OFFICE OF MANAGEMENT & FINANCE

The Financial Outlook

for the City of Portland General Fund

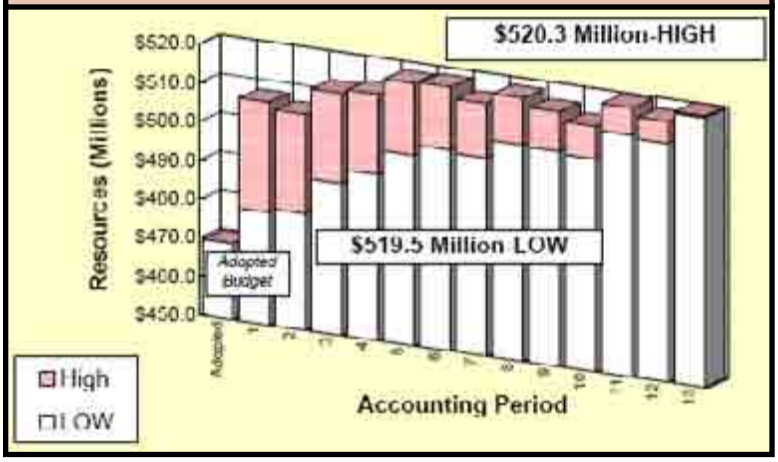
Accounting Period #13 (AP-13) **May 31 to June 30, 2007**

ESTIMATED YEAR-END GENERAL FUND RESOURCES

Estimated year-end General Fund resources at AP-13 prior to final audit are estimated to range from $519.5 million (Low) to $520.3 million (High). General Fund budgeted resources at year-end remain unchanged at $502.7 million as of June 30, 2007. Council's revised budget ended the year at $33.0 million above Council's July 1 Adopted Budget for FY 2006-07.

Prior to audit, General Fund year-end revenues are $465.6 million, up about 7.1% over last year. Discretionary revenues for FY 2006-07 total an estimated $350.1 million versus about $317.3 million for FY 2005-06. Discretionary revenues grew by just over 10%. Overall General Fund revenue growth for the past four years has averaged about 8.1% versus 2.0% across the previous four years. This comparison underscores the difference between what a weak and recessionary regional economy does to the General Fund's financial health compared to a growing regional economy.

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



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RESOURCE RECAP

*Budgeted Resources	$502,685,614
*Resource Range, (High)	$520,281,578
(Low)	$519,531,578
Revenues At AP-13(*)	$465,570,541
Versus Year-Ago...UP	7.11%

NOTEWORTHY AT AP-13

* Hotel/Motel Up 9.8 % vs. year-ago
* Property Taxes Up 4.7 % vs. year-ago

The Bottom Line:

- **Resources, year end** are estimated to range from $519.5 million (low) to $520.3 million (high).
- **Budgeted Resources** remained at $502.7 million during AP-13.
- **Year-end expenditure** estimates range from $463.8 million (low) to $464.3 million (high).
- **FY 2006-07 year end balance** is forecast at somewhere between $55.2 million (low) to $56.5 million (high).

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

Discretionary revenue growth was fueled by property taxes (up 4.7%), transient lodging taxes (up 9.8%), utility license and franchise fees (up 3.3%), and business licenses (up 22%). Although business license revenues were up 22% over last year, not all of this was due to revenue growth. Gross revenues increased by about 12.7% or just over $9.1 million, while offsetting refunds and credits declined $4.3 million thus bringing the net revenue increase up to $13.4 million compared to last year. All of these growth percentages exceed inflation, which is at about 3%.

Parks' main fee revenue category finished the year up $560,000 (7.1%) while miscellaneous fees and charges also finished the year up over 7%. The catchall miscellaneous revenue category finished the year down about 3% or $55,000. ■

General Fund Expenditures

General Fund expenditures total about $464.0 million inclusive of all current encumbrances. Netting out grant backed encumbrances yields an estimated total of $462.2 million. General Fund expenses did pick up during AP-13, with about $67.0 million spent this year compared to about $46.3 million last year. However, about $10 million of this was one-time money for Portland schools. Even after netting out the $10 million for schools, there remains an increase over last year.

