City of Portland

Office of Management & Finance

THE FINANCIAL OUTLOOK

Accounting Period 9
(Feb. 10, 2005 to March. 9, 2005)

General Fund Financial Outlook
(Issue Date: April. 21, 2005)

Estimated Year-End General Fund Resources At AP-9 are forecast to range from $417.1 million (LOW) to $438.5 million (HIGH). Council's revised budget, period 9, is $432.8 million, up another $6.5 million over period 8. For the year, Council's current revised budget stands at about $45.4 million above the July 1 Adopted Budget. As has been the case all year, budgeted grants and IA revenues are up another $7.4 million. A small decrease in General Fund overhead revenues partially offset the grants and IA increases. Overall, General Fund revenues are up 2.2% compared to year-ago; this comparison should improve as budgeted grant revenues are expensed.

RESOURCE RECAP	
* IBIS Budgeted Resources.....	$432,782,981
* Resource Range....(High).....	$438,454,794
.....(Low).....	$417,136,521
* Revenues At AP-9(*)	$276,817,962
Versus Year-Ago...UP.....	2.24%
(*) Net of Short-Term Borrowing	

NOTEWORTHY AT AP-9
* Hotel/Motel Up 6.6 % vs. year-ago
* Utility License Up 1.4 % vs. year-ago
* Property Taxes Down -1.0% vs. year-ago

