City of Portland

Office of Management & Finance

THE FINANCIAL OUTLOOK

Accounting Period 7 (Dec. 16, 2004 to Jan. 12, 2005)

General Fund Financial Outlook (Issue Date: Feb. 15, 2005)

Estimated Year-End General Fund Resources At AP-7 are forecast to range from $407.4 million (LOW) to $426.5 million (HIGH). Council's revised budget, period 7, is increased $1.9 million. This follows on the heels of a $36.8 million increase that occurred in period 6. As was the case at period 6, most of the increase in budget is backed by an increase of grant revenues. Grant revenues increased another $1.5 million to $38.4 million, which is an "all time" high. There was also a $300,000 increase in the private grants and donations category and an $89,000 increase in bureau contract revenues with local agencies in the metro-area.

RESOURCE RECAP	
* IBIS Budgeted Resources.....	$426,183,644
* Resource Range....(High).....	$426,497,448
.....(Low).....	$407,384,204
* Revenues At AP-7	$215,644,725
Versus Year-Ago...UP.....	2.05%
(*) Net of Short-Term Borrowing	

NOTEWORTHY AT AP-7
* Hotel/Motel Up 6.7 % vs. year-ago
* Utility License Up 2.0 % vs. year-ago
* Property Taxes Up 3.6% vs. year-ago