External materials and services spending rose to about $93.7 million, an all time record. Internal materials and services spending at year-end totaled $53.2 million compared to an AP-12 estimate of $52.7 at year-end. Capital outlays total about $4.9 million and include about $553,000 in encumbrances. Overall, spending appears to be up about 10.6% compared to last year. ■

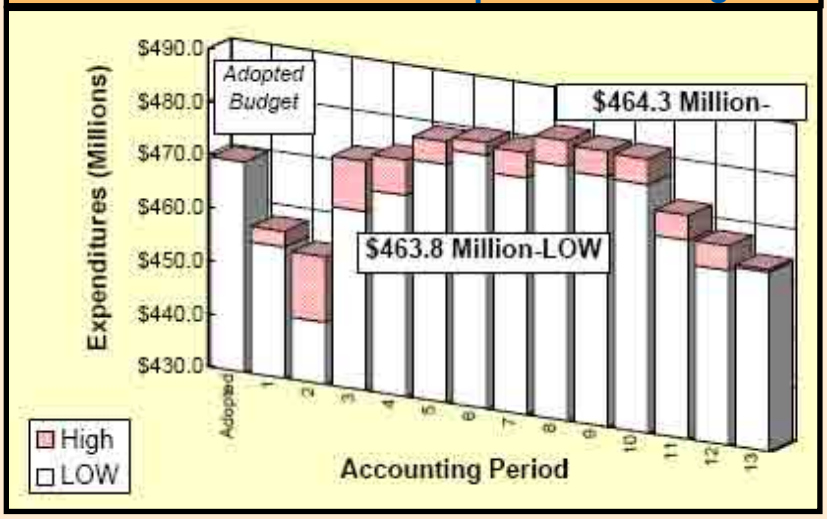
Expense Recap

*IBIS Budgeted Expenses		$502,685,614
*Expense Range,	(High)	$464,288,406
	(Low)	$463,788,406
*Expenses At AP-12(*)		$464,038,407
Versus Year-Ago...Up		10.57%

NOTEWORTHY AT AP-13

* Personal Services UP 4.2%
* All M&S UP 20% vs. year-ago
* Capital Outlays UP 0.0%

Year-End FY 2006-07 Expenditure Range



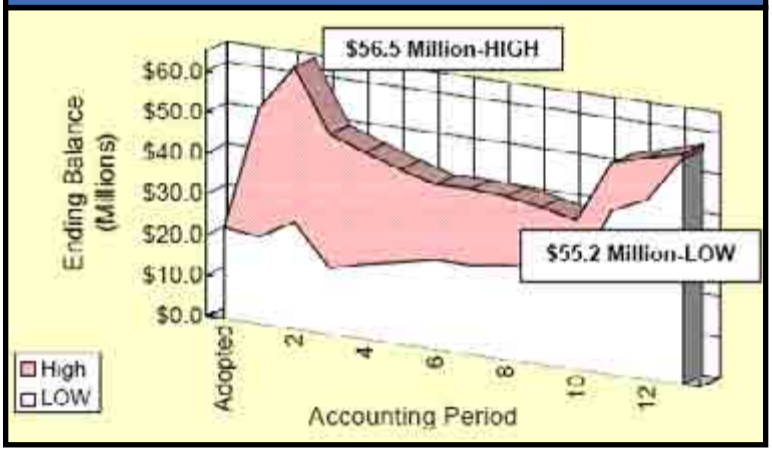
Estimated Year-End General Fund Balance

Estimated year end General Fund balance ranges from $55.2 million (Low) to about $56.75 million (High) prior to audit, using accounting and other reports available through late September. The General Fund's gross ending balance appears to be about $65.1 million (plus or minus several hundred thousand). Out of this, OMF estimates that about $15.1 million will be needed in the Fall BuMP for encumbrances as well as Housing and Community Development carryovers.

