City of Portland Office of Management & Finance

THE FINANCIAL OUTLOOK

Accounting Period 9 (February 9, 2006 to March 8, 2006) General Fund Financial Outlook (Issue Date: April 17, 2006)

Estimated Year-End General Fund Resources At AP-9 are forecast to range from \$441.5 million (LOW) to \$450.2 million (HIGH). Council's revised budget, period 9 is up about \$2.9 million to \$457.7 million on budget adjustments that went to Council during period 8. The current revised budget stands at about \$18.7 million (4.3%) above Council's July 1 Adopted Budget. Fund overall revenues as well as discretionary revenues appear to be about 2.2 percent ahead of last year at period 9. For the most part revenue growth remains pretty broadly based with the exception of utility license fees and grants. Grants revenues are currently budgeted at \$30.5 million with about (*) And net of intrafund revenues

CAP
\$457,696,664
\$450,247,239
\$441,502,435
\$283,006,386
2.24%
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Estimated Year-End Resource Range FY2005-06 **General Fund Financial Model**

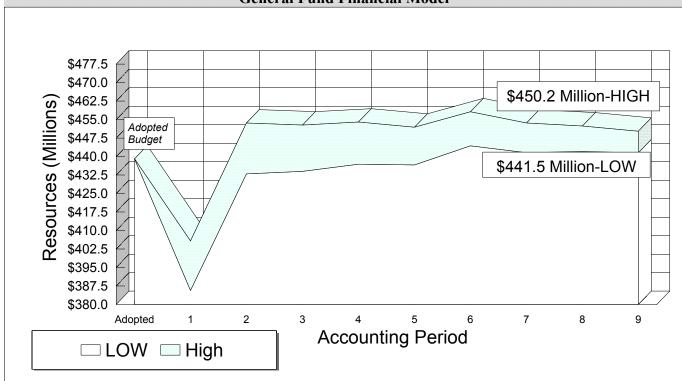


Figure 1-General Fund Resources, Year-End FY2005-06

The Bottom Line: Resources, year-end, are estimated to range from \$441.5 million (Low) to \$450.2 million (High). Budgeted resources are \$457.7 million. Year-end expenditure estimates range from \$424.9 million (Low) to \$429.1 million (High). Forecast year-end balance, beginning FY2006-07 balance, is forecast at somewhere between \$12.4 million (Low) to as much as \$25.4 million (High).

\$2.8 million of revenues in the door through the end of period 9 (March 8th).

Other revenue streams seem to continue to show the effects of a regional economy that is, for the most part, fully recovered from recession and is now into a new "expansion phase." Local area employment moved beyond previous peak employment levels during the first half of this fiscal year. Hopefully, this expansion will continue unabated for some time to come and generate revenue growth above recent trends.

EXPENDITURE RI	ECAP
* IBIS Budgeted Expenses	\$457,696,664
* Expense Range(High)	\$429,148,506
*(Low)	\$424,878,371
* Expenses At AP-9(*)	\$280,900,761
Versus Year-AgoUp	11.2%
(*) Net of Short T	Term Borrowing
NOTEWORTHY AT	Г АР-9
* Personal Services UP 8.0% vs. yea	ır-ago
* All M&S UP 13% vs. year-ago	_
* Canital Outlave IIP 26 7% vs. year	r_900

Business license revenues are now into the crucial March-April period. Gross revenues are well ahead of last year: \$46 million and up about 9.6 percent over last year. Offsets to gross revenues, refunds and credits total about \$11.1 million. Refunds are about \$5.8 million to-date and are about \$2.4 million or 30 percent behind last year. No comparable data for credits exists. This leaves net revenue to the General Fund at \$35.9 million which, in turn, is also about 9 percent ahead of last year.

Bureau fee and miscellaneous revenues continue to present a mixed picture. Parks' main fee revenue category is about 5 percent ahead of last year. Miscellaneous fee revenues are 16.4 percent ahead of last year, and catch-all "other miscellaneous" revenues are about 16 percent behind last year.

million. Expenditures re-accelerated during period 9 and stand at 11.2 percent ahead of last year versus an 8 percent year-over-year comparison last period. Personal services expenditure growth was

Year-End FY2005-06 Expenditure Range General Fund Financial Model

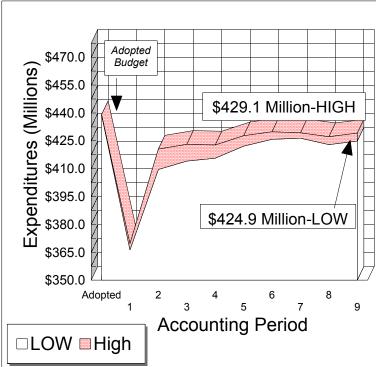


Figure 2-General Fund Expenditures, FY2005-06

General Fund expenditures at AP-9 total about \$280.9 million vs. last year's \$252.7

8 percent as of period 9. Both the overtime and benefits line items continue to register strong year-over-year growth. The personal services year-end estimate is up to \$252.8 milon an estimated budget of \$253.8 million.

