City of Portland

Office of Management & Finance

THE FINANCIAL OUTLOOK

(PRELIMINARY 13 RUN 4 As Of August 20th, Unaudited)

Accounting Period 13 (June 2 to June 30, 2005)

General Fund Financial Outlook (Issue Date: Sept. 8, 2005)

Estimated Year-End General Fund Resources At AP-13 are forecast to range from $420.5 million (LOW) to $422.0 million (HIGH). Council's revised budget, period 13, totals about $434.4 million, up about $672,574 compared to period 12. Council's current revised budget at year-end after "Spring Bump" adjustments finishes up at about $41.7 million above the July 1, Adopted Budget. Overall revenue growth as of period 13 ("Run 4") appears to have come up to about 6.7% due in larger part to grant accruals and a late surge in inter-agency revenues. Discretionary revenues total about $288.9 million versus $272.6 last year with year-over-year growth at about 6 percent.

RESOURCE RECAP	
* IBIS Budgeted Resources.....	$434,422,329
* Resource Range....(High).....	$422,020,528
.....(Low).....	$420,547,140
* Revenues At AP-13(*)	$395,082,343
Versus Year-Ago...UP.....	6.70%
(*) Net of Short-Term Borrowing	

NOTEWORTHY AT AP-13
* Hotel/Motel Up 6.3 % vs. year-ago
* Utility License Up 1.2 % vs. year-ago
* Property Taxes Up 2.8% vs. year-ago