Estimated Year-End Balance Range

Item	Low	High
Resources	$519,531,578	$520,281,578
Expenses	$464,288,406	$463,788,406
End Balance	$55,243,171	$56,493,171

Year-End General Fund Balance Range



In addition, an FY 2007-08 budget note requires that $1.8 million of any excess balance be used to restock the General Fund's contingency. OMF and the Revenue Bureau anticipate that about $1.5 million will be needed as a loan to the Schools Surcharge Fund. About $2.2 million will be needed to ensure that the General Reserve Fund remains fully funded at the 10% level through the end of FY 2007-08. About $547,000 of excess bureau revenues (above budgets) will need to be returned to bureaus per existing Council policy. Excess balance (unaudited) available to Council for the Fall BuMP process is $6.7 million. ■

Ending Balance Estimate Prior To Audit

Item	@ AP-12	Year-End(*)
General Fund Resources	$514,184,560	$519,857,699
General Fund Expenses	$456,451,562	$454,714,299
Gross Ending Fund Balance	$57,732,998	$65,143,399
Required For Budget	($37,220,815)	($37,220,815)
Encumbrances, Carryover & Contingency	($17,797,753)	($20,649,392)
Est. Excess Bureau Fees	($450,000)	($573,390)
Excess Balance (Unbudgeted)	$2,264,430	$6,699,802

(*) Prior to audit.

FY 2006-07 General Fund Resources: To-Date, Estimated Year-End & Current Revised Budget

= General Fund Discretionary Resource

GENERAL FUND RESOURCE CATEGORY		Through AP-13	Estimated Year-End	Revised Budget
INTERNAL REVENUES	41000			
Service Reimbursements		$40,823,166	$40,823,166	$47,784,748
Other Internal, Overhead & Transfers-IN		$44,699,585	$44,699,585	$59,295,282
PROPERTY & LODGING TAXES	42100			
Property Taxes		$168,246,029	$168,947,176	$164,437,521
Lodging Taxes		$14,605,567	$14,605,567	$13,502,206
BUSINESS LICENSES, PERMITS	43000			
Business Licenses		$75,758,543	$75,758,543	$52,830,754
Utility License/Franchise		$63,993,330	$63,993,330	$59,061,880
Other Permits		$3,946,893	$3,946,893	$3,817,184
SERVICE CHARGES & FEES	44000	$16,733,705	$16,733,705	$15,347,062
STATE (Cigarette & Liquor)	46000	$11,986,454	$11,986,454	$10,313,214
LOCAL SOURCES (Contracts)	47000	$16,102,791	$16,102,791	$16,962,387
MISC. REVENUES & INTEREST	49400	$7,973,332	$7,973,332	$9,028,108
Bond Proceeds		$0	$0	$0
BEGINNING FUND BALANCE		$46,230,866	$46,230,866	$42,248,977
ENCUMBRANCE & CARRYOVER		$8,056,291	$8,056,291	$8,056,291
GENERAL FUND RESOURCE TOTAL		$519,156,551	$519,857,699	$502,685,614
Estimated Percent Of Budget Resources Realized		103.3%	103.4%	

FY 2006-07 General Fund Expenses: To Date, Estimated Year-End & Current Revised Budget

GENERAL FUND EXPENSE CATEGORY	Through AP-13	Estimated Year-End	Revised Budget
Salaries & Wages	$182,303,625	$182,303,625	$187,774,951
Overtime	$10,847,771	$10,847,771	$8,115,230
Premium & Part-Time	$18,977,286	$18,977,286	$19,124,360
Benefits	$50,272,554	$50,272,554	$51,964,551
TOTAL PERSONAL SERVICES	$262,401,236	$262,401,236	$266,979,092
Estimated Percent Of Budget Spent	98.3%	98.3%	
EXTERNAL MATERIALS & SERVICES	$93,686,804	$93,686,804	$112,697,829
Estimated Percent Of Budget Spent	83.1%	83.1%	
INTERNAL MATERIALS & SERVICES	$53,199,022	$53,199,022	$53,844,942
Estimated Percent Of Budget Spent	98.8%	98.8%	
CAPITAL OUTLAY	$4,938,133	$4,938,133	$8,786,455
Estimated Percent Of Budget Spent	56.2%	56.2%	
CONTINGENCY & UNFORESEEN	$0	$0	$10,138,428
FUND CASH TRANSFERS	$49,813,212	$49,813,211	$50,238,867
INVENTORY	$0	$0	$0
GENERAL FUND EXPENSE TOTAL	$464,038,407	$464,038,406	$502,685,613
Grant Backed Encumbrances Adjustment	-$1,828,905	-$1,828,905	
GENERAL FUND EXPENSE TOTAL-NET	$462,209,501	$462,209,501	$502,685,613
Estimated Percent Of Budget Spent	92.3%	92.3%	

