City of Portland Office of Management & Finance

THE FINANCIAL OUTLOOK

Accounting Period 5 (Oct. 21, 2004 to Nov. 17, 2004)

General Fund Financial Outlook (Issue Date: Jan. 3, 2005)

AP-5 are forecast to range from \$386.5 million (LOW) to \$403.5 million (HIGH). Council's revised budget, period 5, remains at \$387.4 million. Council's current revised budget remains at \$125,500 above the July 1, Adopted Budget. Period 6 will reflect the "Fall Bump." The General Fund's overall budget will reflect a higher beginning balance as well as budgeted grant revenues in excess of \$30 million. Overall General Fund revenues are up about 5.6% compared to year-ago. The year over year growth is now more broadly based in both non-discretionary revenue at eategories as well as discretionary revenue categories.

RESOURCE REC	
* IBIS Budgeted Resources	\$387,481,848
* Resource Range(High)	\$403,450,213
(Low)	\$386,485,005
* Revenues At AP-5	\$75,396,719
Versus Year-AgoUP	5.63%
(*) Net of Short-Term Borrow	ving
NOTEWORTHY AT	Γ AP-5
* Hotel/Motel Up 5.5 % vs. year-	ago
* Utility License Un 2.1 % vs. vea	r-900

Property Taxes Down -11.6% vs. year-ago

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

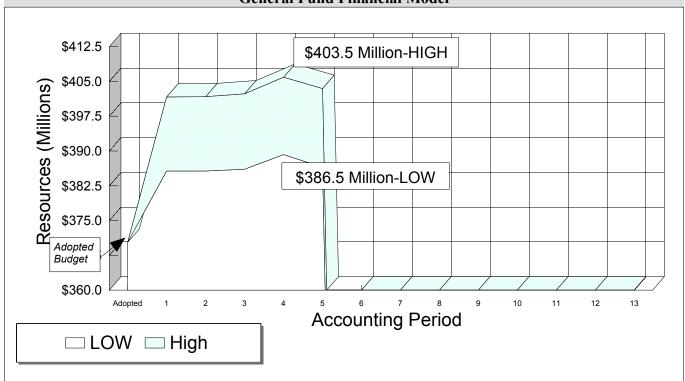


Figure 1-General Fund Resources, Year-End FY2003-04

The Bottom Line: Resources, year-end, are estimated to range from \$386.5 million (Low) to \$403.5 million (High). Budgeted resources are \$387.48 million. Year-end expenditure estimates range from \$367.5 million (Low) to \$376.3 million (High). Forecast year-end balance, beginning FY2005-06 balance, is forecast at somewhere between \$10.2 million (Low) to as much as \$35.9 million (High). This ending balance range is typical early in the year.

General Fund revenues appear more healthy than at anytime in the recent past. Transient lodging and business license revenues are showing some solid growth. Property taxes through the end of AP-5 (Nov. 17th) were running about 11.6 percent behind last year. As of December 10th, General Fund current levy tax turnovers from Multnomah County, totaled about \$132.2 million versus about \$126.4 million last year. New property tax revenues (as opposed to delinquent tax revenues associated with previous levies) are on track to meet or exceed the budgeted revenue estimate. The only discretionary revenue category * Capital Outlays UP 39.6% vs. year-ago not doing well continues to be the franchise fee/utility license

EXPENDITURE RI	ECAP
* IBIS Budgeted Expenses	\$387,481,848
* Expense Range(High)	\$376,277,217
*(Low)	\$367,505,703
* Expenses At AP-5(*)	\$140,646,155
Versus Year-AgoUp	8.2%
(*) Net of Short T	Term Borrowing
NOTEWORTHY AT	Г АР-5
* Personal Services UP 5.3% vs. yea	ır-ago
* All M&S UP 15% vs. year-ago	

fee category. Electric energy and telecom (Qwest) revenues remain a drag on the whole category with revenues up only 2.1 percent over last year at period 5. Better revenue growth is a reflection of a regional economy that is in somewhat better shape than year-ago. A year-ago the region's unemployment rate was well over 7 percent. Recent data put the region's unemployment rate at around 6.4 percent. Job growth is still pretty weak and the area's economy did not gain much ground over the Fall months.

Bureau fee and permit revenues are mixed at period 5. Miscellaneous revenues and miscellaneous fees are 40% and 30% behind last year respectively. Grants and contract revenues remain well ahead of year-ago. Parks' main fee revenue category is 6.9% ahead of last year at period 5.

General Fund expenditures at AP-5 total about \$140.6 million vs. last year's \$129.9 million. Expenditure growth, at a year over year increase of 8.2 percent, is very strong and not sustainable. Personal services expenditures at period 5 accelerated to 5.3 percent ahead of last year. This, is

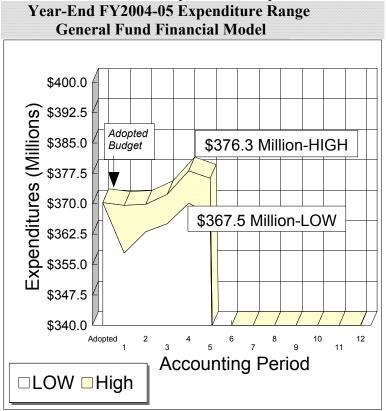


Figure 2-General Fund Expenditures, FY2004-05

due in large measure to higher public safety personal services expenditures. The yearend personal services estimate is up by about \$1.5 million to \$232.1 million.