(*) And net of intrafund revenues

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

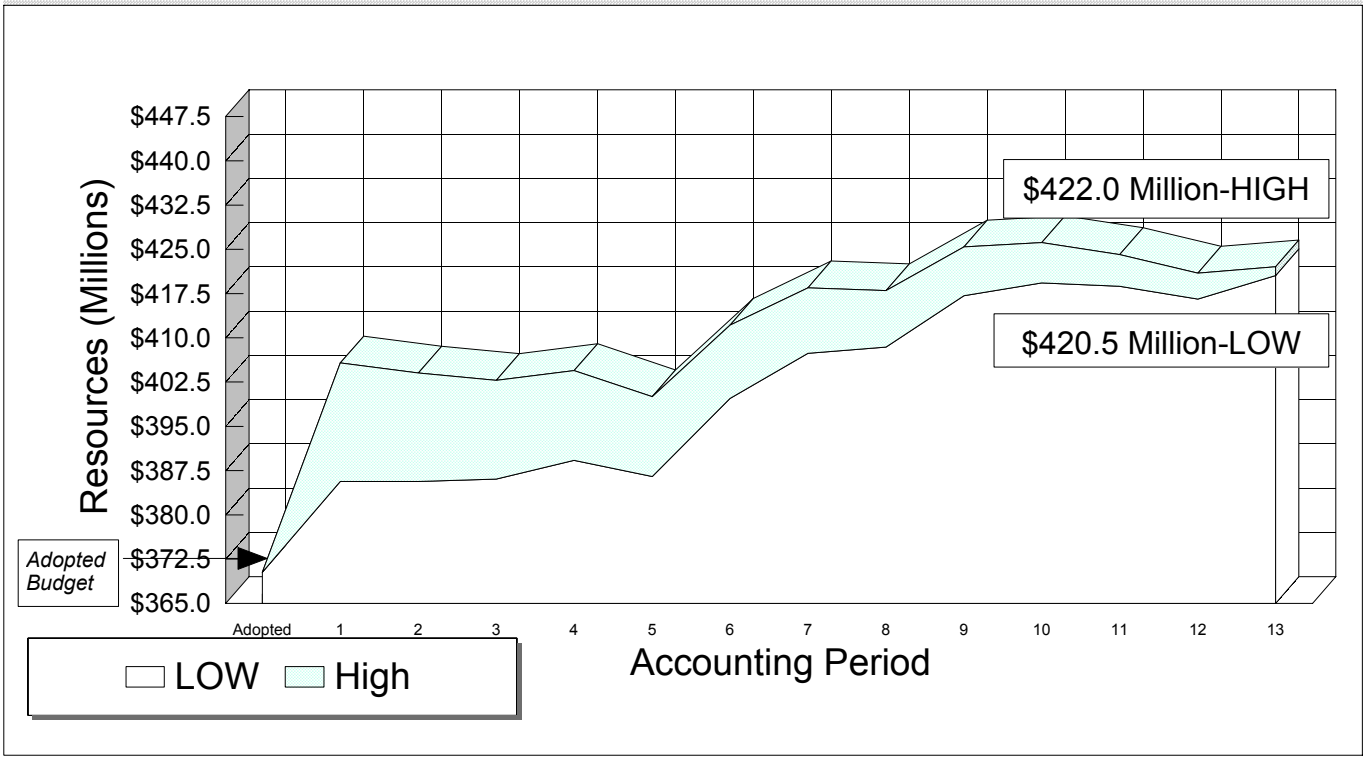

Figure 1-General Fund Resources, Year-End FY2003-04

The Bottom Line: Resources, year-end, are estimated to range from $420.5 million (Low) to $422.0 million (High). Budgeted resources are $434.4 million. Year-end expenditure estimates range from $396.2 million (Low) to $396.9 million (High). Forecast year-end balance, beginning FY2005-06 balance, is forecast at somewhere between $23.6 million (Low) to as much as $24.8 million (High) versus a budget of $21.055 million.

Overall revenue growth appears to be about 6.7% with discretionary revenue growth at just about 6%. Non-discretionary revenue growth was fueled by a 21% increase in bureau inter-agency revenues and an 8% increase in grant revenues. Some fee revenue categories did well (construction permits up 22%) while others (miscellaneous fees and charges down 8.3%) did not do well. Inter-agency revenue growth is due in part to inclusion of utility billing services within the General Fund during FY2004-05.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	$434,422,329
* Expense Range.....(High).....	$396,951,088
* .....(Low).....	$396,160,469
* Expenses At AP-13(*).....	$395,309,654
Versus Year-Ago..Up.....	9.1%
(*) Net of Short Term Borrowing	

NOTEWORTHY AT AP-13
* Personal Services UP 6.1% vs. year-ago
* All M&S UP 14% vs. year-ago
* Capital Outlays UP 83.8% vs. year-ago

Discretionary revenue growth was fueled by business license revenue growth. Revenues (licenses and audit recovery) totaled about $51.3 million (on a near cash basis) versus $40.9 million last year. Revenue growth reflects both enhanced revenue collection as well as better local and national economic conditions. Licenses estimates that about $3 million FY2004-05 revenues are recovered delinquent but one-time revenues. Property taxes appear to have grown about 2.8 percent, while transient lodging taxes increased by 6.3% and surpassed the previous cyclical peak. Utility license fees remain a laggard revenue with year-to-year growth at 1.2%.

Parks, main fee revenue category finished the year at $8.0 million up 8.3% over last year. The two miscellaneous fee revenue categories (all General Fund bureaus) were both down year-over-year.

General Fund expenditures at AP-13 total about $395.3 million vs. last year's $362.5 million. Expenditure growth currently stands at about 9.1% over last year with about $61.7 million of expenditures occurring during periods 12 and 13 versus $63.9 million, same periods FY2003-04. It is also interesting to note that expenditure growth was a full three percentage points above revenue growth.

