City of Portland

Office of Management & Finance

THE FINANCIAL OUTLOOK

Accounting Period 8
(Jan. 13, 2005 to Feb. 9, 2005)

General Fund Financial Outlook
(Issue Date: March. 14, 2005)

Estimated Year-End General Fund Resources At AP-8 are forecast to range from $408.4 million (LOW) to $428.4 million (HIGH). Council's revised budget, period 8, is up only $45,000, so there was not much change in the budget during period 8. As of period 8 revenues are barely ahead of last year. This appears to be a timing problem associated contract billings which are $2 million behind last year. In addition, cigarette and liquor tax revenues are about $800,000 behind last year, but this difference appears to be due to a timing issue associated with the accounting period system. Separate monthly and quarterly data shows state shared revenues ahead of last year.

RESOURCE RECAP	
* IBIS Budgeted Resources.....	$426,228,644
* Resource Range....(High).....	$428,372,520
.....(Low).....	$408,415,087
* Revenues At AP-8(*)	$222,417,607
Versus Year-Ago...UP.....	0.31%
(*) Net of Short-Term Borrowing	

NOTEWORTHY AT AP-8
* Hotel/Motel Up 5.0 % vs. year-ago
* Utility License Up 1.5 % vs. year-ago
* Property Taxes Up 2.7% vs. year-ago