External materials and services expenditures surged during period 9 after having slowed somewhat in period 8. Expenditures to-date total \$43.4 million verus about \$37.0 million last year at period 9.

Internal materials and services expenses remain well ahead of last year but year-overyear growth dropped to about 7.1 percent during period 9. This compares with previous double-digit growth comparisons.

Capital outlays increased slightly to \$5.3 milat period 9. Expenses to date remain between 25 to 30 percent ahead of last year, but appear to have "stalled out" over the last couple of accounting periods.

The Estimated Year-End General Fund Balance at AP-9 ranges from \$12.4 (Low) to \$25.4 million (High). The current period 9 OUTLOOK forecast ending balance "point" estimate for the General Fund's FY2005-06 ending balance declined to \$16.7 million. This is lower than the period 8 estimate currently in use for the Mayor's Proposed Budget and March financial forecast. This difference, for the most part, is due to weak revenues in a couple of key categories, particularly in grant revenues, where billings are very weak relative to budgeted revenue estimates. The good news is business license revenues have picked-up some steam as we go into the crucial month of April. The "rollover" of quar-

terly tax payments was about "4-plus" percent ahead of last year and the daily revenue tallies look good compared to last year. Grants revenues should come up as they traditionally due towards year-end as billings catch-up with expenditures. The General Fund should end the year with at least a \$20 million discretionary ending balance *Ending Fund Balance Range* to carry into FY2006-07.

Estimated	l Year-End Bala	nce Range
Item	Low	High
Resources	. \$441,502,435	\$450,247,239
Expenses	. \$429,148,506	\$424,878,371
End Balance	\$12,353,929	\$25,368,867

\$12.4 Million-LOW

8

9

7

Estimated Year-End General Fund Balance Range FY2005-06 **General Fund Financial Model** \$50.0 \$45.0 Ending Balance (Millions) \$40.0 \$35.0 \$25.4 Million-HIGH \$30.0 \$25.0 \$20.0 \$15.0

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

Oregon Unemployment Falls To Five-Year Low Of 5.6%

Accounting Period

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Oregon has witnessed rapid employment growth over the last two and a half years, adding 132,000 new jobs since the end of economic downturn in July 2003. Recent job gains have been particularly strong in the state's construction sector, which expanded by 14%, or 11,400 jobs, over the last year. Two other sectors posted significant gains: vities and educational/health service sectors. Both sectors are up over 5.7% vs. year ago.

The U.S. unemployment rate has also been declining for more than two years, and currently stands at 4.8%. Meanwhile, according to a recent report by Milken Institute, Bend Oregon along with three other Northwest cities were ranked as top ten small cities in the nation in creating the most new and high-paying jobs. Among 200 largest metros, Florida metropolitan areas dominated the top rankings, with Portland ending up at the 95th place.

\$10.0

\$5.0 \$0.0

Adopted

□ LOW ■ High

Table 1-General Fund Resources, FY2005-06			
	Through	Estimated	Revised
GENERAL FUND RESOURCE CATEGORY	AP-9	Year-End	Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$15,353,942	\$39,367,499	\$46,314,705
Other Internal & Transfers-IN	\$14,303,577	\$37,570,732	\$54,244,112
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$146,704,828	\$160,792,149	\$158,678,968
Lodging Taxes	\$10,263,053	\$13,141,188	\$12,092,518
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$36,306,789	\$49,747,272	\$44,418,253
Utility License/Franchise	\$32,968,952	\$60,200,825	\$57,612,597
Other Permits	\$2,116,851	\$3,116,968	\$3,425,581
SERVICE CHARGES & FEES 44000	\$9,029,642	\$14,290,723	\$13,790,099
STATE, FEDERAL SOURCES 46000	\$6,902,699	\$10,643,563	\$10,105,896
LOCAL SOURCES (Contracts) 47000	\$7,140,040	\$12,352,879	\$15,434,191
MISC. REVENUES & INTEREST 49400	\$3,975,004	\$6,435,966	\$8,074,499
TAX ANTICIPATION NOTES/Note Sales	\$1,824,000	\$1,824,000	\$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	\$321,126,653	\$443,721,040	\$457,696,664
Estimated Percent Of Budget Resources Realized	70.2%	96.9%	