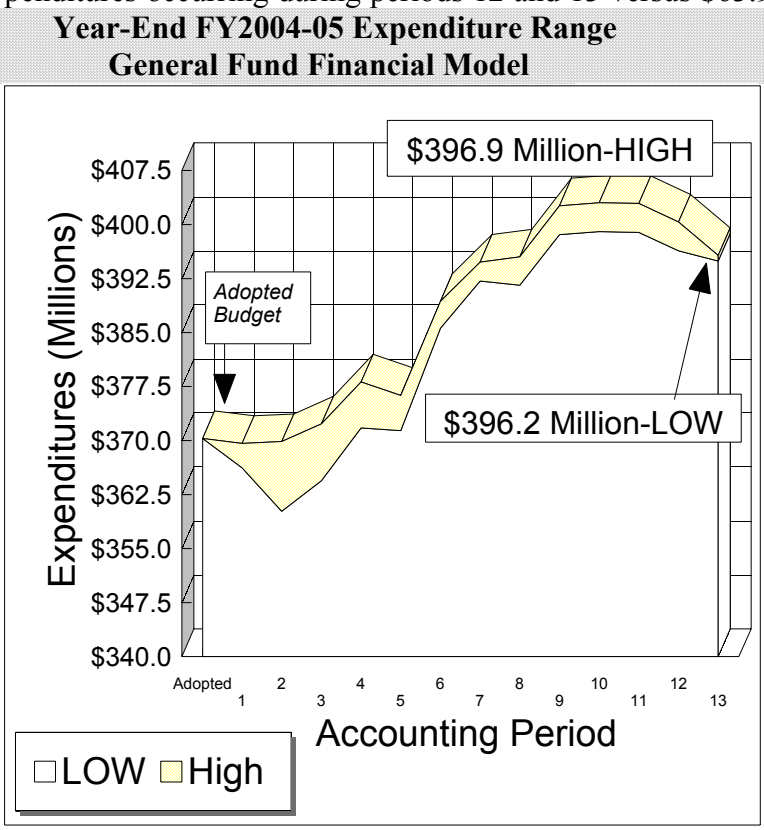

Figure 2-General Fund Expenditures, FY2004-05

Personal services costs total $234.2 million at year-end versus $220.7 million last year. Overall growth works out to 6.1 percent with 97.3 percent of budget spent.

External materials and services total $68.6 million inclusive of $5 million of encumbrances. Year-ago expenditures were $56.5 million.

Internal materials and services totaled $50.4 million versus $47.7 million for FY2003-04.

Capital outlays total $6.2 million at period 13 with encumbrances still totaling $3.2 million.

Although expenditure growth exceeded revenue growth by 2.4 percentage points, all of the difference and then some represents one-time budgets. On-going revenues and expenses were evenly matched.

The Estimated Year-End General Fund Balance at AP-13 ranges from $23.6 million (Low) $24.8 million (High). The General Fund's actual ending balance as of August 20 is about $23.7 million net of current encumbrances which, as of August 20th, total about $8.2 million. This balance number will move some as the last property tax accruals come in and other adjustments are made to audit. The General Fund's discretionary ending fund balance should come in at $23.662 million versus a budgeted FY2004-05 beginning fund balance of $21.055 million. This calculation assumes encumbrance requirements of $8.2 million. In addition, under current Council financial policies about $750,000 will be needed to return 50% of excess (over budget) bureau revenues, largely due to Police, Parks, and OMF. The ending balance calculation also assumes that another $500,000 of encumbrances or other FY2004-05 obligations are likely by the time the fund gets to audit. This leaves about $2.6 million of unbudgeted beginning fund balance for FY2005-06 plus or minus changes to audit.

Estimated Year-End Balance Range		
Item	**Low**	**High**
Resources.....	$420,547,140	$420,968,108
Expenses.....	$396,951,088	$396,160,469
End Balance	$23,596,052	$24,807,639