(*) Net of intrafund revenues

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

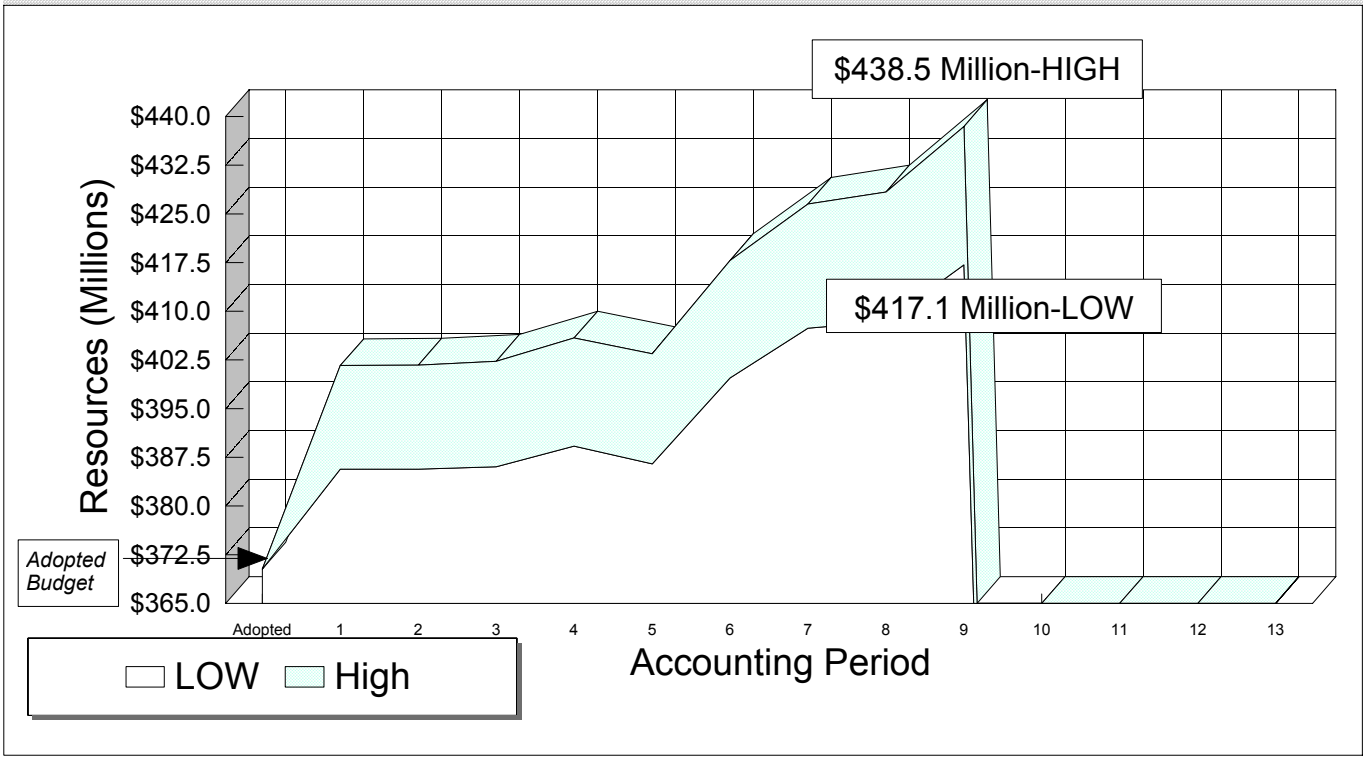

Figure 1-General Fund Resources, Year-End FY2003-04

The Bottom Line: Resources, year-end, are estimated to range from $417.1 million (Low) to $438.5 million (High). Budgeted resources are $432.8 million. Year-end expenditure estimates range from $387.5 million (Low) to $402.6 million (High). Forecast year-end balance, beginning FY2005-06 balance, is forecast at somewhere between $14.6 million (Low) to as much as $50.9 million (High). This ending balance range continues to be very wide.

Third quarter transient lodging taxes are in the door and the news continues to be very good. Revenues through period 9 total $9.2 million versus $8.6 million last year. Revenues for the last 12 months total about $11.7 million versus a 12 month total of $10.8 million last year, up almost 8%.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	$432,782,981
* Expense Range.....(High).....	$402,580,514
* .....(Low).....	$387,539,782
* Expenses At AP-9(*).....	$261,108,858
Versus Year-Ago..Up.....	10.3%
(*) Net of Short Term Borrowing	

NOTEWORTHY AT AP-9

* Personal Services UP 6.8% vs. year-ago
* All M&S UP 22% vs. year-ago
* Capital Outlays UP 160.6% vs. year-ago

As of period 9 property taxes are slightly behind year-ago but this is due to a timing problem; second trimester payments totaling $8.9 million came in on March 10th as opposed to a few days earlier last year with the result that this revenue will register in period 10 instead of period 9. Business license revenues are well ahead of last year as of late March, but refunds are at an all time high of $8.2 million versus $2.8 million year ago. Hopefully business license and transient lodging tax revenues will do well enough to offset utility license fee revenue shortfalls. Utility license fees continue to be the weak spot in the General Fund's revenue stream. Revenues through 9 periods this year total $22.8 million versus $23.5 million last year. PGE revenues remain well below year ago and Qwest revenues total $3.1 million at period 9 versus $3.7 last year, down almost 17% from year ago. PGE and Qwest, together, will be about $2 million below budget.

Parks, main fee revenues, are over 9 percent ahead of year ago. Both miscellaneous bureau fee revenues (all General Fund bureaus) continue to lag behind last year.

General Fund expenditures at AP-9 total about $261.1 million vs. last year's $236.7 million. Expenditure growth backed off a little at period 9 to about 10.3 percent above year ago. But personal services expenditures continue to gain momentum. The year-end estimate now appears to be centered on about a $235 million year-end which is up from previous estimates that were clustered around a $233 million year-end.

