are coming in a lot earlier than normal. Separate "turnover" data from Multnomah County through the second week of December show that revenues are about 4 percent ahead of last year.

Transient lodging tax revenues continue to shine with Personal Services UP 7.6% vs. year-ago revenues running about 14.6 percent ahead of last year * AllM&SUP11% vs. year-ago at this time. Utility license fees looked to be growing * Capital Outlays UP 120.4% vs. year-ago earlier this year, but period 5 data shows that these reve-

EXPENDITURE F	RECAP
* IBIS Budgeted Expenses	\$439,037,343
* Expense Range(High)	\$427,706,026
*(Low)	
* Expenses At AP-5(*)	\$154,169,520
Versus Year-AgoUp	
(*) Net of Short	Term Borrowing
NOTEWORTHY A	T AP-5

nues are only 0.3 percent ahead of last year. Strong year-over-year growth from Northwest Natural is being offset by negative growth for Qwest franchise fees (down 17.2 percent, \$368,654), Water and BES license fees (down 2.5 and 2.8 percent respectively) and other miscellaneous telecom related revenues (down 12.1 percent, \$229,267). General Fund interest income continues to do well helping to offset the weakness in franchise and utility license fees.

Bureau fee and miscellaneous revenues are mixed at period 5. Parks' main fee revenue category remains well ahead of last year, up almost 10 percent over last year. Miscellaneous fee revenues are 26.8 percent ahead of last year, while miscellaneous revenues are 10.9 percent below last year at period 5.

General Fund expenditures at AP-5 total about \$154.2 million vs. last year's \$140.2 million. Expenditures to-date are up about 10 percent, not much changed from period 4. The year-overyear growth is concentrated in capital outlays, personal services, and internal materials and services

Year-End FY2005-06 Expenditure Range **General Fund Financial Model** Adopted \$470.0 Budget Expenditures (Millions) \$455.0 \$427.7 Million-HIGH \$440.0 \$425.0 \$410.0 \$395.0 \$380.0 \$422.2 Million-LOW \$365.0 \$350.0 Adopted 5 Accounting Period □LOW ■High

Figure 2-General Fund Expenditures, FY2005-06

which are up 120.4, 7.6, and 26.2 percent respectively. Personal services spending is especially strong, probably reflecting a the fact that the Police Bureau is fully staffed and carrying virtually no vacancies.

External materials and services expenditures remain weak at only 1 to 2 percent ahead of year-ago levels.

Internal materials and services expenses continue to run well ahead of last year due in part to earlier billings for inter-agency services this year as compared to last year. Expenditure rates look very "tight" relative to budgets.

Capital outlays are up to \$4.6 million as of period 5 versus budget at \$3.3 million. Fall Bump, budget adjustments, will bring budget appropriation up to a level consistent with expenditures.

The Estimated Year-End General Fund Balance at AP-5 ranges from \$8.9 (Low) to \$29.7 million (High). The current financial forecast ending balance "point" estimate for the General Fund's FY2005-06 ending balance is \$18.5 million which is located squarely in the middle of the range shown in the figure below. The period 5 point estimate is somewhat lower. The "collar" around the point estimate is starting to narrow and should narrow more at period 6 which will reflect fall budget adjustments as recently approved by Council. Current expenditure rates, especially in the personal services category, are very strong relative to year-ago levels. Revenues however, even with the earlier billing of bureau

inter-agency revenues, appear to be keeping pace with expenditures so far. Revenues and expenditures for the past 12 months or 13 periods (ending period 5) look to be pretty evenly balanced suggesting that gross ending balance estimate of about \$30 million (discretionary plus pro-

Estimated	l Year-End Bala	ince Range
Item	Low	High
Resources	. \$436,586,929	\$451,881,453
Expenses	\$427,706,026	\$422,156,007
End Balance	\$8,880,903	\$29,725,446

vision for encumbrance carryover) is consistent with Ending Fund Balance Range General Fund financial data available through period 5.