Ending Fund Balance Range

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

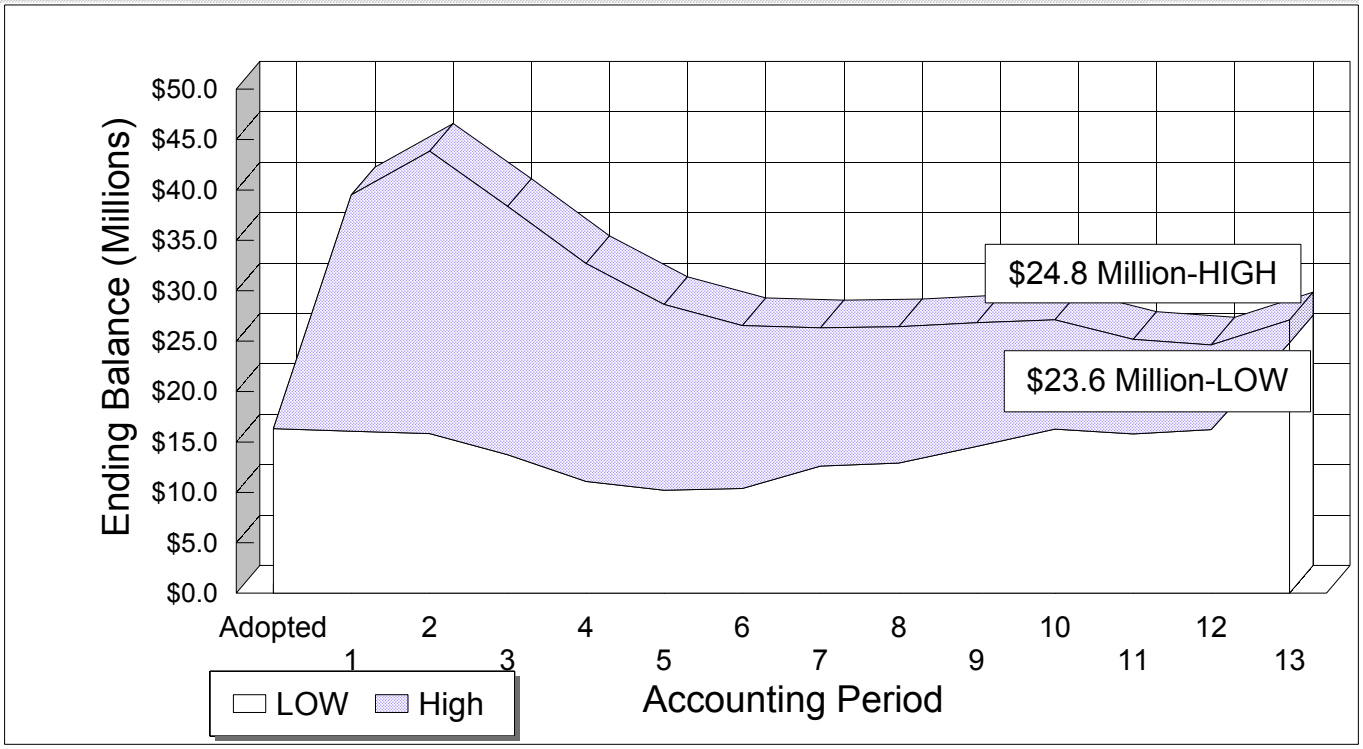

Figure 3-Estimated General Fund Balance, Year-End FY2004-05

NW Business Owners Feeling Confident, Raise Prices And Add Staff
According to a recent study conducted by the Rainier Group released last April, 64% of 250 companies surveyed in Washington and Oregon said they would be hiring. The survey also found that 96% those companies are comfortable passing increased costs brought by inflation on to their customers--a significant increase from 61% reported in October 2004.
On a scale of 1 through 10 with 10 being the best, Washington and Oregon business ranking has improved from 6.8 in October 2004 to 7.3 in April 2005. Business owners are expecting the economy to remain vigorous for quite some time, based on strong and positive trends underlying four key indicators: hiring, capital expenditures, revenues and profits.
The survey features the opinions of owners of large privately held companies with revenues ranging from $10 million to $1 billion, located mainly in Washington and Oregon.

Table 1-General Fund Resources, FY2004-05 GENERAL FUND RESOURCE CATEGORY		Through AP-13	Estimated Year-End	Revised Budget
INTERNAL REVENUES.....	41000			
Service Reimbursements.....		$29,596,653	$29,596,653	$35,012,219
Other Internal & Transfers-IN.....		$39,771,767	$39,771,767	$65,037,403
PROPERTY & LODGING TAXES	42100			
Property Taxes.....		$154,104,624	$154,104,624	$153,173,082
Lodging Taxes.....		$11,808,449	$11,808,449	$10,811,022
BUSINESS LICENSES, PERMITS....	43000			
Business Licenses.....		$51,347,271	$51,347,271	$39,274,397
Utility License/Franchise.....		$56,891,525	$56,891,525	$57,822,158
Other Permits.....		$3,113,045	$3,113,045	$3,125,032
SERVICE CHARGES & FEES.....	44000	$13,947,249	$13,947,249	$13,182,597
STATE, FEDERAL SOURCES.....	46000	$9,802,736	$9,802,736	$9,742,997
LOCAL SOURCES (Contracts).....	47000	$12,977,437	$12,977,438	$14,672,710
MISC. REVENUES & INTEREST.....	49400	$6,156,586	$6,156,586	$6,686,265
TAX ANTICIPATION NOTES/Note Sales.....		$5,565,000	$5,565,000	$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		$420,964,778	$420,964,780	$434,422,333
Estimated Percent Of Budget Resources Realized		96.9%	96.9%	