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

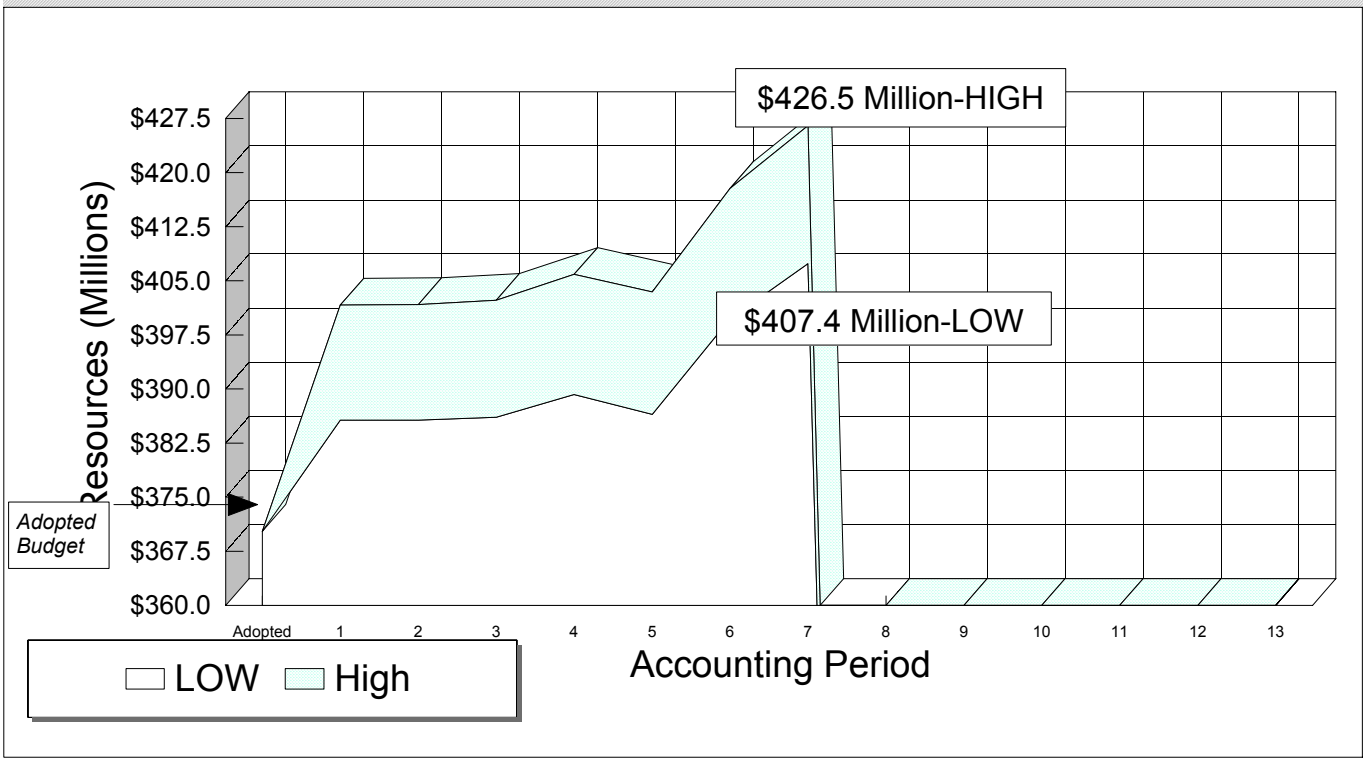

Figure 1-General Fund Resources, Year-End FY2003-04

The Bottom Line: Resources, year-end, are estimated to range from $407.4 million (Low) to $426.5 million (High). Budgeted resources are $426.2 million. Year-end expenditure estimates range from $383.2 million (Low) to $394.8 million (High). Forecast year-end balance, beginning FY2005-06 balance, is forecast at somewhere between $12.6 million (Low) to as much as $43.3 million (High). This ending balance range remains atypically wide.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	$426,183,644
* Expense Range.....(High).....	$394,776,240
* .....(Low).....	$383,213,136
* Expenses At AP-7(*).....	$201,754,406
Versus Year-Ago..Up.....	10.9%
(*) Net of Short Term Borrowing	

NOTEWORTHY AT AP-7
* Personal Services UP 5.7% vs. year-ago
* All M&S UP 38% vs. year-ago
* Capital Outlays UP 137.7% vs. year-ago

Transient lodging taxes remain the star of the General Fund's discretionary revenue stream. Revenues are 6.7% ahead of last year. Separate monthly data show that January revenue came in well above January 2004. This is due in part to the national ice skating championship held here in Portland. Industry data also shows that Downtown Portland occupancy ended calendar 2004 about 5.7% ahead of 2003. The average daily room rate also increased albeit only slightly. The important point is that revenues are now beyond their pre-911 peak of about $11.2 million. Property taxes are up about 3.6% over last year and it is likely that year-end audited numbers will also show about a 3.6% increase. Business license revenues, net of about $971,000 of credits, appear to be somewhat behind year-ago as of period 7. This is due, in part, to a surge in refunds. Quarterly payments however, are well ahead of last year, suggesting that by April net revenues should be solidly ahead of year-ago levels. Utility license and franchise fees remain very weak and are only 2% ahead of last year.

The main fee revenue category for Parks continues to show revenue much higher than last year. As of period 7 revenues are $3.6 million versus $3.1 million last year. Miscellaneous fee revenue and miscellaneous revenues remain well behind last year.

General Fund expenditures at AP-7 total about $201.8 million vs. last year's $182.0 million. Expenditure growth, at a year over year increase of 10.9 percent strengthened further during period 7. Personal services expenditures backed off a little during period 7 and fell to 5.7 percent ahead of last year, period 7. The year-end estimate of $233 million is up about $370,000 compared to the previous estimate.