(*) Net of intrafund revenues

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

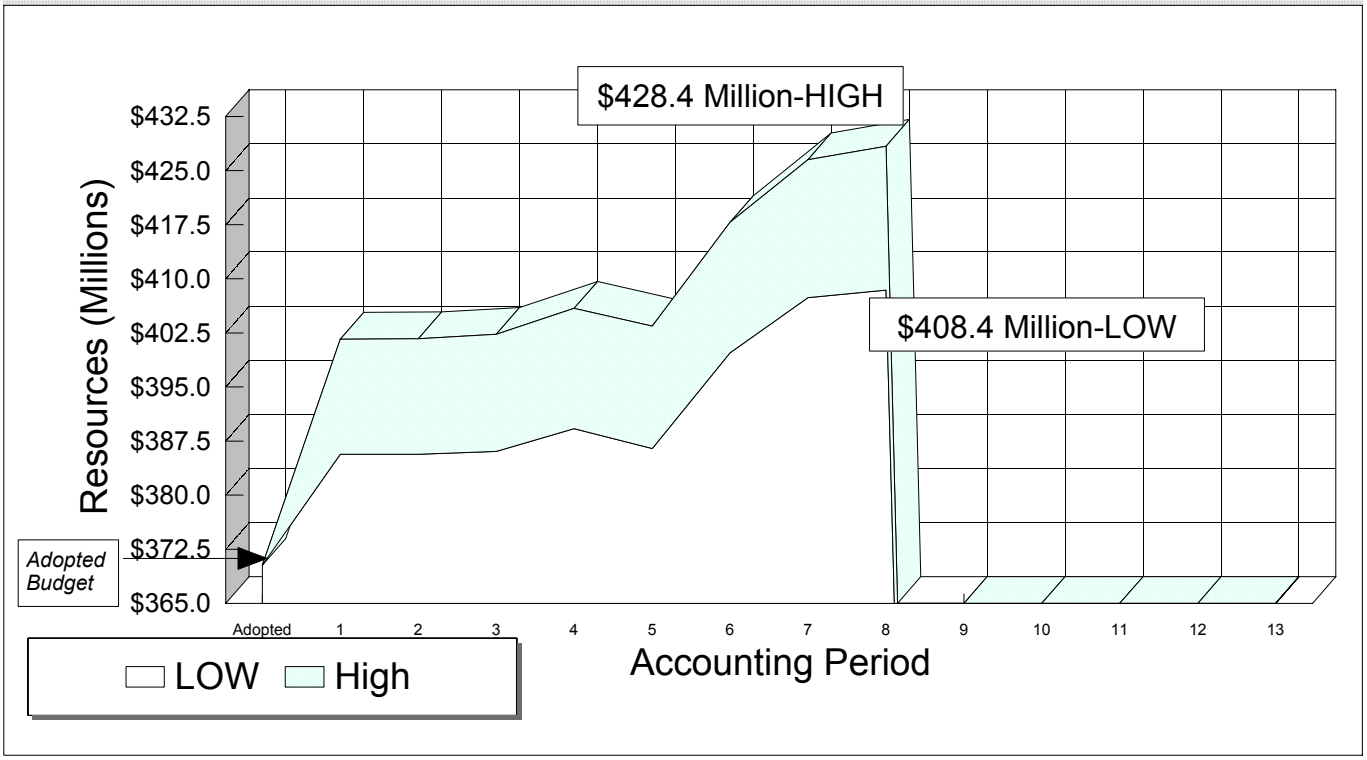

Figure 1-General Fund Resources, Year-End FY2003-04

The Bottom Line: Resources, year-end, are estimated to range from $408.4 million (Low) to $428.4 million (High). Budgeted resources are $426.2 million. Year-end expenditure estimates range from $382.4 million (Low) to $395.5 million (High). Forecast year-end balance, beginning FY2005-06 balance, is forecast at somewhere between $12.9 million (Low) to as much as $45.9 million (High). This ending balance range remains atypically wide.

Transient lodging taxes continue to show growth. Accounting data through February 9th put revenues at $8.95 million versus $8.53 million last year. Separate monthly data through February 28th shows revenues at $9.16 million versus $8.55 million last year. Even better, revenues for the last 12 months total $11.72 million versus $10.73 million one-year ago.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	$426,228,644
* Expense Range.....(High).....	$395,493,716
* .....(Low).....	$382,417,076
* Expenses At AP-8(*).....	$232,621,495
Versus Year-Ago..Up.....	11.5%
(*) Net of Short Term Borrowing	
NOTEWORTHY AT AP-8	
* Personal Services UP 6.1% vs. year-ago	
* All M&S UP 38% vs. year-ago	
* Capital Outlays UP 213.8% vs. year-ago	

Most other General Fund revenues are being left in the dust. Property taxes are about 2.7 percent ahead of last year and will probably end the year up about 2.7 percent. With inflation at an identical 2.7 percent over the last 12 months, a property tax revenue growth rate of 2.7 percent means that no real growth over and above inflation occurred. Utility license fees also continue to lag inflation. Revenues through the end of period 8 total about $27.11 million and appear to be about 1.5 percent ahead of last year. This year over year comparison will likely deteriorate further. This winter has been much warmer than normal. This will result in lower heating related energy usage and will materially reduce energy related natural gas and electric franchise fees below what they otherwise would have been as well as year ago levels.

The main fee revenue category for Parks continues well ahead of last year while miscellaneous bureau revenues and fee revenues continue to lag behind last year.

General Fund expenditures at AP-8 total about $232.6 million vs. last year's $208.6 million. Expenditure growth, at a year over year increase of 11.5 percent continued to strengthen during period 8. Personal services expenditures regained some steam in period 7 and are now a little over 6% ahead of last year. The year-end estimate remains centered around a $232 to $233 million year-end.

