



City of Portland
**Quarterly General Fund Budget
and Economic Tracking Report**
FY 2012-13, 3rd Quarter
City Budget Office

INTRODUCTION

This document summarizes the City's current General Fund financial position and the current economic environment. The first section discusses the circumstances influencing the City's General Fund ending balance. The second looks at the City's various General Fund revenue streams and expense categories. The figures shown here are not an official forecast and, as such, represent a midpoint estimate of where the City may end the current year. The tables in this document compare the current expectations with the revised FY 2012-13 budget. Because a significant portion of the fiscal year remains, the following estimates of revenue or expense categories may be subject to significant variation between now and the end of the fiscal year.

PROJECTED FY 2012-13 ENDING BALANCE/RISKS

The City's General Fund bureau budgets remain very tight as we head into the final months of the fiscal year. Consistent with prior quarterly reports, it appears that the City will slightly underspend its General Fund appropriation at this point. However, given a nearly \$500 million General Fund, the margin for error is much lower than in recent years. Several efforts have been made in order to bolster the ending balance. Still, many factors could significantly impact, either positively or negatively, the FY 2012-13 ending balance:

- The City initiated a new program that allows for a \$20,000 retirement incentive to be provided to employees if they retire in this fiscal year and meet certain conditions. It is unclear the degree to which such a program will be utilized. Should there be a large number of employees approved to receive this incentive, the City could experience significant one-time costs associated with both the incentive and associated vacation payouts as retirees leave the City, ultimately lowering the ending balance.
- In the Spring Budget Monitoring Process, bureaus did not ask or were not granted all of the compensation set-aside that was available. As a result, as long as it is not needed in the over-expenditure ordinance in June to cover retirement payouts, nearly \$2.2 million will fall to balance. It should be noted that, at this point in the fiscal year, it appears that the City may need these funds in order to achieve the \$8 million of discretionary balance forecasted for FY 2013-14.

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- There have been several notable efforts to bolster ending balance. First, City Council convened two subcommittees in March that each spent time looking at ways to create additional ending balance. In particular, the Police and Fire Bureaus were directed to lower overtime costs for the remainder of the year. Additionally, the Mayor directed bureaus to pay particular attention to spending decisions made during the last three months of the fiscal year in a desire to stay safely within their appropriation and increase the current year’s ending balance.

FY 2012-13 GENERAL FUND REVENUE

Clearer year-end estimates for most General Fund revenue sources are quickly coming into focus. The month of April typically accounts for more than 40% of the total amount of business license taxes collected in a given year. The current April collection period has allowed the year-end estimate to increase to close to the original forecast, an improvement over the 2nd Quarterly report. This helps provide a little more confidence that the City will meet its ending balance expectations. However, much uncertainty remains, mainly related to utility license taxes. Utility license taxes and franchise fees are largely collected on a quarterly basis 45 days after the calendar quarter has ended. As a result, only two quarters of revenue have been collected, with the next payments due May 15th. Therefore, the figures presented in Table 1 remain subject to significant variability.

TABLE 1. FY 2012-13 Selected General Fund Revenue Source Tracking (\$millions)

Resource Category	Current Budget	Estimated Year-End	Difference
Property Taxes	\$197.9	\$198.5	\$0.6
Business License Taxes	\$76.6	\$76.1	(\$0.5)
Utility License Taxes/Franchise Fees	\$72.2	\$72.5	\$0.3
Transient Lodging Taxes	\$18.1	\$19.6	\$1.5
State Shared Revenue	\$12.9	\$13.5	\$0.6

FY 2012-13 General Fund Expenses

Although costs associated with the aforementioned retirement incentives could increase expenses unexpectedly, the potential for variation in year-end citywide expenses is narrowing. The other major category that may see some variation is external materials and services, as bureaus encumber funds in the current year in order to execute contracts in FY 2013-14. Table 2 summarizes the current budget and estimated year-end totals based on the first six months of FY 2012-13.

TABLE 2. FY 2012-13 General Fund Expense Tracking (\$millions)

Expense Category	Current Budget	Estimated Year-End	Difference
Personnel Services	\$315.2	\$315.6	\$0.4
External Materials and Services	\$82.4	\$74.2	(\$8.2)
Internal Materials and Services	\$54.3	\$54.0	(\$0.3)
Other ¹	\$50.0	\$50.0	\$0.0
Total Expenses	\$501.9	\$493.8	(\$8.1)
¹ Includes Capital Outlay, Bond Expenses, Fund Transfers, and Contingency. Compensation Set-aside totaling \$4.8 million is included in personal services.			

Total personnel services spending through March was 0.3% above a year ago, which is largely attributable to the 12.4% decrease in overtime expenses this year compared with last fiscal year after the November 2011 Occupy protests. Overall year-end personal services are estimated at around \$315.6 million, or slightly above the current appropriation, including the compensation set-aside. External materials and services, including advances, are expected to end the year at \$74.5 million, about 12% above FY 2012-13 figures. Finally, internal material and services are estimated to end the year slightly below the budgeted amount of \$54.3 million.

CURRENT ECONOMIC CONDITIONS

Please see the [April 2013 General Fund Five-Year Financial Forecast](#) for a discussion of the current economic conditions.