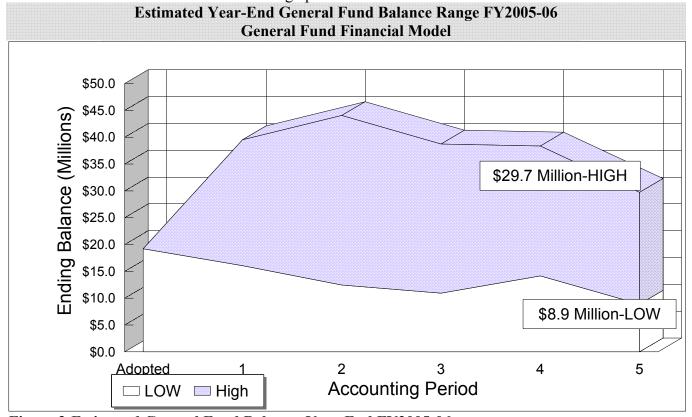


Figure 3-Estimated General Fund Balance, Year-End FY2005-06

Housing Slowdown Could Claim 800,000 Jobs

According to its 54th annual report, the UCLA Anderson Forecast predicts difficult conditions in the US economy through 2007, but not enough to cause a recession. The report says that a sustained decline will hit the US housing market next year, costing the nation as many as 500,000 construction jobs and an additional 300,000 financial sector positions. The report mentioned several signs that a decline may be under way: a 5.6% decline in in new housing construction during the month of October, continuous downward trend in home mortgage applications, as well as new home sales. Interest rates are increasing. In some regions, homes are remaining unsold longer as the pace of housing construction This may lead to oversupply. Some analysts have warned outpaces population growth. that past growth in the housing market may have been driven by speculation.

Table 1-General Fund Resources, FY2005-06			
	Through	Estimated	Revised
GENERAL FUND RESOURCE CATEGORY	AP-5	Year-End	Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$6,282,048	\$38,551,008	\$44,826,754
Other Internal & Transfers-IN	\$8,028,238	\$35,993,166	\$38,029,668
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$23,973,677	\$160,695,025	\$158,678,968
Lodging Taxes	\$7,226,376	\$12,991,804	\$12,092,518
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$33,132	\$49,747,272	\$44,418,253
Utility License/Franchise	\$25,225,998	\$57,548,261	\$57,612,597
Other Permits	\$1,160,488	\$3,179,701	\$3,160,253
SERVICE CHARGES & FEES 44000	\$4,937,706	\$14,255,705	\$13,944,145
STATE, FEDERAL SOURCES 46000	\$1,656,760	\$9,899,403	\$10,105,896
LOCAL SOURCES (Contracts) 47000	\$3,663,257	\$12,904,779	\$15,115,146
MISC. REVENUES & INTEREST 49400	\$1,698,713	\$7,067,434	\$7,547,900
TAX ANTICIPATION NOTES/Note Sales	\$1,343,782	\$1,710,000	\$0
BEGINNING FUND BALANCE	\$27,597,902	\$27,597,902	\$21,005,245
ENCUMBRANCE & CARRYOVER	\$6,639,374	\$6,639,374	\$12,500,000
GENERAL FUND RESOURCE TOTAL	\$119,467,451	\$438,780,833	\$439,037,343
Estimated Percent Of Budget Resources Realized	27.2%	99.9%	

Table 2-General Fund Expenditures, FY2005-06			
GENERAL FUND EXPENDITURES	Through AP-5	Estimated Year-End	Revised Budget
Salaries & Wages	\$66,824,979	\$176,383,457	\$181,741,456
Overtime	\$3,871,125	\$10,011,920	\$7,809,018
Benefits	\$18,302,023	\$47,261,108	\$43,709,258
Premium & Part-Time	\$7,832,660	\$16,553,187	\$16,386,999
TOTAL PERSONAL SERVICES	\$96,830,787	\$250,209,673	\$249,646,732
Estimated Percent Of Budget Spent	38.8%	100.2%	
EXTERNAL MATERIALS & SERVICES	\$24,567,778	\$70,141,972	\$76,846,250
Estimated Percent Of Budget Spent	32.0%	91.3%	
INTERNAL MATERIALS & SERVICES	\$19,179,709	\$52,534,885	\$52,534,885
Estimated Percent Of Budget Spent	36.5%	100.0%	
CAPITAL OUTLAY	\$4,596,813	\$4,596,813	\$3,277,290
Estimated Percent Of Budget Spent	140.3%	140.3%	
CONTINGENCY & UNFORESEEN	\$0	\$9,785,933	\$18,423,326
FUND CASH TRANSFERS	\$8,994,433	\$38,308,860	\$38,308,860
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$154,169,520	\$425,578,135	\$439,037,343
Estimated Percent Of Budget Spent	35.1%	96.9%	