Year-End FY2004-05 Expenditure Range
General Fund Financial Model

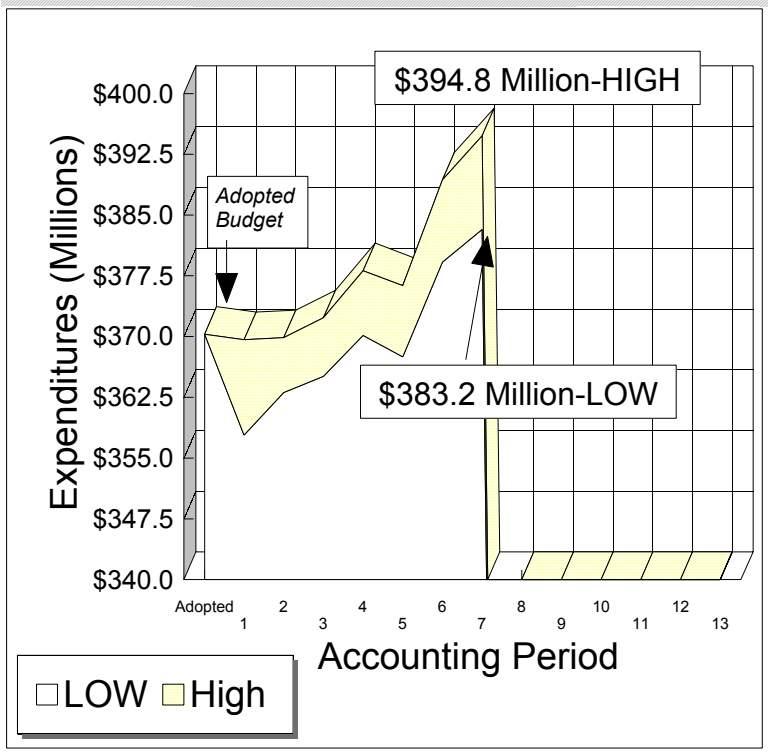

Figure 2-General Fund Expenditures, FY2004-05

Estimated year-end external materials and services expenditures are now projected at $72.3 million. This is up about $1.9 million from the period 6 estimate. Encumbrances remain abnormally high and increased slightly to $7.1 million. Expenditures year to date increased to about 60% ahead of last year. Expenditures accelerated sharply during period 7. The basic premise remains that grant revenues will catch-up and offset a major portion of the increase in expenses.

Internal materials and services expenditures total $23.6 million at period 7 versus $21.5 million year ago. Expenditures year to date continue to show double digit growth.

Capital outlays increased to $4.8 million as of period 7 versus about $2 million last year. Encumbrances total $3.3 million.

The Estimated Year-End General Fund Balance at AP-7 ranges from $12.6 (Low) to $42.3 million (High). The "point estimate" this period is increased to $16.6 million. The December financial forecast used an FY2005-06 beginning balance forecast of $14.9 million (using period 4 data). The revised March financial forecast will probably use this point estimate for an estimated FY2005-06 budgeted beginning fund balance. This improves the FY2005-06 budget outlook in the narrow sense that it will create about $1.7 million of one-time moneys for Council's on-going budget process. The longer term outlook is not improved by this higher ending balance.

OMF is in the process of updating the December General Fund financial forecast. New PERS employer contribution estimates are due in about February 15th. The Portland-Salem CPI-W is due to be published February 23rd. With this final data, a revised forecast will be out the first week of March.

Estimated Year-End Balance Range		
Item	**Low**	**High**
Resources.....	**$407,384,204**	**$426,497,448**
Expenses.....	**$394,776,240**	**$383,213,136**
End Balance	**$12,607,964**	**$43,284,312**