Table 2-General Fund Expenditures, FY2005-06			
	Through	Estimated	Revised
GENERAL FUND EXPENDITURES	AP-9	Year-End	Budget
Salaries & Wages	\$122,928,961	\$180,469,736	\$184,457,220
Overtime	\$6,445,008	\$9,926,299	\$8,469,635
Benefits	\$32,807,102	\$45,337,437	\$44,075,820
Premium & Part-Time	\$11,907,913	\$17,114,773	\$16,763,499
TOTAL PERSONAL SERVICES	\$174,088,984	\$252,848,245	\$253,766,174
Estimated Percent Of Budget Spent	68.6%	99.6%	
EXTERNAL MATERIALS & SERVICES	\$43,380,931	\$71,961,315	\$90,863,380
Estimated Percent Of Budget Spent	47.7%	79.2%	
INTERNAL MATERIALS & SERVICES	\$33,610,233	\$53,631,892	\$53,631,892
Estimated Percent Of Budget Spent	62.7%	100.0%	
CAPITAL OUTLAY	\$5,316,842	\$6,546,231	\$8,883,429
Estimated Percent Of Budget Spent	59.9%	73.7%	
CONTINGENCY & UNFORESEEN	\$0	\$2,450,000	\$10,336,033
FUND CASH TRANSFERS	\$24,503,771	\$39,575,756	\$40,215,756
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$280,900,761	\$427,013,439	\$457,696,664
Estimated Percent Of Budget Spent	61.4%	93.3%	

Table 3-General Fund Expend	litures B	y Appropriat	ion Unit, FY2	005-06	
Percent Of Year Gone	69.2%				
Percent Year Left	30.8%	Through	Estimated	Revised	Percent
AU Description	AU#	AP-9	Year-End	Budget	Spent
Police Bureau	100	\$95,696,477	\$140,903,439	\$140,935,724	67.9%
Fire Bureau	124	\$54,032,581	\$79,785,241	\$80,887,880	66.8%
Parks Bureau 13	30 &133	\$31,495,889	\$48,543,972	\$50,028,391	63.0%
Subtotal-Public Safety and P	arks	\$181,224,947	\$269,232,652	\$271,851,994	66.7%
Commissioner #2 (Sten)	190	\$456,153	NA	\$657,737	69.4%
Commissioner #4 (Leonard)	191	\$422,456	NA	\$652,230	64.8%
Commissioner #3 (Saltzman)	192	\$460,728	NA	\$688,556	66.9%
Commissioner #1 (Adams)	193	\$576,871	NA	\$765,877	75.3%
Office Of The Mayor	195	\$1,266,874	NA	\$2,096,389	60.4%
Operating Contingency	298	\$0	\$2,200,000	\$8,336,033	NA
Unforeseen Revenues	298	\$0	\$250,000	\$2,000,000	NA
Other Cash Transfers	299	\$24,503,771	\$39,575,756	\$40,097,856	61.1%
Office of Cable Com	300	\$1,032,217	NA	\$1,883,652	54.8%
P.O.E.M	110	\$6,623,516	NA	\$10,470,185	63.3%
Office-Sus. Develop	302	\$1,425,815	NA	\$3,298,645	43.2%
Government Relations	303	\$526,672	NA	\$762,417	69.1%
Office Of Manag. & Fin	307	\$15,394,936	NA	\$25,630,215	60.1%
Office Of City Attorney	312	\$4,017,254	NA	\$6,196,892	64.8%
Business Licenses	316	\$4,384,053	NA	\$8,043,337	54.5%
Stock Account	325	\$35,217	NA	\$25,000	140.9%
City Auditor	336	\$5,016,249	NA	\$7,947,792	63.1%
Office Neigh. Involve	342	\$4,679,095	NA	\$7,293,459	64.2%
OMF Citywide Projects	381	\$4,159,848	NA	\$9,305,965	44.7%
OMF Utility Billing	390	\$7,622,002	NA	\$13,976,483	54.5%
Special Appropriations	401	\$5,237,028	NA	\$13,684,009	38.3%
Bureau Of Planning	510	\$4,287,150	NA	\$6,634,282	64.6%
Bureau Com. Develop	540	\$7,547,905	NA	\$15,397,658	49.0%
Subtotal-All Other AUs		\$99,675,810	\$157,377,678	\$185,844,670	53.6%
General Fund Total-All A	Us	\$280,900,757	\$426,610,330	\$457,696,664	61.4%

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	FY2005-06	
Reserve Fund Usage Condition	2nd Quarter	1st Quarter	Concern Level
Basic Revenue Growth (*)	0.3%	7.5%	Below 3.0%
Portland Unemployment Rate	5.9%	6.1%	Above 6.5%
Business License Revenue Growth	17.1%	32.3%	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.

Financial Outlook, AP-09

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