

OFFICE OF MANAGEMENT & FINANCE  
**The Financial Outlook**  
*for the City of Portland General Fund*



**Accounting Period #2 (AP-2)**

July 27 to August 23, 2006

**ESTIMATED YEAR-END GENERAL FUND RESOURCES**

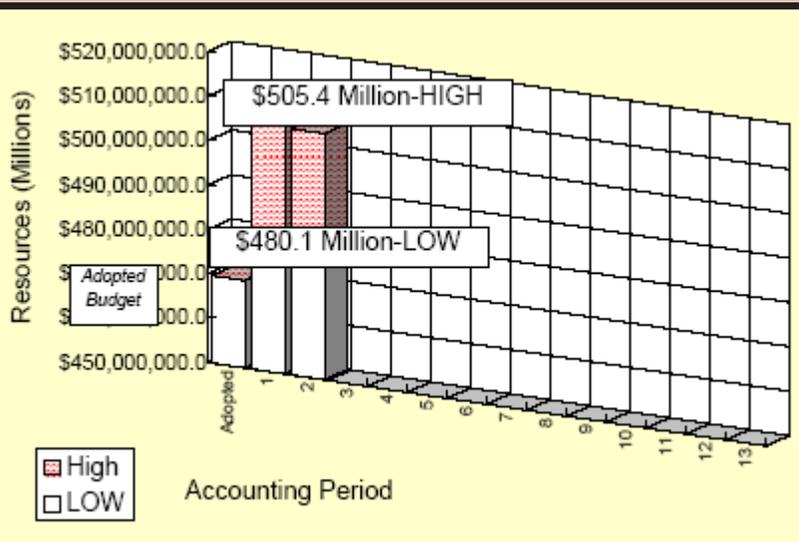
Estimated Year-End General Fund Resources at AP-2 are forecast to range from \$480.1 million (Low) to \$505.4 million (High). The FY 2006-07 Adopted Budget is \$469.7 million.

General Fund revenues were slower than last year in AP-1 and AP-2. Current revenues are \$14.3 versus \$25.6 million a year ago. The major difference is in utility license fees where revenues are showing at \$1.2 million now as opposed to last year's \$12.9 million. This is primarily due to a change in utility license revenue recognition from a cash to a modified accrual basis which makes it more

difficult to compare the data. With time, the comparability of these specific revenues will smooth out. In all, a general adjustment for this difference suggests that revenues to date are about \$500,000 behind last year in AP-2.

*Continued on page 2*

**Estimated Year-End Resource Range  
 FY 2006-07 General Fund Financial Model**



RESOURCE RECAP	
* Budgeted Resources.....	\$469,674,960
* Resource Range, (High).....	\$505,423,718
.....(Low).....	\$480,081,448
Revenues At AP-2(+)	\$14,320,878
Versus Year-Ago...DOWN.....	-44.07%
<b>NOTEWORTHY AT AP-2</b>	
* Hotel/Motel Up 3.1 % vs. year-ago	

**The Bottom Line:**

- **Resources, year-end**, are estimated to range from \$480.1 million (Low) to \$505.4 (High).
- **Budgeted resources** are \$469.7 million.
- **Year-end expenditure estimates** range from \$444.8 million (Low) to \$458.1 million (High).
- **FY 2006-07 year-end balance** is forecast at somewhere between \$22 million (Low) to as high as \$60.7 million (High). Early on in the fiscal year this range tends to be very wide.

**Estimated Year-End General Fund Resources, continued from page 1**

Revenues at AP-2 seem to have slowed a little, but it is too early in the year to draw firm conclusions. Timing of interagency and grant billings fluctuates from year to year, and property taxes haven't started to come in yet. Transient lodging taxes were \$3.4 million versus almost \$3.3 million last year. This is a 3.1% increase over last year, which is a slower growth rate. Business license revenues for AP-2 were about half of last year at the same time. To date, however, interest income is well ahead of last year, reflecting higher interest rates.

No property tax revenue information will be available until early October when this fiscal year's levy amounts, compression, and taxable assessed values are published. New revenues for this year will start to be received in mid-November.