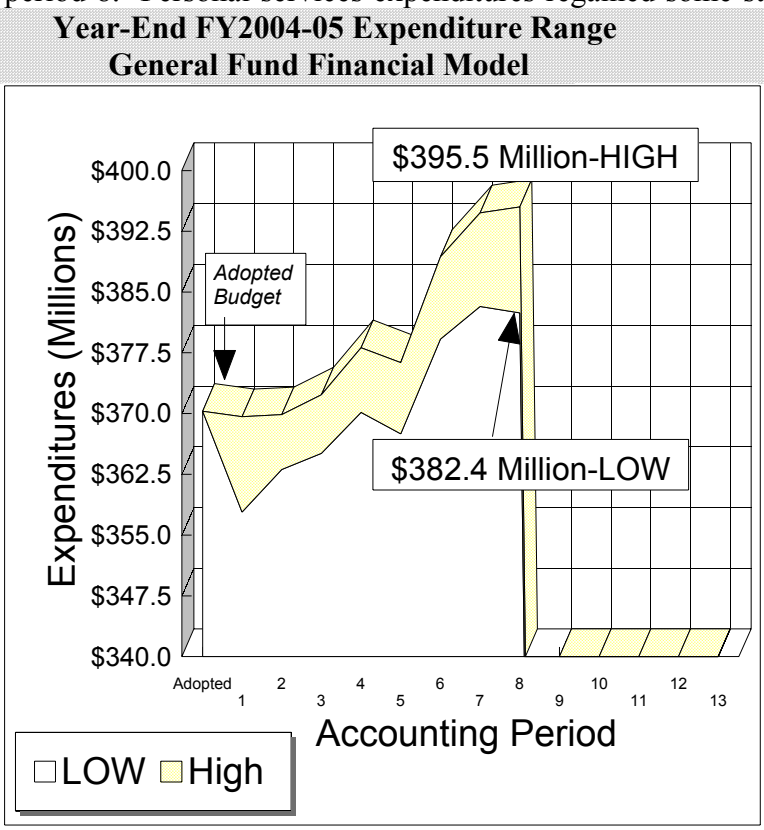

Figure 2-General Fund Expenditures, FY2004-05

Estimated year-end external materials and services expenditures are now projected at $74 million up from $72.3 million at period 7. Encumbrances continue to register off the scale and remain abnormally high at $8.4 million versus $7.1 million last period. Expenditures through period 8 total $39.7 million and are now 76.7%, $17.2 million, ahead of last year at period 7. Hopefully, grant revenues will catch-up and offset this increase in expenditures.

Internal materials and services expenditures total $26.3 million at period 8 versus $25.4 million year ago. Expenditures year to date have settled back to 4.1% ahead of last year.

Capital outlays are up to $6.3 million as of period 8 versus about $2 million last year. Encumbrances are up to $3.8 million.

The Estimated Year-End General Fund Balance at AP-8 ranges from $12.9 (Low) to $45.9 million (High). The "point estimate" this period is increased to $16.9 million versus a $16.6 million point estimate at period 7. The revised March financial forecast uses the $16.6 million point estimate for an FY2005-06 budgeted discretionary beginning fund balance. This is consistent with the previous period's estimate and confirms an improved FY2005-06 budget outlook in the narrow sense that a higher initial balance will increase one-time moneys for Council's FY2005-06 budget process by about $1.7 million.

As reported last OUTLOOK OMF was waiting for PERS and CPI-W (Portland-Salem) data. The Portland-Salem CPI-W came in at 187.0 or 2.7 percent above year-ago. This is slightly better than the 3 percent assumed in the December financial forecast. The City's July 1, 2005 PERS employer contribution rate will be 14.07% which is about 1.6 percentage points above the December financial forecast assumption.

Estimated Year-End Balance Range		
Item	**Low**	**High**
Resources.....	**$408,415,087**	**$428,372,520**
Expenses.....	**$395,493,716**	**$382,417,076**
End Balance	**$12,921,371**	**$45,955,445**