External materials and services expenditures took a dramatic leap during period 5, but the increase is mostly due to a large "bulge" in encumbrances. Cash outlays total \$17.2 million this year at period 5 versus \$17.1 million last year. Encumbrances total \$7.1 million compared to a little over \$2.0 million same time last year. For now, the fact that external materials and services expenses are 29% above year-ago does not appear to be a problem.

Internal materials and services expenses are about 1.9% below year-ago at period 5. Billings by internal services funds were down compared to year-ago.

Capital outlays exceed budget. Budget should catch-up to spending in period 6 numbers that reflect Fall budget adjustments.

The Estimated Year-End General Fund Balance at AP-5 ranges from \$10.2 (Low) to \$35.9 million (High). The "point estimate" this period remains in the area around \$14 million. The December financial forecast uses an FY2005-06 beginning balance forecast of \$14.9 million that was done off of period 4 financial data. This year is no different. The "Fall Bump" adjustments will sharply increase Council's revised budget, which through period 5, is not appreciably different than the July 1 Adopted Budget. A large increase in beginning balance has been appropriated as well as large amounts of grant funded expenditures. This revised budget should provide a much better picture of where spend-

ing is headed, and aiding the effort to forecast year-end expenses more accurately. Both the Winter and Spring budget adjustments are typically smaller, more routine. The fact that the budget is revised to higher levels throughout the year complicates the task of sorting out the path of expenditures to year-end.

Estimated Year-End Balance Range				
Item	Low	High		
Resources	\$386,485,005	\$403,450,213		
Expenses	\$376,277,217	\$367,505,703		
End Balance	\$10,207,787	\$35,944,510		

Ending Fund Balance Range

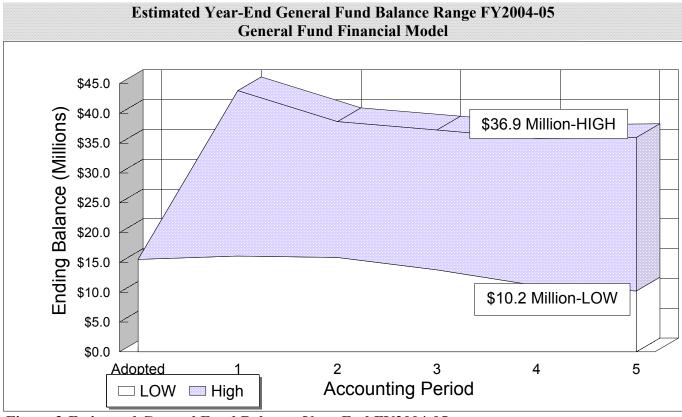


Figure 3-Estimated General Fund Balance, Year-End FY2004-05

Index of Economic Indicators Shows Improving Oregon Economy

According to the University of Oregon Index of Economic Indicators (a new outreach service), Oregon's index of economic indicators rebounded 0.2% in October, partially offsetting September's 0.5% decline. Three of eight indicators that comprise the index, help wanted ads in the Oregonian, Oregon construction, and shipping activities showed signs of significant improvement. The remaining indicators, Oregon's labor market, national consumer confidence, manufacturing orders, and financial market conditions were somewhat lower, but not enough to counter improving indicators. The UO Index, which uses a very small sample to draw conclusions from, is calculated by applying the same methodology used by the Conference Board. As a general rule, a decline in the index of greater than 2% over six months coupled with a decline in more than half of its components, signals a recession.

Table 1-General Fund Resources, FY2004-05			
	Through	Estimated	Revised
GENERAL FUND RESOURCE CATEGORY	AP-5	Year-End	Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$2,569,268	\$24,960,698	\$27,555,234
Other Internal & Transfers-IN	\$9,855,828	\$29,801,494	\$30,674,907
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$12,870,969	\$154,594,454	\$153,173,082
Lodging Taxes	\$6,308,512	\$11,446,726	\$10,811,022
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$4,580,493	\$41,050,417	\$39,274,397
Utility License/Franchise	\$25,158,365	\$57,464,128	\$58,174,903
Other Permits	\$992,894	\$2,907,318	\$3,056,096
SERVICE CHARGES & FEES 44000	\$4,530,129	\$12,225,859	\$12,780,218
STATE, FEDERAL SOURCES 46000	\$2,995,278	\$10,191,931	\$9,742,997
LOCAL SOURCES (Contracts) 47000	\$3,676,033	\$12,994,640	\$16,336,823
MISC. REVENUES & INTEREST 49400	\$1,879,342	\$4,909,395	\$6,436,875
TAX ANTICIPATION NOTES/Note Sales	\$0	\$0	\$0
BEGINNING FUND BALANCE	\$21,016,299	\$21,016,299	\$14,965,294
ENCUMBRANCE & CARRYOVER	\$4,863,782	\$4,863,782	\$4,500,000
GENERAL FUND RESOURCE TOTAL	\$101,297,192	\$388,427,140	\$387,481,848
Estimated Percent Of Budget Resources Realized	26.1%	100.2%	

