City of Portland Office of Management & Finance

THE FINANCIAL OUTLOOK

Accounting Period 10 (March 9, 2006 to April 5, 2006) General Fund Financial Outlook (Issue Date: May 20, 2006)

Estimated Year-End General Fund Resources At AP-10 are forecast to range from \$447.2 million (LOW) to \$454.5 million (HIGH). Council's revised budget at period 10 is unchanged from period 9 at \$457.7 million. Council's current revised budget remains at about \$18.7 million (4.3%) above the July 1 Adopted Budget. Overall General Fund revenues are up about 2.1 percent versus last year, while discretionary revenues are even with year-ago. Because of the change in revenue recognition for utility license and franchise fees, year-over-year comparisons, remain misleading. It is likely that discretionary revenues adjusted for this difference are 3 percent to 4 percent ahead (*) And net of intrafund revenues

RESOURCE REC	CAP
* IBIS Budgeted Resources	\$457,696,664
* Resource Range(High)	\$454,513,902
(Low)	\$447,235,788
* Revenues At AP-10(*)	\$306,471,529
Versus Year-AgoUP	2.13%
(*) Net of Short-Term Borrov	wing
NOTEWORTHY AT	`AP-10
* Hotel/Motel Up 12.1 % vs. year	r-ago
* Property Taxes Up 5.0 % vs. ye	ar-ago

Estimated Year-End Resource Range FY2005-06 General Fund Financial Model

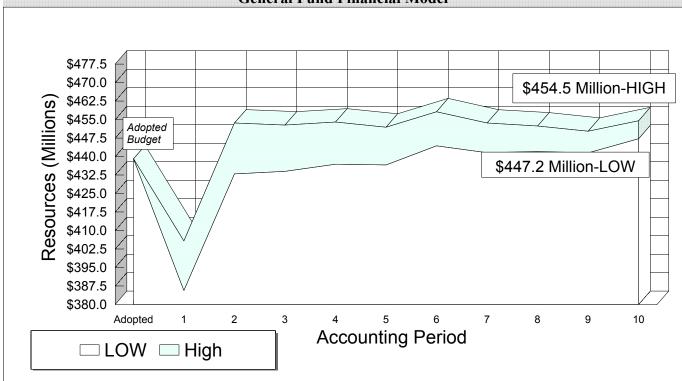


Figure 1-General Fund Resources, Year-End FY2005-06

The Bottom Line: Resources, year-end, are estimated to range from \$447.2 million (Low) to \$454.5 million (High). Budgeted resources are \$457.7 million. Year-end expenditure estimates range from \$425.4 million (Low) to \$429.7 million (High). Forecast year-end balance, beginning FY2006-07 balance, is forecast at somewhere between \$17.6 million (Low) to as much as \$29.1 million (High).

of last year at period 10.

Despite comparability problems, discretionary revenues will end the year with good momentum. Property taxes are about 4.9 percent ahead of last year. Transient lodging taxes remain about 12 percent ahead of last year. Business license revenues stand at 10.3 percent ahead of last year. Utility licenses and franchise fee revenues are nominally 26.4 percent behind last year. Adjusting for the change in revenue recognition puts year-to-date revenues at about \$29.3 million versus \$28.5 million last year with revenues up an estimated 2.7 percent (\$762,667). Interest income continues to head toward more normal levels as the "FED"

EXPENDITURE RI	ECAP
* IBIS Budgeted Expenses	\$457,696,664
* Expense Range(High)	\$429,661,897
S *(Low)	\$425,386,654
* Expenses At AP-10(*)	\$312,581,954
Versus Year-AgoUp	11.4%
(*) Net of Short T	Term Borrowing
NOTEWORTHY AT	' AP-10
* Personal Services UP 7.7% vs. yea	nr-ago
* All M&S UP 15% vs. year-ago	
- * Capital Outlays UP 30.6% vs. yea	r-ago

continues to head toward more normal levels as the "FED" continues to increase interest rates. General fund interest income totals \$2.13 million for the last 12 months versus a twelve month low of \$636,418 registered at the end of period 12 during FY2003-04. State shared cigarette and liquor tax revenues are also well ahead of year-ago. For the first time in quite some time, all General Fund discretionary revenue categories are showing solid year over-year-growth.

Bureau fee and miscellaneous revenues continue a pattern established early on this year. Parks' main fee revenue category is 3.5 percent ahead of last year. Miscellaneous fee revenues are 14.8 percent above last year, and catch-all "other miscellaneous" revenues remain well behind last year.