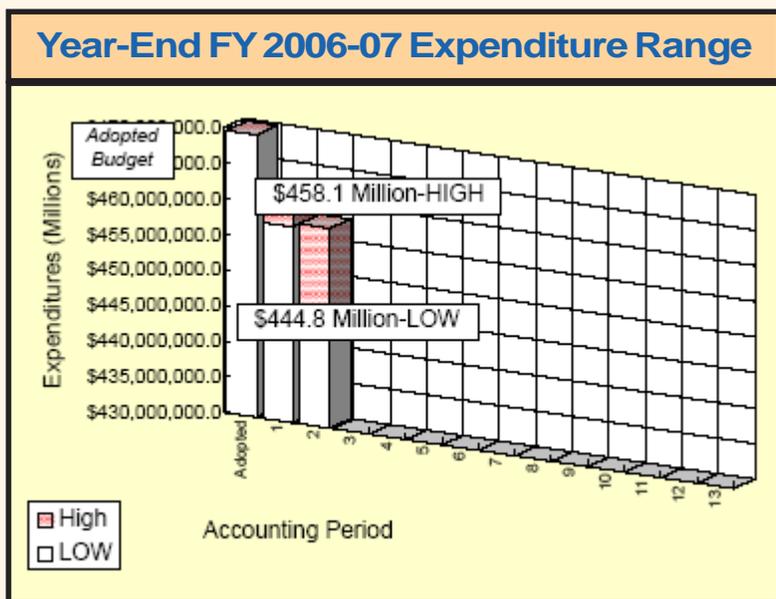
Bureau fee and miscellaneous revenues got off to a good start. Parks' main fee revenue category is well ahead of last year: AP-2 revenues are up 16.5%. Miscellaneous bureau fee revenues were more than double last year's at this time. Other miscellaneous revenue, at \$155,600 for AP-2 was well below last year. ■

## GENERAL FUND EXPENDITURES

**General Fund expenditures at AP-2 total about \$67.2 million** versus last year's \$61.9 million. Most of the difference is concentrated in the materials and services categories. Personal services expenses at AP-2 totaled \$40.5 million versus last year's \$39.8 million, up 1.6%. It is interesting to note that this is below the 2.8% "COLA" increase.

External materials and services expenditures are at \$12.8 million through this period, up from about \$10.9 million last year. Internal materials and services are also up, from \$3.8 million

EXPENSE RECAP	
* IBIS Budgeted Expenses.....	\$469,674,960
* Expense Range, (High).....	\$458,074,792
* .....(Low).....	\$444,754,481
* Expenses At AP-2(*).....	<b>\$67,183,587</b>
Versus Year-Ago..Up.....	<b>8.47%</b>
NOTEWORTHY AT AP-2	
* Personal Services UP 1.6%	
* All M&S UP 26% vs. year-ago	
* Capital Outlays UP 5.2%	



last year to \$5.7 million billed through AP-2 this year .

AP-2 accounting data show \$3.9 million in capital outlays compared to \$3.1 million budgeted. Expenditures (inclusive of encumbrances) already exceed budget. This is due to a large software expenditure scheduled last fiscal year which was carried over when availability was delayed. This will be resolved in Fall budget monitoring. ■

## ESTIMATED YEAR-END GENERAL FUND BALANCE

The Estimated Year-End General Fund Balance ranges from \$22.0 million (Low) to \$60.7 million (High). This wide balance range is typical of early year estimates.

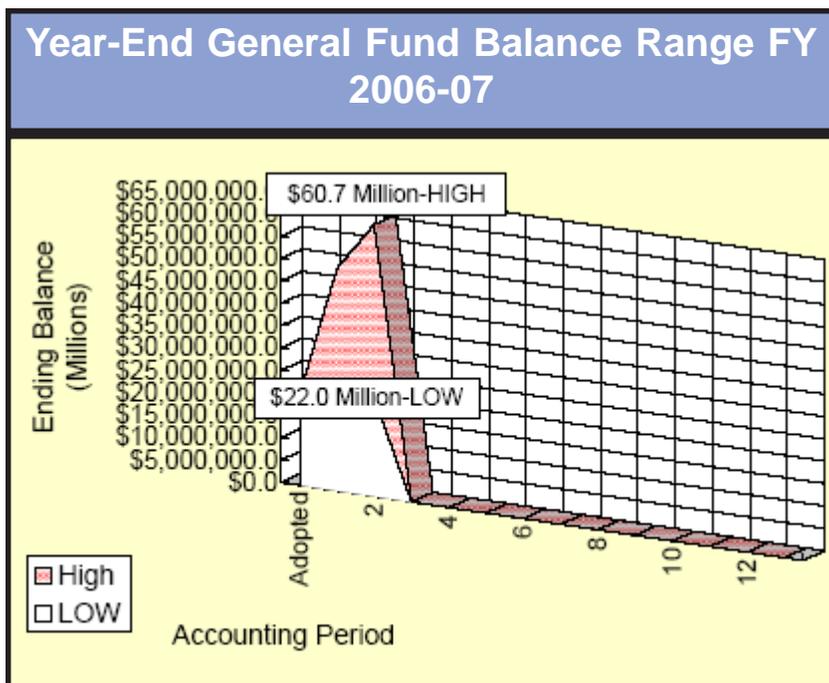
The General Fund ended the year with a discretionary FY 2006-07 balance of \$38.2 million, which is \$18.9 million above its budgeted \$19.3 million beginning discretionary fund balance. About \$4.5 million of this amount is due to an unexpected late June settlement of litigation with