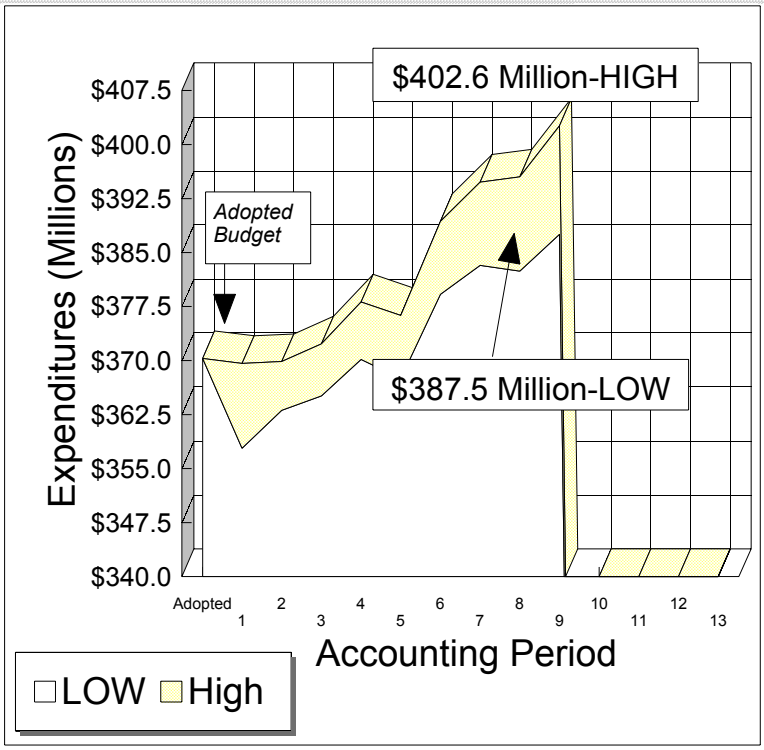

Figure 2-General Fund Expenditures, FY2004-05

External materials and services expenditures (inclusive of encumbrances) total about $43.3 million at period 9 versus about $31.8 million last year. Expenses are up about 36 percent over year-ago with about $5 million of the difference due to a much higher level of encumbrances than would be considered "normal." Budget at this point is up to $90.5 million versus $59.5 million at July 1. The bulk of the additional grant revenues recently budgeted are in this major expense category.

Internal materials and services expenditures total $31.4 million at period 9 versus $29.7 million year ago. Expenditures at period 9 are running 5.8% ahead of last year.

Capital outlays are up to $6.3 million as of period 9. It is expected that the entire $8.1 million budget will be spent by year-end.

The Estimated Year-End General Fund Balance at AP-9 ranges from $14.6 (Low) to $50.9 million (High). The "point estimate" this period is increased to $18.7 million versus a $16.6 million point estimate at period 7. The revised March financial forecast used the $16.6 million point estimate for an FY2005-06 budgeted discretionary beginning fund balance. The period 9 ending balance estimate is just over $2 million above the March financial forecast estimate and replaces that number as Council and the Mayor make final balancing decisions for the Mayor's Proposed FY2005-06 budget. This additional $2 million translates into an additional $2 million of one-time resources for Council's FY2005-06 budget. Ending balance has the potential to go higher. Grant revenues are currently budgeted at $40.1 million with $8.2 million in revenues to-date versus $5.3 million last year. Historical receipt patterns put possible year end revenues over a very wide range of $15.3 to as much as $40 million. The current year end forecast is $24.3 million, three times revenues to date. Any large and late surge in revenues at year end will all fall mostly to balance.

Estimated Year-End Balance Range		
Item	**Low**	**High**
Resources.....	**$417,136,521**	**$438,454,794**
Expenses.....	**$402,580,514**	**$387,539,782**
End Balance	**$14,556,008**	**$50,915,012**