Ending Fund Balance Range

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

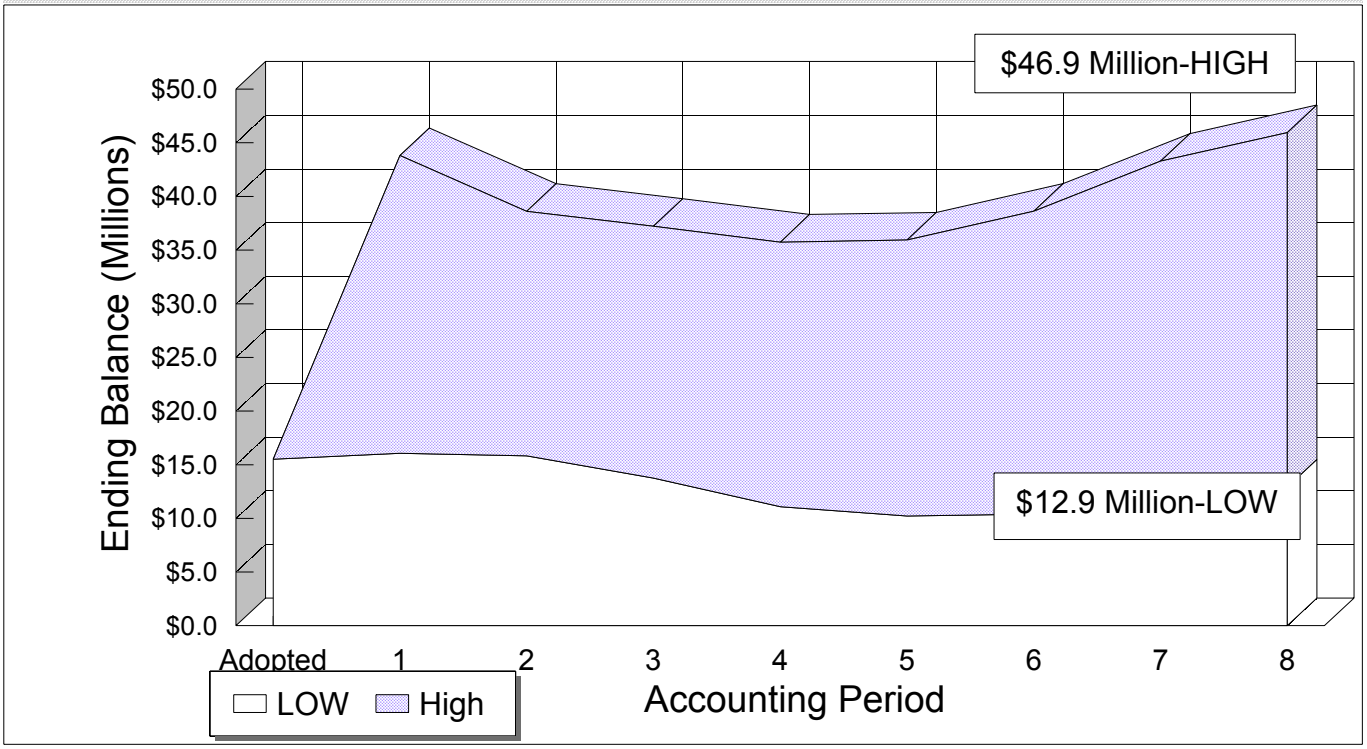

Figure 3-Estimated General Fund Balance, Year-End FY2004-05

Oregon Supreme Court Hands Down Long Awaited PERS Decision(*)
On March 8, 2005 the Oregon Supreme Court ruled on challenges to the 2003 PERS reform legislation. The Court sustained the majority of the legislation, including the changes to the actuarial tables (also known as mortality tables), the transfer of the employees' 6% contribution to the new IAP accounts, and elimination of the variable account program. The Court found unconstitutional the legislation that eliminated the guaranteed rate of return for Tier 1 fixed accounts and the suspension of an annual cost-of-living" (COLA) adjustment for those PERS members that retired after April 1, 2000 and before April 1, 2004. The Court also ordered the PERS Board to change the calendar 2003 interest crediting for Tier 1 fixed accounts to 8% instead of zero percent.

(*) Contributed by Steve Manton, Pension Officer, City of Portland.

Table 1-General Fund Resources, FY2004-05 GENERAL FUND RESOURCE CATEGORY		Through AP-8	Estimated Year-End	Revised Budget
INTERNAL REVENUES.....	41000			
Service Reimbursements.....		$7,749,258	$26,667,941	$28,370,150
Other Internal & Transfers-IN.....		$19,649,689	$45,942,483	$61,734,792
PROPERTY & LODGING TAXES	42100			
Property Taxes.....		$136,176,085	$154,585,043	$153,173,082
Lodging Taxes.....		$8,953,849	$11,670,180	$10,811,022
BUSINESS LICENSES, PERMITS....	43000			
Business Licenses.....		$3,213,179	$42,723,203	$39,274,397
Utility License/Franchise.....		$27,111,169	$56,370,247	$58,174,903
Other Permits.....		$1,712,373	$2,760,927	$3,086,096
SERVICE CHARGES & FEES.....	44000	$7,349,170	$13,135,119	$12,785,177
STATE, FEDERAL SOURCES.....	46000	$4,829,591	$10,415,152	$9,742,997
LOCAL SOURCES (Contracts).....	47000	$5,553,343	$14,870,697	$16,618,687
MISC. REVENUES & INTEREST.....	49400	$3,094,892	$5,443,998	$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		$251,275,035	$410,467,424	$426,228,644
Estimated Percent Of Budget Resources Realized		59.0%	96.3%	