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$480,081,448	\$505,423,718
Expenses.....	\$458,074,792	\$444,754,481
<b>End Balance...</b>	<b>\$22,006,657</b>	<b>\$60,669,236</b>

Electric Lightwave. The remaining \$14.4 million is a result of strong year-end revenue growth coupled with somewhat weaker than normal AP-13 spending.

A large portion of the excess ending balance is due to strong July and August grant accruals. Grant revenues at AP-12 totaled \$9.5 million. By August 15th, grant revenues had risen to just over \$18 million. About half of FY 2005-06 grant revenues were recorded during the July – August accrual period.

Grant-related expenditures were included in year-end estimates earlier in the year, so the grant revenues increase the fund balance. ■



## Pacific Northwest Economy Strong

Marple's *Pacific Northwest Letter* August 30th issue highlights a Pacific Northwest economy that continues to experience strong employment and income growth. More encouraging is that Marple's points out that key areas of the region's economy may be doing well enough to "keep the region's economy growing briskly" even as the national economy slows down. Employment growth has been strong, region wide, for the past three years. Local metro-area employment growth, July 2003 to July 2006, averaged 2.7%. The only fly in this ointment is Intel's recent announcement that it will cut roughly 10% of the company's workforce. This may cost Oregon around 1,700 jobs over the near term, slowing growth in the metropolitan area with its heavy concentration of Intel facilities. ■

FY 2006-07 General Fund Resources: To-Date, Estimated Year-End & Current Revised Budget			
=General Fund Discretionary Resource	Through	Estimated	Revised
GENERAL FUND RESOURCE CATEGORY	AP-2	Year-End	Budget
INTERNAL REVENUES..... 41000			
Service Reimbursements.....	\$30,468	\$40,587,796	\$48,650,714
Other Internal, Overhead & Transfers-IN.....	\$2,615,473	\$43,951,182	\$44,974,365
PROPERTY & LODGING TAXES 42100			
Property Taxes.....	\$68,796	\$164,437,521	\$164,437,521
Lodging Taxes.....	\$3,374,271	\$12,861,376	\$13,502,206
BUSINESS LICENSES, PERMITS 43000			
Business Licenses.....	\$1,787,972	\$56,896,553	\$52,830,754
Utility License/Franchise.....	\$1,232,390	\$61,102,084	\$59,055,137
Other Permits.....	\$475,973	\$3,158,304	\$3,817,184
SERVICE CHARGES & FEES..... 44000	\$2,630,604	\$15,072,350	\$14,383,656
STATE (Cigarette & Liquor)..... 46000	\$646,270	\$10,623,437	\$10,253,228
LOCAL SOURCES (Contracts).... 47000	\$904,984	\$14,889,954	\$16,353,562
MISC. REVENUES & INTEREST. 49400	\$554,240	\$6,063,738	\$11,352,160
TAX ANTICIPATION NOTES/Note Sales.....	\$0	\$0	\$0
BEGINNING FUND BALANCE.....	\$34,025,886	\$34,025,886	\$19,314,473
ENCUMBRANCE & CARRYOVER.....	\$12,473,025	\$12,473,025	\$10,750,000
GENERAL FUND RESOURCE TOTAL	\$60,820,352	\$476,143,206	\$469,674,960
Estimated Percent Of Budget Resources Realized	12.9%	101.4%	