Table 2-General Fund Expenditures, FY2004-05 GENERAL FUND EXPENDITURES	Through AP-13	Estimated Year-End	Revised Budget
Salaries & Wages.....	$169,577,068	$169,577,068	$176,166,746
Overtime.....	$8,857,941	$8,857,941	$7,688,668
Benefits.....	$39,663,545	$39,663,545	$39,893,997
Premium & Part-Time.....	$16,077,345	$16,077,345	$16,900,755
TOTAL PERSONAL SERVICES.....	$234,175,899	$234,175,899	$240,650,166
Estimated Percent Of Budget Spent.....	97.3%	97.3%	
EXTERNAL MATERIALS & SERVICES.....	$68,623,578	$68,623,578	$93,864,251
Estimated Percent Of Budget Spent.....	73.1%	73.1%	
INTERNAL MATERIALS & SERVICES.....	$50,390,213	$50,390,213	$52,043,438
Estimated Percent Of Budget Spent.....	96.8%	96.8%	
CAPITAL OUTLAY.....	$6,200,279	$6,200,279	$7,802,703
Estimated Percent Of Budget Spent.....	79.5%	79.5%	
CONTINGENCY & UNFORESEEN.....	$0	$0	$2,918,230
FUND CASH TRANSFERS.....	$35,919,685	$35,919,685	$37,143,545
INVENTORY.....	$0	$0	$0
GENERAL FUND EXPENSE TOTAL	$395,309,654	$395,309,654	$434,422,333
Estimated Percent Of Budget Spent.....	91.0%	91.0%	

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

Percent Of Year Gone... 100.0%
Percent Year Left..... 0.0%

AU Description	AU#	Through AP-13	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	$135,589,310	$135,589,310	$140,515,810	96.5%
Fire Bureau.....	124	$74,584,613	$74,584,613	$76,961,454	96.9%
Bureau Of Parks.....	130	$46,410,398	$46,410,398	$48,668,185	95.4%
Subtotal-Public Safety and Parks		$256,584,320	$256,584,320	$266,145,449	96.4%
Commissioner #2 (Sten)	190	$639,023	NA	$647,861	98.6%
Commissioner #4 (Leonard)	191	$557,987	NA	$629,420	88.7%
Commissioner #3 (Saltzman)	192	$614,467	NA	$696,877	88.2%
Commissioner #1 (Adams)	193	$693,327	NA	$700,238	99.0%
Office Of The Mayor	195	$1,542,925	NA	$1,608,911	95.9%
Operating Contingency...	298	$6	$0	$918,230	NA
Unforeseen Revenues..	298	$0	$0	$2,000,000	NA
Other Cash Transfers.....	299	$35,919,685	$35,919,685	$37,143,545	96.7%
Office of Cable Com.....	300	$1,800,329	NA	$1,825,776	98.6%
P.O.E.M.....	110	$6,988,009	NA	$11,360,770	61.5%
Office-Sus. Develop.....	302	$2,145,849	NA	$4,056,856	52.9%
Government Relations..	303	$680,352	NA	$815,627	83.4%
Office Of Man. & Fin.....	307	$24,869,854	NA	$25,819,536	96.3%
Office Of City Attorney....	312	$5,311,129	NA	$5,562,115	95.5%
Business Licenses.....	316	$6,200,639	NA	$7,169,657	86.5%
Purchases & Stores.....		$501	NA	$0	NA
Stock Account.....	325	$37,896	NA	$24,880	152.3%
City Auditor.....	336	$6,661,598	NA	$7,139,335	93.3%
Unused Line.....		$0	NA	$0	NA
Office Neigh. Involve.....	342	$7,076,008	NA	$7,137,652	99.1%
OMF Citywide Projects	381	$4,452,439	NA	$5,355,466	NA
OMF Utility Billing.....	390	$3,804,216	NA	$5,147,900	NA
Special Appropriations....	401	$6,732,692	NA	$15,407,174	43.7%
Bureau Of Planning.....	510	$6,370,759	NA	$6,831,707	93.3%
Bureau Com. Develop.....	540	$15,625,649	NA	$20,277,351	77.1%
Subtotal-All Other AUs.....		$138,725,339	$138,725,339	$168,276,884	82.4%
General Fund Total-All AUs		$395,309,659	$395,309,654	$434,422,333	91.0%

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 4th Quarter	FY2004-05 3rd Quarter	Concern Level
Basic Revenue Growth (*)	7.2%	7.6%	Below 3.0%
Portland Unemployment Rate	7.1%	8.4%	Above 6.5%
Business License Revenue Growth	25.2%	25.3%	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 first half of calendar 2005 (last half,, fiscal 2005). Portland CPI indexes are published twice yearly and represent estimates for a six month period The first half of calendar 2005, January through December CPI-U came in at 2.5% above the same six month period year-ago. The CPI-W increase came in at 2.4% above year-ago. These annual increases are somewhat lower than recent experience. 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
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%*
2005	194.5	2.5%	***NA***	***NA***	**NA**	**NA**

	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
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%
2005	189.4	2.4%	***NA***	***NA***	**NA**	**NA**

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"