General Fund expenditures at AP-10 total about \$312.6 million vs. last year's \$280.5 million. Period 10 expenditures are 11.4 percent ahead of last year versus an 11.2 percent comparison last period. Personal services expenditure growth registered at 7.7 percent at period 10 versus 8 percent

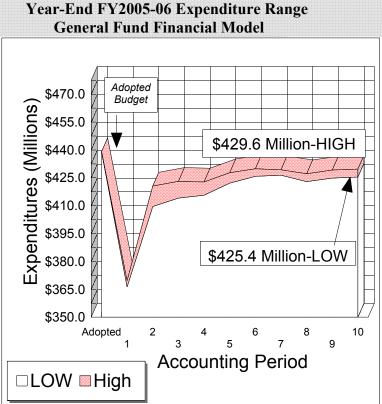


Figure 2-General Fund Expenditures, FY2005-06

reported for period 9. Overtime and benefits line items continue to show strong year-over-year growth. The personal services year-end estimate in this forecast remains centered on about \$252.5 million.

External materials and services expenditures continued their surged during period 10 with expenditures to-date at \$47.2 million versus \$41.5 million, period 10 last year. Expenses are 13.6% ahead of last year.

Internal materials and services expenses accelerated into period 10 with the growth rate increasing to 16.4 percent versus 7.1 percent during period 9. Double digit growth continues to be the "norm" for this year.

Capital outlays remained stuck on \$5.3 million during period 10. Expenses however, are about 31 percent above FY2004-05 levels. At year-end most of the budget should be expended or encumbered.

The Estimated Year-End General Fund Balance at AP-10 ranges from \$17.6 (Low) to \$29.1 million (High). The current period 10 OUTLOOK forecast ending balance "point" estimate for the General Fund's FY2005-06 ending balance rises to \$21.9 million. This is higher than the period 9 estimate of about \$17 million and about \$2.7 million above the \$19.2 million estimate used for the Mayor's Proposed and Council's Approved Budget. This increased year-end balance estimate is a result of a pretty good surge in business license revenues during April. At this point the only revenue "question mark" is General Fund grant revenues which, continue to present a dismal picture. Revenues at period 10 total

\$3.5 million versus \$9.9 million last year. Revenues for the last twelve months total about \$11.1 million versus \$17.4 million for all of FY2004-05. Budget for this year, before Resources............ \$447,235,788 Spring "Bump" adjustments, is \$30.5 million compared to a Expenses............ \$429,661,897 \$41.9 million budget at year-end FY2004-05. The current End Balance year-end estimate is \$14.6 million. This assumes, as is rough- | Ending Fund Balance Range

Estimated Year-End Balance Range Item Low High \$454,513,902 \$425,386,654 \$17,573,891 \$29,127,248

ly normal, that the bulk of whatever revenues the Fund is to receive will show-up in July and August.

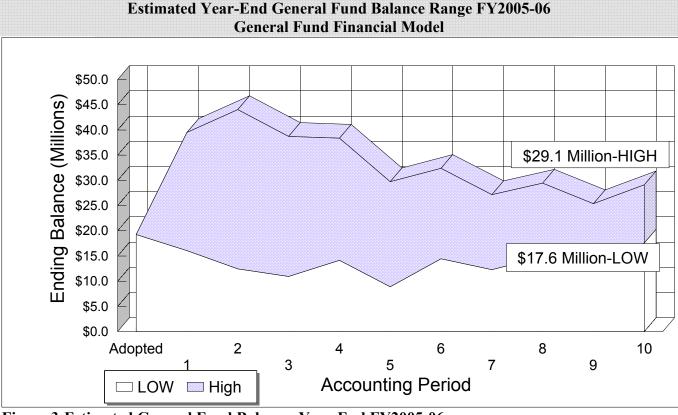


Figure 3-Estimated General Fund Balance, Year-End FY2005-06

University of Oregon Index of Economic Indicators Fell in February

According to the University of Oregon Index of Economic Indicators, the latest available monthly index for February 2006 fell by 0.7% to 107.3 (1996 = 100) - its first monthly drop following four consecutive months of solid growth. Six deteriorating indicators dragged the index down and included Oregon initial unemployment claims, help-wanted ads, Oregon weight mile tax, U.S. consumer confidence, U.S. manufacturing orders, and the interest rate spread. State-wide however, non-farm payroll employment added 4,200 jobs in February while residential building permits remained unchanged. Two areas of concern for 2007 are the interest rate spread that could lead to short term rates exceeding long term rates and the risk of housing price declines in the 50 largest US metropolitan areas. Higher interest rates usually weaken housing demand.

Table 1-General Fund Resources, FY2005-06			
	Through	Estimated	Revised
GENERAL FUND RESOURCE CATEGORY	AP-10	Year-End	Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$28,261,722	\$42,200,172	\$46,314,705
Other Internal & Transfers-IN	\$19,505,813	\$38,001,375	\$54,244,112
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$150,418,397	\$160,793,796	\$158,678,968
Lodging Taxes	\$10,360,571	\$13,074,969	\$12,092,518
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	. \$40,875,737	\$51,747,272	\$44,418,253
Utility License/Franchise	\$29,551,896	\$60,520,632	\$57,612,597
Other Permits	\$2,363,794	\$3,114,099	\$3,425,581
SERVICE CHARGES & FEES 44000	\$10,086,717	\$14,351,335	\$13,790,099
STATE, FEDERAL SOURCES 46000	\$7,693,753	\$10,680,037	\$10,105,896
LOCAL SOURCES (Contracts) 47000	\$7,771,478	\$12,193,376	\$15,434,191
MISC. REVENUES & INTEREST 49400	\$4,758,722	\$6,744,866	\$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	\$347,709,876	\$449,483,204	\$457,696,664
Estimated Percent Of Budget Resources Realized	76.0%	98.2%	