Table 2-General Fund Expenditures, FY2004-05 GENERAL FUND EXPENDITURES	Through AP-8	Estimated Year-End	Revised Budget
Salaries & Wages.....	$102,101,000	$167,069,264	$177,143,368
Overtime.....	$5,329,553	$9,254,623	$7,717,795
Benefits.....	$25,045,747	$39,737,152	$39,737,152
Premium & Part-Time.....	$10,599,364	$16,294,234	$16,867,184
TOTAL PERSONAL SERVICES.....	$143,075,664	$232,355,274	$241,465,500
Estimated Percent Of Budget Spent.....	59.3%	96.2%	
EXTERNAL MATERIALS & SERVICES.....	$39,684,064	$72,457,618	$89,573,037
Estimated Percent Of Budget Spent.....	44.3%	80.9%	
INTERNAL MATERIALS & SERVICES.....	$26,272,178	$48,497,963	$48,497,963
Estimated Percent Of Budget Spent.....	54.2%	100.0%	
CAPITAL OUTLAY.....	$6,283,437	$6,374,383	$7,324,383
Estimated Percent Of Budget Spent.....	85.8%	87.0%	
CONTINGENCY & UNFORESEEN.....	$0	$1,000,000	$4,526,916
FUND CASH TRANSFERS.....	$17,306,152	$32,840,849	$34,840,849
INVENTORY.....	$0	$0	$0
GENERAL FUND EXPENSE TOTAL	$232,621,495	$393,526,086	$426,228,648
Estimated Percent Of Budget Spent.....	54.6%	92.3%	

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

Percent Of Year Gone... 61.5%
Percent Year Left..... 38.5%

AU Description	AU#	Through AP-8	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	$80,760,416	$134,014,404	$141,815,179	56.9%
Fire Bureau.....	124	$46,558,014	$74,709,993	$76,635,897	60.8%
Bureau Of Parks.....	130	$26,733,671	$47,186,335	$48,764,495	54.8%
Subtotal-Public Safety and Parks		$154,052,101	$255,910,732	$267,215,570	57.7%
Commissioner #2 (Sten)	190	$386,577	NA	$644,337	60.0%
Commissioner #4 (Leonard)	191	$350,759	NA	$640,112	54.8%
Commissioner #3 (Saltzman)	192	$360,741	NA	$714,292	50.5%
Commissioner #1 (Adams)	193	$409,336	NA	$646,080	63.4%
Office Of The Mayor	195	$894,065	NA	$1,406,043	63.6%
Operating Contingency...	298	$6	$500,000	$2,526,916	NA
Unforeseen Revenues..	298	$0	$500,000	$2,000,000	NA
Other Cash Transfers.....	299	$17,306,152	$32,840,849	$34,840,849	49.7%
Office of Cable Com.....	300	$980,184	NA	$1,882,644	52.1%
P.O.E.M.....	110	$5,775,739	NA	$10,889,584	53.0%
Office-Sus. Develop.....	302	$984,869	NA	$3,828,245	25.7%
Government Relations..	303	$384,495	NA	$774,555	49.6%
Office Of Man. & Fin.....	307	$14,231,303	NA	$24,748,872	57.5%
Office Of City Attorney....	312	$3,199,700	NA	$5,652,781	56.6%
Business Licenses.....	316	$3,378,550	NA	$9,394,390	36.0%
Unused Line.....		$0	NA	$0	NA
Stock Account.....	325	($31,100)	NA	$25,000	-124.4%
City Auditor.....	336	$4,032,383	NA	$7,241,018	55.7%
Unused Line.....		$0	NA	$0	NA
Office Neigh. Involve.....	342	$4,237,484	NA	$7,185,812	59.0%
OMF Special Projects.....	381	$2,502,419	NA	$4,914,189	NA
Unused Line.....		$0	NA	$0	NA
Special Appropriations....	401	$5,802,104	NA	$12,251,747	47.4%
Bureau Of Planning.....	510	$3,795,357	NA	$6,769,542	56.1%
Bureau Com. Develop.....	540	$9,267,814	NA	$20,036,069	46.3%
Subtotal-All Other AUs.....		$78,248,937	$136,671,212	$159,013,078	49.2%
General Fund Total-All AUs		$232,301,038	$392,581,944	$426,228,648	54.5%

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.