Ending Fund Balance Range

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

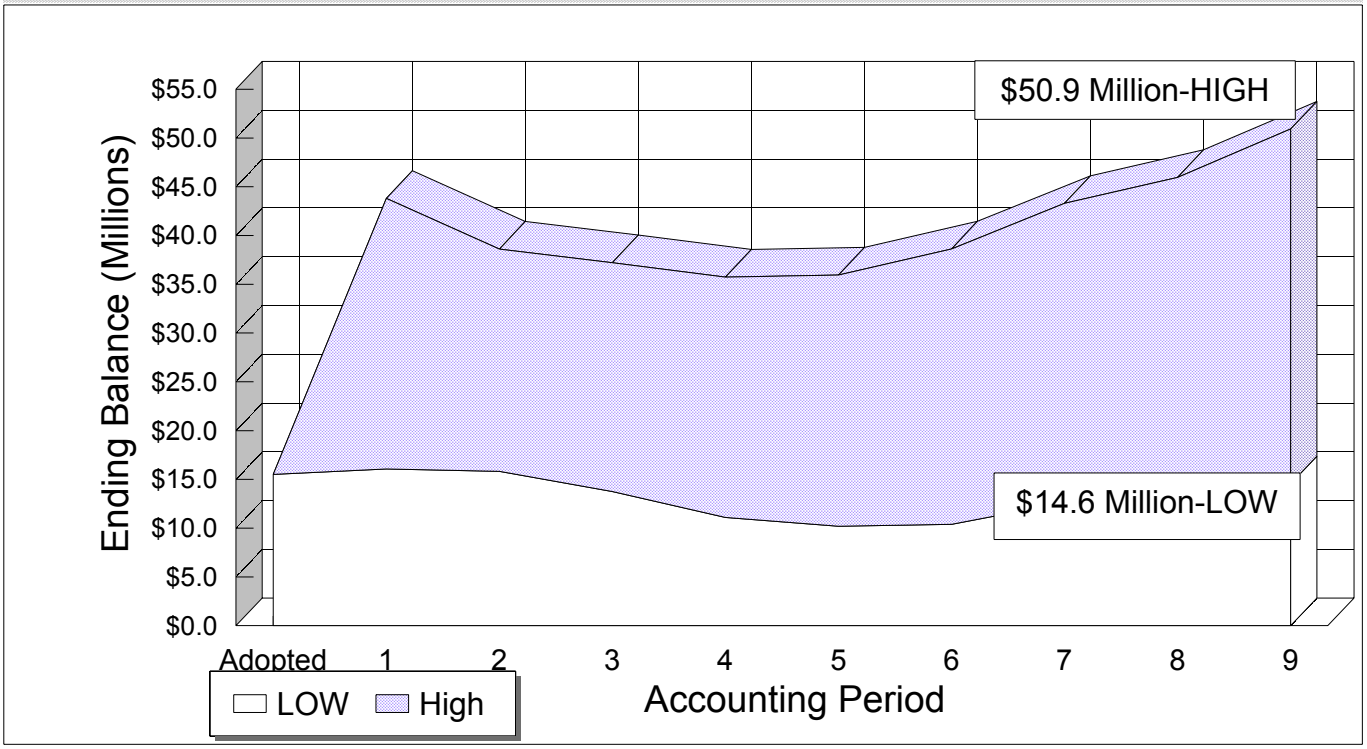

Figure 3-Estimated General Fund Balance, Year-End FY2004-05

OPUC Nixes Texas-Pacific's Bid For PGE

The Oregon Public Utility Commission (OPUC) handed down its decision on Texas-Pacific's (TPG) proposal to buy PGE. The OPUC soundly denied the application. In doing so, OPUC cited the large amount of debt associated with the deal as an area of major concern and potential harm for PGE customers. The OPUC was also concerned with the buyer's stated intention to sell its investment in PGE. The OPUC said TPG's intention to sell, "creates incentives for TPG to act in ways that are not consistent with the interest of customers." TPG's application cited many potential benefits to the proposed transaction. The OPUC concluded that there were few, if any, net benefits associated with the proposal that would not accrue to customers if PGE were to just continue operating as a stand alone entity. The OPUC's order closes the door to TPG.

Table 1-General Fund Resources, FY2004-05 GENERAL FUND RESOURCE CATEGORY		Through AP-9	Estimated Year-End	Revised Budget
INTERNAL REVENUES.....	41000			
Service Reimbursements.....		$8,058,043	$31,773,310	$34,164,849
Other Internal & Transfers-IN.....		$21,362,119	$46,090,593	$62,315,306
PROPERTY & LODGING TAXES	42100			
Property Taxes.....		$137,402,607	$153,535,525	$153,173,082
Lodging Taxes.....		$9,216,416	$11,761,875	$10,811,022
BUSINESS LICENSES, PERMITS....	43000			
Business Licenses.....		$35,830,862	$47,148,429	$39,274,397
Utility License/Franchise.....		$39,798,230	$56,027,813	$58,174,903
Other Permits.....		$2,009,050	$2,934,129	$3,086,096
SERVICE CHARGES & FEES.....	44000	$8,453,581	$13,203,181	$12,927,930
STATE, FEDERAL SOURCES.....	46000	$6,053,944	$10,379,317	$9,742,997
LOCAL SOURCES (Contracts).....	47000	$8,080,580	$14,977,989	$16,618,687
MISC. REVENUES & INTEREST.....	49400	$3,562,002	$5,518,088	$6,611,265
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		$305,709,871	$419,232,685	$432,782,981
Estimated Percent Of Budget Resources Realized		70.6%	96.9%	