FY 2006-07 General Fund Expenses by Bureau:
To Date, Estimated Year-End & Current Revised Budgets

Percent Of Year Elapsed.....		100.0%	Percent Year Remaining.....		0.0%
AU Description	AU#	Through AP-13	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau	100	$143,314,132	$143,314,132	$144,259,241	99.3%
Fire Bureau	124	$81,448,366	$81,448,366	$86,319,001	94.4%
Parks Bureau	133	$52,294,459	$52,294,459	$53,867,135	97.1%
Subtotal-Public Safety and Parks		$277,056,956	$277,056,957	$284,445,377	97.4%
Commissioner #2 (Sten)	190	$738,331		$753,521	98.0%
Commissioner #4 (Leonard)	191	$650,155		$670,426	97.0%
Commissioner #3 (Saltzman)	192	$675,766		$690,870	97.8%
Commissioner #1 (Adams)	193	$805,876		$815,120	98.9%
Office of the Mayor	195	$2,583,816		$2,625,476	98.4%
Operating Contingency	298	$0	$0	$8,138,428	0%
Unforeseen Revenues	298	$0	$0	$2,000,000	0%
Other Cash Transfers	299	$49,813,211	$49,813,211	$50,200,263	99.2%
Office of Cable Com	300	$2,067,457		$2,090,366	98.9%
P.O.E.M	110	$10,575,355		$10,665,559	99.2%
Office-Sus. Development	302	$2,958,451		$4,052,791	73.0%
Government Relations	303	$834,481		$940,592	88.7%
Office of Manage & Finance	307	$23,021,639		$24,136,521	95.4%
Office of City Attorney	312	$6,583,115		$6,663,777	98.8%
Business Licenses	316	$0		$0	0%
City Auditor	336	$6,793,660		$7,336,004	92.6%
Office Neigh. Involve	342	$6,381,049		$6,557,278	97.3%
OMF Citywide Projects	381	$12,288,429		$14,055,230	87.4%
OMF Revenue Bureau	390	$16,228,707		$17,941,857	90.5%
Special Appropriations	401	$21,780,276		$22,449,902	97.0%
Bureau of Planning	510	$7,302,981		$8,361,058	87.3%
Bureau Com. Develop	540	$14,898,695		$27,095,198	55.0%
Subtotal-All Other AUs		$186,981,450	$186,981,450	$218,240,237	85.7%
General Fund Total-All AUs		$464,038,406	$464,038,407	$502,685,614	93.7%
Grant Backed Encumbrances Adjustment		-$1,828,905	-$1,828,905	$0	
General Fund Total-All AUs		$462,209,501	$462,209,501	$502,685,614	93.3%

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."

	FY2006-07	FY2006-07	Concern Level
Reserve Fund Usage Condition	4th Quarter	3rd Quarter	
Basic Revenue Growth	***7.7%***	***8.1%***	Below 3%
Portland Unemployment Rate	***5.4%***	***4.6%***	Above 6.5%
Business License Revenue Growth	***22.1%***	***30.2%***	Below 5.5%
Property Tax Delinquency Rate	***4.8%***	***5.1%***	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.

The OMF *Financial Outlook* is written and produced by City Economist D.S. Barden and Economist Kourosh Ghaemmaghami of the Bureau of Financial Services. Find the *Outlook* online at www.portlandonline.com/omf in the Financials section.

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