The Financial Outlook is written and produced by D.S. Barden, City Economist, Kourosh Ghaemmaghami, Economist, Bureau of Financial Planning (dbarden@ci.portland.or.us 823-6954 and kmaghami@ci.portland.or.us)--Access the OUTLOOK electronically at: http://www.ci.portland.or.us/

THE DATA CORNER
Recent Economic & Financial Data: CPI Data

The Bureau of Labor Statistics released Portland consumer price index information for the last half of calendar 2004 (first half,, fiscal 2005). Portland CPI indexes are published twice yearly and represent estimates for a six month period The last half of calendar 2004, July through December CPI-U came in at 3.2% above the same six month period year-ago. The CPI-W increase came in at 2.7% above year-ago. These annual increases are much higher than in recent years, reflecting higher inflation. The table below summarizes recent annual CPI data .

	CPI-U, PORTLAND-SALEM, All Urban Consumers (1982-84=100)					
	Jan.- June	12 Month	July - Dec.	12 Month	Annual	12 Month
Year	CPI-U	% Change	CPI-U	% Change	Average	% Change
1993	143.6	3.5%	145.8	3.5%	144.7	3.5%
1994	147.7	2.9%	150.1	2.9%	148.9	2.9%
1995	152.5	3.2%	153.9	2.5%	153.2	2.9%
1996	157.2	3.1%	160.0	4.0%	158.6	3.5%
1997	162.6	3.4%	165.5	3.4%	164.1	3.4%
1998	166.1	2.2%	168.1	1.6%	167.1	1.9%
1999	170.8	2.8%	174.4	3.7%	172.6	3.3%
2000	176.4	3.3%	179.5	2.9%	178.0	3.1%
2001	181.2	2.7%	183.6	2.3%	182.4	2.5%
2002	183.5	1.3%	184.0	0.2%	183.8	0.7%
2003	186.0	1.4%	*186.5*	*1.4%*	*186.3*	*1.4%*
2004	189.8	2.0%	***192.5***	***3.2%***	**191.2**	**2.6%**

	CPI-W, PORTLAND-SALEM, Urban Wage Earners (1982-84=100)					
	Jan.- June	12 Month	July - Dec.	12 Month	Annual	12 Month
Year	CPI-W	% Change	CPI-W	% Change	Average	% Change
1993	140.3	3.5%	142.6	3.6%	141.5	3.6%
1994	144.3	2.9%	146.8	2.9%	145.6	2.9%
1995	149.1	3.3%	150.7	2.7%	149.9	3.0%
1996	153.9	3.2%	156.5	3.8%	155.2	3.5%
1997	159.0	3.3%	161.7	3.3%	160.4	3.3%
1998	162.2	2.0%	163.5	1.1%	162.9	1.6%
1999	166.2	2.5%	169.6	3.7%	167.9	3.1%
2000	171.8	3.4%	174.6	2.9%	173.2	3.2%
2001	176.4	2.7%	178.5	2.2%	177.5	2.5%
2002	178.7	1.3%	179.3	0.4%	179.0	0.9%
2003	181.7	1.7%	182.0	1.5%	181.9	1.6%
2004	184.9	1.8%	***187.0***	***2.7%***	**186.0**	**2.3%**

CPI data is widely available and can be accessed in the following ways:

- CPI 24 Hour Hotline for Portland (503) 231-2045
- Bureau of Labor Statistics: www.bls.gov
- Portland and west coast city data is available on BLS's web site at:

http://www.bls.gov/ro9news.htm then click "Pacific Cities and U.S. City Average"