Table 2-General Fund Expenditures, FY2004-05 GENERAL FUND EXPENDITURES	Through AP-9	Estimated Year-End	Revised Budget
Salaries & Wages.....	$115,397,451	$169,081,281	$179,627,181
Overtime.....	$5,949,362	$9,242,202	$7,747,150
Benefits.....	$28,307,364	$40,578,579	$40,578,579
Premium & Part-Time.....	$11,557,534	$16,513,365	$17,198,249
TOTAL PERSONAL SERVICES.....	$161,211,711	$235,415,427	$245,151,159
Estimated Percent Of Budget Spent.....	65.8%	96.0%	
EXTERNAL MATERIALS & SERVICES.....	$43,310,626	$73,062,482	$90,508,766
Estimated Percent Of Budget Spent.....	47.9%	80.7%	
INTERNAL MATERIALS & SERVICES.....	$31,387,672	$50,119,177	$50,724,629
Estimated Percent Of Budget Spent.....	61.9%	98.8%	
CAPITAL OUTLAY.....	$6,296,886	$8,139,690	$8,139,690
Estimated Percent Of Budget Spent.....	77.4%	100.0%	
CONTINGENCY & UNFORESEEN.....	$0	$1,000,000	$3,042,119
FUND CASH TRANSFERS.....	$18,901,963	$32,840,849	$35,216,622
INVENTORY.....	$0	$0	$0
GENERAL FUND EXPENSE TOTAL	$261,108,858	$400,577,625	$432,782,985
Estimated Percent Of Budget Spent.....	60.3%	92.6%	

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

Percent Of Year Gone... 69.2%
Percent Year Left..... 30.8%

AU Description	AU#	Through AP-9	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	$92,008,563	$135,950,425	$142,366,161	64.6%
Fire Bureau.....	124	$51,693,077	$74,654,523	$77,161,891	67.0%
Bureau Of Parks.....	130	$30,284,890	$47,407,974	$49,015,072	61.8%
Subtotal-Public Safety and Parks		$173,986,530	$258,012,922	$268,543,123	64.8%
Commissioner #2 (Sten)	190	$437,540	NA	$644,337	67.9%
Commissioner #4 (Leonard)	191	$398,833	NA	$640,112	62.3%
Commissioner #3 (Saltzman)	192	$411,753	NA	$714,292	57.6%
Commissioner #1 (Adams)	193	$462,943	NA	$646,080	71.7%
Office Of The Mayor	195	$1,037,149	NA	$1,406,043	73.8%
Operating Contingency...	298	$6	$500,000	$1,042,119	NA
Unforeseen Revenues..	298	$0	$500,000	$2,000,000	NA
Other Cash Transfers.....	299	$18,901,963	$32,840,849	$35,216,622	53.7%
Office of Cable Com.....	300	$1,033,667	NA	$1,882,644	54.9%
P.O.E.M.....	110	$5,941,977	NA	$11,261,800	52.8%
Office-Sus. Develop.....	302	$1,111,005	NA	$3,830,745	29.0%
Government Relations..	303	$443,869	NA	$825,308	53.8%
Office Of Man. & Fin.....	307	$16,064,576	NA	$24,963,385	64.4%
Office Of City Attorney....	312	$3,627,955	NA	$5,665,787	64.0%
Business Licenses.....	316	$3,925,919	NA	$9,394,390	41.8%
Unused Line.....		$0	NA	$0	NA
Stock Account.....	325	($12,622)	NA	$25,000	-50.5%
City Auditor.....	336	$4,525,797	NA	$7,241,018	62.5%
Unused Line.....		$0	NA	$0	NA
Office Neigh. Involve.....	342	$4,836,552	NA	$7,216,637	67.0%
OMF Citywide Projects	381	$3,000,859	NA	$5,355,466	NA
OMF Utility Billing.....	390	$1,299,490	NA	$5,101,774	NA
Special Appropriations....	401	$5,845,369	NA	$12,251,747	47.7%
Bureau Of Planning.....	510	$4,240,402	NA	$6,764,217	62.7%
Bureau Com. Develop.....	540	$9,587,332	NA	$20,150,338	47.6%
Subtotal-All Other AUs.....		$87,122,334	$143,587,096	$164,239,862	53.0%
General Fund Total-All AUs		$261,108,864	$401,600,017	$432,782,985	60.3%

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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