Table 3-General Fund Expend Percent Of Year Gone	38.5%				
Percent Year Left	61.5%	Through	Estimated	Revised	Percent
AU Description	AU#	AP-5	Year-End	Budget	Spent
Police Bureau	100	\$53,344,943	\$139,143,620	\$135,027,383	39.5%
Fire Bureau	124	\$31,564,790	\$75,333,608	\$74,887,494	42.1%
Parks Bureau 13	30 &133	\$18,552,279	\$48,244,871	\$48,639,231	38.1%
Subtotal-Public Safety and Pa	arks	\$103,462,012	\$262,722,099	\$258,554,107	40.0%
Commissioner #2 (Sten)	190	\$255,532	NA	\$656,537	38.9%
Commissioner #4 (Leonard)	191	\$231,407	NA	\$651,855	35.5%
Commissioner #3 (Saltzman)	192	\$252,430	NA	\$669,705	37.7%
Commissioner #1 (Adams)	193	\$315,164	NA	\$658,649	47.9%
Office Of The Mayor	195	\$684,471	NA	\$1,769,029	38.7%
Operating Contingency	298	\$0	\$9,285,933	\$16,423,326	NA
Unforeseen Revenues	298	\$0	\$500,000	\$2,000,000	NA
Other Cash Transfers	299	\$8,916,011	\$38,308,860	\$38,308,860	23.3%
Office of Cable Com	300	\$521,538	NA	\$1,809,844	28.8%
P.O.E.M	110	\$3,311,526	NA	\$6,744,145	49.1%
Office-Sus. Develop	302	\$761,093	NA	\$2,633,911	28.9%
Government Relations	303	\$318,020	NA	\$762,167	41.7%
Office Of Manag. & Fin	307	\$8,852,731	NA	\$25,251,117	35.1%
Office Of City Attorney	312	\$2,184,165	NA	\$6,162,499	35.4%
Business Licenses	316	\$2,390,688	NA	\$8,075,363	29.6%
Stock Account	325	(\$62,433)	NA	\$25,000	-249.7%
City Auditor	336	\$2,843,220	NA	\$7,840,092	36.3%
Office Neigh. Involve	342	\$2,665,131	NA	\$7,217,237	36.9%
OMF Citywide Projects	381	\$2,534,698	NA	\$9,305,965	27.2%
OMF Utility Billing	390	\$4,157,060	NA	\$13,694,718	30.4%
Special Appropriations	401	\$2,684,990	NA	\$13,963,822	19.2%
Bureau Of Planning	510	\$2,488,861	NA	\$6,214,404	40.0%
Bureau Com. Develop	540	\$4,401,196	NA	\$9,644,990	45.6%
Subtotal-All Other AUs		\$50,707,499	\$163,679,142	\$180,483,236	28.1%
General Fund Total-All A	Us	\$154,169,511	\$426,401,241	\$439,037,343	35.1%

Table 4-Revenue and Economic Indicators

This table summarizes some basic revenue and economic indicators. The onset of an economic slowdown or financial trouble will be reflected by indicators that climb above the applicable "Concern Level."

	FY2005-06	FY2004-05	
Reserve Fund Usage Condition	1st Quarter	4th Quarter	Concern Level
Basic Revenue Growth (*)	7.5%	6.2%	Below 3.0%
Portland Unemployment Rate	5.9%	6.1%	Above 6.5%
Business License Revenue Growth	32.3%	26.4%	Below 5.5%
Property Tax Delinquency Rate	5.5%	5.5%	Above 8.0%

^(*) Basic revenues include property taxes, transient lodgings taxes, business licenses, cigarette and liquor tax distributions, utility license/franchise fees, and interest income revenues, last 12 months compared to year-ago.

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