Table 2-General Fund Expenditures, FY2004-05			
	Through	Estimated	Revised
GENERAL FUND EXPENDITURES	AP-5	Year-End	Budget
Salaries & Wages	\$63,140,032	\$168,652,317	\$176,063,308
Overtime	\$3,374,076	\$8,962,834	\$7,443,141
Benefits	\$15,714,425	\$38,392,255	\$39,433,852
Premium & Part-Time	\$7,740,392	\$16,127,831	\$17,388,250
TOTAL PERSONAL SERVICES	\$89,968,925	\$232,135,236	\$240,328,551
Estimated Percent Of Budget Spent	37.4%	96.6%	
EXTERNAL MATERIALS & SERVICES	\$24,308,218	\$56,611,981	\$59,467,528
Estimated Percent Of Budget Spent	40.9%	95.2%	
INTERNAL MATERIALS & SERVICES	\$15,200,002	\$46,998,494	\$47,137,328
Estimated Percent Of Budget Spent	32.2%	99.7%	
CAPITAL OUTLAY	\$2,379,558	\$4,052,072	\$1,227,802
Estimated Percent Of Budget Spent	193.8%	330.0%	
CONTINGENCY & UNFORESEEN	\$0	\$5,351,738	\$8,021,668
FUND CASH TRANSFERS	\$8,789,452	\$29,255,671	\$31,298,971
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$140,646,155	\$374,405,191	\$387,481,848
Estimated Percent Of Budget Spent	36.3%	96.6%	

Table 3-General Fund Expendit	ures B	y Appropriati	ion Unit, FY2	004-05	
	38.5%				
Percent Year Left	61.5%	Through	Estimated	Revised	Percent
AU Description	AU#	AP-5	Year-End	Budget	Spent
Police Bureau	100	\$50,383,722	\$132,720,003	\$135,723,003	37.1%
Fire Bureau	124	\$29,049,258	\$69,541,378	\$70,738,628	41.1%
Bureau Of Parks	130	\$17,503,120	\$47,562,105	\$47,182,510	37.1%
Subtotal-Public Safety and Par	'ks	\$96,936,100	\$249,823,486	\$253,644,140	38.2%
Commissioner #2 (Sten)	190	\$243,585	NA	\$644,337	37.8%
Commissioner #4 (Leonard)	191	\$225,002	NA	\$640,112	35.2%
Commissioner #3 (Saltzman)	192	\$238,890	NA	\$1,087,248	22.0%
Commissioner #1 (Francesconi	i) 193	\$250,726	NA	\$646,080	38.8%
Office Of The Mayor	195	\$463,040	NA	\$1,406,043	32.9%
Operating Contingency	298	\$6	\$4,851,738	\$6,021,668	NA
Unforeseen Revenues	298	\$0	\$500,000	\$2,000,000	NA
Other Cash Transfers	299	\$8,789,452	\$29,255,671	\$31,298,971	28.1%
Office of Cable Com	300	\$510,825	NA	\$1,749,301	29.2%
Emergency Management	110	\$2,941,468	NA	\$1,000,899	293.9%
Office-Sus. Develop	302	\$591,745	NA	\$3,226,678	18.3%
Government Relations	303	\$225,424	NA	\$774,555	29.1%
Office Of Man. & Fin	307	\$8,832,712	NA	\$24,274,603	36.4%
Office Of City Attorney	312	\$1,976,835	NA	\$5,563,577	35.5%
Business Licenses	316	\$2,027,576	NA	\$7,916,830	25.6%
Unused Line		\$0	NA	\$0	NA
Stock Account	325	(\$42,498)	NA	\$25,000	-170.0%
City Auditor	336	\$2,544,878	NA	\$7,220,916	35.2%
Unused Line		\$0	NA	\$0	NA
Office Neigh. Involve	342	\$2,577,720	NA	\$7,132,992	36.1%
Utility Billing System	381	\$1,163,514	NA	\$4,686,789	NA
Unused Line		\$0	NA	\$0	NA
Special Appropriations	401	\$1,692,879	NA	\$12,001,747	14.1%
Bureau Of Planning	510	\$2,402,322	NA	\$6,233,600	38.5%
Bureau Com. Develop	540	\$5,979,194	NA	\$8,285,761	72.2%
Subtotal-All Other AUs		\$43,635,295	\$118,602,575	\$133,837,708	32.6%
General Fund Total-All AU	S	\$140,571,395	\$368,426,061	\$387,481,848	36.3%

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."

	FY2004-05	FY2003-04	
Reserve Fund Usage Condition	1st Quarter	4th Quarter	Concern Level
Basic Revenue Growth (*)	2.5%	2.5%	Below 3.0%
Portland Unemployment Rate	6.5%	8.4%	Above 6.5%
Business License Revenue Growth	3.0%	6.8%	Below 5.5%
Property Tax Delinquency Rate	5.4%	5.4%	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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