FY 2006-07 General Fund Expenses: To-Date, Estimated Year-End & Current Revised Budget			
GENERAL FUND EXPENSE CATEGORY	Through	Estimated	Revised
	AP-2	Year-End	Budget
Salaries & Wages.....	\$26,578,601	\$184,362,864	\$190,418,506
Overtime.....	\$1,133,658	\$9,114,680	\$7,635,352
Premium & Part-Time.....	\$4,521,052	\$17,752,076	\$17,184,859
Benefits.....	\$8,229,639	\$53,055,186	\$53,892,318
TOTAL PERSONAL SERVICES.....	\$40,462,950	\$264,284,807	\$269,131,035
Estimated Percent Of Budget Spent.....	15.0%	98.2%	
EXTERNAL MATERIALS & SERVICES.....	\$12,791,072	\$83,201,303	\$88,711,749
Estimated Percent Of Budget Spent.....	14.4%	93.8%	
INTERNAL MATERIALS & SERVICES.....	\$5,697,962	\$53,836,310	\$53,836,310
Estimated Percent Of Budget Spent.....	10.6%	100.0%	
CAPITAL OUTLAY.....	\$3,905,460	\$3,141,779	\$3,141,779
Estimated Percent Of Budget Spent.....	124.3%	100.0%	
CONTINGENCY & UNFORESEEN.....	\$0	\$14,273,025	\$17,554,805
FUND CASH TRANSFERS.....	\$4,326,143	\$36,713,410	\$37,299,282
INVENTORY.....	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$67,183,587	\$455,450,634	\$469,674,960
Estimated Percent Of Budget Spent.....	14.3%	97.0%	

FY 2006-07 General Fund Expenses by Bureau: To-Date, Estimated Year-End & Current Revised Budgets					
Percent Of Year Elapsed.....		15.4%	Percent Year Remaining.....		84.6%
		Through	Estimated	Revised	Percent
AU Description	AU#	AP-2	Year-End	Budget	Spent
Police Bureau.....	100	\$21,239,812	\$145,633,554	\$143,629,695	14.8%
Fire Bureau.....	124	\$14,350,269	\$79,246,679	\$79,941,935	18.0%
Parks Bureau.....	133	\$7,833,747	\$49,201,357	\$48,866,117	16.0%
<b>Subtotal-Public Safety and Parks</b>		<b>\$43,423,828</b>	<b>\$274,081,589</b>	<b>\$272,437,746</b>	<b>15.9%</b>
Commissioner #2 (Sten)	190	\$109,977	#N/A	\$692,879	15.9%
Commissioner #4 (Leonard)	191	\$91,742	#N/A	\$683,516	13.4%
Commissioner #3 (Saltzman)	192	\$103,516	#N/A	\$703,743	14.7%
Commissioner #1 (Adams)	193	\$115,242	#N/A	\$777,526	14.8%
Office of the Mayor	195	\$397,353	#N/A	\$2,569,938	15.5%
Operating Contingency...	298	\$0	\$14,273,025	\$15,554,805	#N/A
Unforeseen Revenues..	298	\$0	\$0	\$2,000,000	#N/A
Other Cash Transfers.....	299	\$4,197,388	\$36,713,410	\$36,737,508	11.4%
Office of Cable Com.....	300	\$322,569	#N/A	\$1,897,379	17.0%
P.O.E.M.....	110	\$2,813,634	#N/A	\$10,538,252	26.7%
Office-Sus. Develop.....	302	\$352,857	#N/A	\$2,913,583	12.1%
Government Relations.....	303	\$70,386	#N/A	\$799,425	8.8%
Office of Manage & Fin.....	307	\$3,494,840	#N/A	\$24,161,519	14.5%
Office of City Attorney.....	312	\$865,671	#N/A	\$6,835,605	12.7%
Business Licenses.....	316	\$8,147	#N/A	\$0	#N/A
Stock Account.....	325	\$0	#N/A	\$0	0.0%
City Auditor.....	336	\$963,985	#N/A	\$7,953,696	0.0%
Office Neigh. Involve.....	342	\$1,364,674	#N/A	\$5,818,149	23.5%
OMF Citywide Projects....	381	\$509,130	#N/A	\$9,049,626	5.6%
OMF Revenue Bureau.....	390	\$5,323,410	#N/A	\$26,184,897	20.3%
Special Appropriations.....	401	\$2,419,320	#N/A	\$18,089,873	13.4%
Bureau of Planning.....	510	\$939,894	#N/A	\$7,710,379	12.2%
Bureau Com. Develop.....	540	\$1,082,524	#N/A	\$15,564,914	7.0%
<b>Subtotal-All Other AUs.....</b>		<b>\$25,546,259</b>	<b>\$186,305,987</b>	<b>\$197,237,214</b>	<b>13.0%</b>
<b>General Fund Total-All AUs</b>		<b>\$68,970,087</b>	<b>\$460,387,577</b>	<b>\$469,674,960</b>	<b>14.7%</b>

**Revenue and Economic Indicators**

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

Reserve Fund Usage Condition	FY2005-06		Concern Level
	4th Quarter	3rd Quarter	
Basic Revenue Growth.....	7.6%	4.4%	Below 3%
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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