Ending Fund Balance Range

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

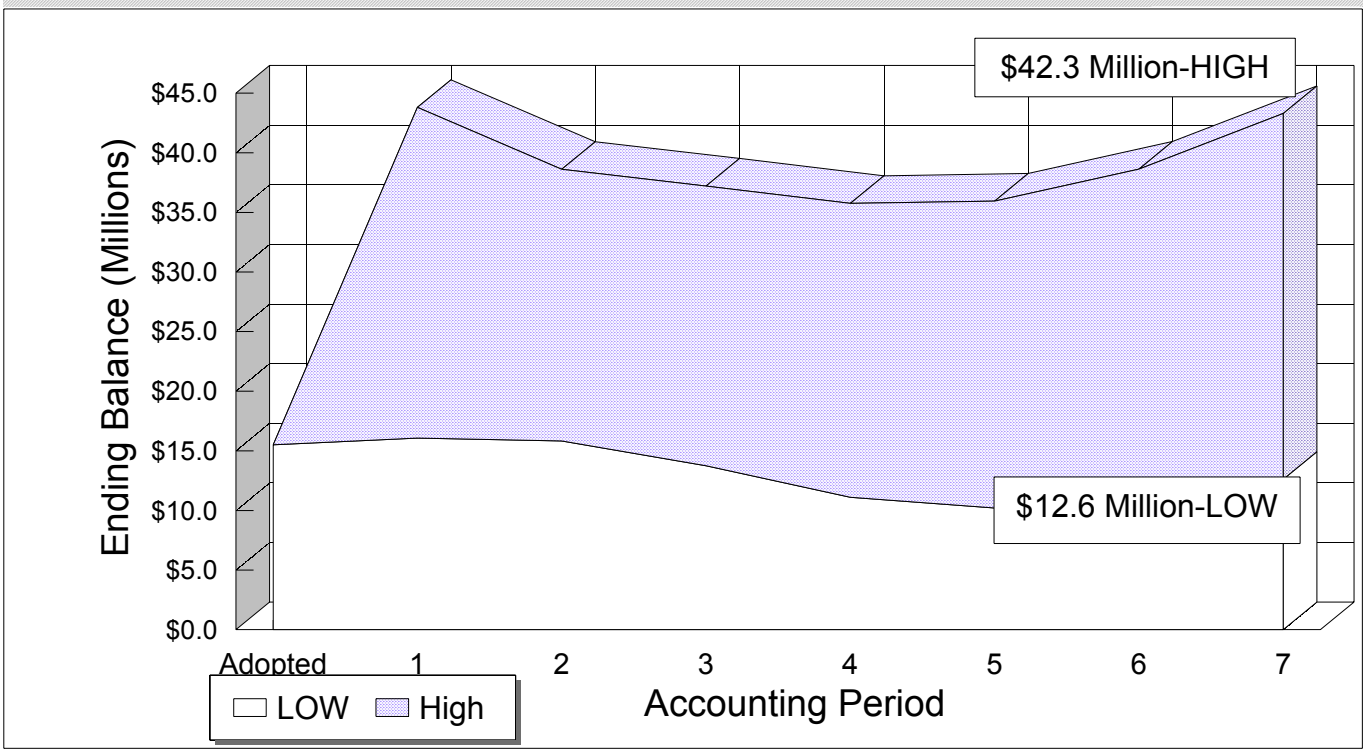

Figure 3-Estimated General Fund Balance, Year-End FY2004-05

The Portland Metro Area's Unemployment Rate Fell To 4-year Low In December
According to a recent article in the Oregonian, Metro Portland's jobless rate fell to 6.1% in December, in part because discouraged job-seekers left the work force. The civilian labor force dropped by about 4,000 during the month of December. The picture is mixed because manufacturing actually added 3,800 jobs over the last 12 months. Manufacturing jobs are still 18% below the December 2000 peak. Almost 47,000 jobs (27,000 in manufacturing), have been lost since the start of state's recession in 2001. The sectors reporting the highest growth rates last year were retail, and durable goods and manufacturing. Each added about 5% to their work force. The biggest losers were the employment services sector which lost 6% of its jobs, followed by information and transportation, warehousing and utilities with each reducing their work force by over 2%.

Table 1-General Fund Resources, FY2004-05 GENERAL FUND RESOURCE CATEGORY		Through AP-7	Estimated Year-End	Revised Budget
INTERNAL REVENUES.....	41000			
Service Reimbursements.....		$7,340,000	$26,998,118	$28,370,150
Other Internal & Transfers-IN.....		$17,248,904	$45,971,148	$61,689,792
PROPERTY & LODGING TAXES	42100			
Property Taxes.....		$136,171,698	$154,954,662	$153,173,082
Lodging Taxes.....		$6,436,998	$11,861,269	$10,811,022
BUSINESS LICENSES, PERMITS....	43000			
Business Licenses.....		$5,823,849	$41,917,509	$39,274,397
Utility License/Franchise.....		$25,918,321	$56,000,485	$58,174,903
Other Permits.....		$1,517,205	$2,776,550	$3,086,096
SERVICE CHARGES & FEES.....	44000	$6,528,505	$13,204,965	$12,785,177
STATE, FEDERAL SOURCES.....	46000	$3,977,547	$10,264,690	$9,742,997
LOCAL SOURCES (Contracts).....	47000	$5,099,019	$14,411,540	$16,618,687
MISC. REVENUES & INTEREST.....	49400	$2,539,084	$5,187,989	$6,574,894
TAX ANTICIPATION NOTES/Note Sales.....		$0	$0	$0
BEGINNING FUND BALANCE.....		$21,018,655	$21,018,655	$21,018,665
ENCUMBRANCE & CARRYOVER.....		$4,863,782	$4,863,782	$4,863,782
GENERAL FUND RESOURCE TOTAL		$244,483,567	$409,431,360	$426,183,644
Estimated Percent Of Budget Resources Realized		57.4%	96.1%	