Table 2-General Fund Expenditures, FY2005-06			
GENERAL FUND EXPENDITURES	Through AP-10	Estimated Year-End	Revised Budget
Salaries & Wages	\$136,597,793	\$181,434,478	\$184,457,220
Overtime	\$7,080,795	\$9,658,900	\$8,469,635
Benefits	\$35,323,448	\$44,422,565	\$44,075,820
Premium & Part-Time	\$12,899,753	\$16,990,731	\$16,763,499
TOTAL PERSONAL SERVICES	\$191,901,789	\$252,506,673	\$253,766,174
Estimated Percent Of Budget Spent	75.6%	99.5%	
EXTERNAL MATERIALS & SERVICES	\$47,209,287	\$73,007,356	\$90,863,380
Estimated Percent Of Budget Spent		80.3%	•
INTERNAL MATERIALS & SERVICES	\$40,863,087	\$53,631,892	\$53,631,892
Estimated Percent Of Budget Spent	76.2%	100.0%	
CAPITAL OUTLAY	\$5,239,105	\$6,352,598	\$8,883,429
Estimated Percent Of Budget Spent	59.0%	71.5%	
CONTINGENCY & UNFORESEEN	\$0	\$2,450,000	\$10,336,033
FUND CASH TRANSFERS	\$27,368,686	\$39,575,756	\$40,215,756
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$312,581,954	\$427,524,276	\$457,696,664
Estimated Percent Of Budget Spent	68.3%	93.4%	

Table 3-General Fund Expend	itures B	y Appropriati	on Unit, FY2	005-06	
Percent Of Year Gone	76.9%				
Percent Year Left	23.1%	Through	Estimated	Revised	Percent
AU Description	AU#	AP-10	Year-End	Budget	Spent
Police Bureau	100	\$106,133,018	\$141,196,536	\$140,935,724	75.3%
Fire Bureau	124	\$59,271,438	\$79,394,072	\$80,887,880	73.3%
Parks Bureau 13	30 &133	\$34,936,959	\$48,257,355	\$50,028,391	69.8%
Subtotal-Public Safety and Pa	arks	\$200,341,415	\$268,847,962	\$271,851,994	73.7%
Commissioner #2 (Sten)	190	\$505,954	NA	\$657,737	76.9%
Commissioner #4 (Leonard)	191	\$467,559	NA	\$652,230	71.7%
Commissioner #3 (Saltzman)	192	\$544,578	NA	\$688,556	79.1%
Commissioner #1 (Adams)	193	\$643,508	NA	\$765,877	84.0%
Office Of The Mayor	195	\$1,493,814	NA	\$2,096,389	71.3%
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	\$27,379,036	\$39,575,756	\$40,097,856	68.3%
Office of Cable Com	300	\$1,283,310	NA	\$1,883,652	68.1%
P.O.E.M	110	\$7,166,999	NA	\$10,470,185	68.5%
Office-Sus. Develop	302	\$1,640,972	NA	\$3,298,645	49.7%
Government Relations	303	\$549,301	NA	\$762,417	72.0%
Office Of Manag. & Fin	307	\$18,247,181	NA	\$25,630,215	71.2%
Office Of City Attorney	312	\$4,491,003	NA	\$6,196,892	72.5%
Business Licenses	316	\$4,932,397	NA	\$8,043,337	61.3%
Stock Account	325	\$0	NA	\$25,000	0.0%
City Auditor	336	\$5,548,103	NA	\$7,947,792	69.8%
Office Neigh. Involve	342	\$5,101,414	NA	\$7,293,459	69.9%
OMF Citywide Projects	381	\$4,696,638	NA	\$9,305,965	50.5%
OMF Utility Billing	390	\$8,708,923	NA	\$13,976,483	62.3%
Special Appropriations	401	\$5,846,195	NA	\$13,684,009	42.7%
Bureau Of Planning	510	\$4,784,435	NA	\$6,634,282	72.1%
Bureau Com. Develop	540	\$8,233,217	NA	\$15,397,658	53.5%
Subtotal-All Other AUs		\$112,264,537	\$159,232,956	\$185,844,670	60.4%
General Fund Total-All A	Us	\$312,605,952	\$428,080,918	\$457,696,664	68.3%

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	3rd Quarter	2nd Quarter	Concern Level
Basic Revenue Growth (*)	7.6%	4.4%	Below 3.0%
Portland Unemployment Rate	5.9%	6.1%	Above 6.5%
Business License Revenue Growth	16.2%	17.1%	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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