Table 2-General Fund Expenditures, FY2004-05 GENERAL FUND EXPENDITURES	Through AP-7	Estimated Year-End	Revised Budget
Salaries & Wages.....	$89,307,133	$168,232,683	$177,144,062
Overtime.....	$4,675,660	$8,783,978	$7,675,389
Benefits.....	$21,927,951	$39,733,838	$39,733,838
Premium & Part-Time.....	$9,749,070	$16,250,540	$16,867,211
TOTAL PERSONAL SERVICES.....	$125,659,814	$233,001,039	$241,420,500
Estimated Percent Of Budget Spent.....	52.1%	96.5%	
EXTERNAL MATERIALS & SERVICES.....	$34,508,480	$72,283,758	$89,573,037
Estimated Percent Of Budget Spent.....	38.5%	80.7%	
INTERNAL MATERIALS & SERVICES.....	$23,553,299	$48,454,492	$48,497,963
Estimated Percent Of Budget Spent.....	48.6%	99.9%	
CAPITAL OUTLAY.....	$4,758,326	$5,232,041	$7,324,383
Estimated Percent Of Budget Spent.....	65.0%	71.4%	
CONTINGENCY & UNFORESEEN.....	$0	$1,000,000	$4,526,916
FUND CASH TRANSFERS.....	$13,274,487	$32,840,849	$34,840,849
INVENTORY.....	$0	$0	$0
GENERAL FUND EXPENSE TOTAL	$201,754,406	$392,812,179	$426,183,648
Estimated Percent Of Budget Spent.....	47.3%	92.2%	

Table 3-General Fund Expenditures By Appropriation Unit, FY2004-05

Percent Of Year Gone... 53.8%
Percent Year Left..... 46.2%

AU Description	AU#	Through AP-7	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	$71,078,424	$133,431,925	$141,770,179	50.1%
Fire Bureau.....	124	$40,167,153	$73,919,965	$76,635,897	52.4%
Bureau Of Parks.....	130	$23,844,620	$47,047,780	$48,764,495	48.9%
Subtotal-Public Safety and Parks		$135,090,197	$254,399,670	$267,170,570	50.6%
Commissioner #2 (Sten)	190	$339,783	NA	$644,337	52.7%
Commissioner #4 (Leonard)	191	$312,470	NA	$640,112	48.8%
Commissioner #3 (Saltzman)	192	$314,153	NA	$714,292	44.0%
Commissioner #1 (Adams)	193	$357,392	NA	$646,080	55.3%
Office Of The Mayor	195	$745,776	NA	$1,406,043	53.0%
Operating Contingency...	298	$6	$500,000	$2,526,916	NA
Unforeseen Revenues..	298	$0	$500,000	$2,000,000	NA
Other Cash Transfers.....	299	$13,274,487	$32,840,849	$34,840,849	38.1%
Office of Cable Com.....	300	$927,837	NA	$1,882,644	49.3%
P.O.E.M.....	110	$4,351,049	NA	$10,889,584	40.0%
Office-Sus. Develop.....	302	$849,304	NA	$3,828,245	22.2%
Government Relations..	303	$321,159	NA	$774,555	41.5%
Office Of Man. & Fin.....	307	$12,741,896	NA	$24,748,872	51.5%
Office Of City Attorney....	312	$2,814,421	NA	$5,652,781	49.8%
Business Licenses.....	316	$2,957,220	NA	$9,394,390	31.5%
Unused Line.....		$0	NA	$0	NA
Stock Account.....	325	($16,194)	NA	$25,000	-64.8%
City Auditor.....	336	$3,558,087	NA	$7,241,018	49.1%
Unused Line.....		$0	NA	$0	NA
Office Neigh. Involve.....	342	$3,571,547	NA	$7,185,812	49.7%
OMF Special Projects.....	381	$1,798,705	NA	$4,914,189	NA
Unused Line.....		$0	NA	$0	NA
Special Appropriations....	401	$5,715,496	NA	$12,251,747	46.7%
Bureau Of Planning.....	510	$3,355,281	NA	$6,769,542	49.6%
Bureau Com. Develop.....	540	$8,107,631	NA	$20,036,069	40.5%
Subtotal-All Other AUs.....		$66,397,506	$137,540,896	$159,013,078	41.8%
General Fund Total-All AUs		$201,487,703	$391,940,566	$426,183,648	47.3%

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."

Reserve Fund Usage Condition	FY2004-05 2nd Quarter	FY2004-05 1st Quarter	Concern Level
Basic Revenue Growth (*)	4.6%	2.1%	Below 3.0%
Portland Unemployment Rate	6.5%	8.4%	Above 6.5%
Business License Revenue Growth	8.6%	0.4%	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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