

**City of Portland**  
**Office of Management & Finance**  
**THE FINANCIAL OUTLOOK**

**Accounting Period 7**  
**(Dec. 15, 2005 to January 11, 2006)**

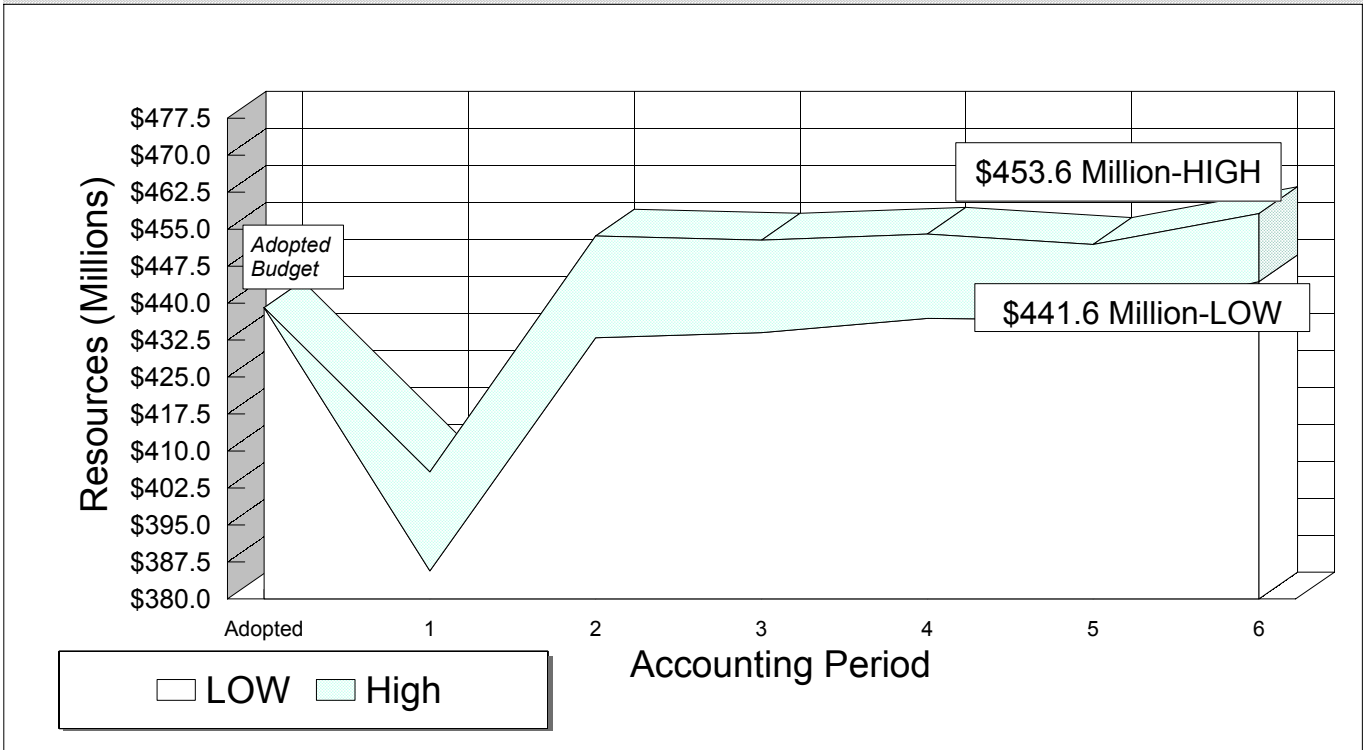
**General Fund Financial Outlook**  
**(Issue Date: March 1, 2006)**

Estimated Year-End General Fund Resources At AP-7 are forecast to range from \$441.6 million (LOW) to \$453.6 million (HIGH). Council's revised budget, period 7, remains unchanged at \$454.7 million after "Fall Bump" adjustments that went into effect during period 6. Current revenues at period 7 are nominally lower by about 8 percent reflecting the new revenue recognition method for franchise and utility license fees. This makes year-over-year comparisons impossible given the wholesale change in the way revenues are to be accounted for going forward. Reasonable year-over-year comparisons will only be possible when fourth quarter revenues are "booked" next August.

RESOURCE RECAP	
* IBIS Budgeted Resources.....	\$454,743,594
* Resource Range....(High).....	\$453,572,988
.....(Low).....	\$441,561,995
* Revenues At AP-7(*) .....	\$198,138,493
Versus Year-Ago...Down.....	<b>-8.12%</b>
(*) Net of Short-Term Borrowing	
NOTEWORTHY AT AP-7	
* Hotel/Motel Up 13.3 % vs. year-ago	
* Property Taxes Up 2.5 % 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 \$441.6 million (Low) to \$453.6 million (High). Budgeted resources are \$454.7 million. Year-end expenditure estimates range from \$426.4 million (Low) to \$429.3 million (High). Forecast year-end balance, beginning FY2006-07 balance, is forecast at somewhere between \$12.3 million (Low) to as much as \$27.2 million (High).

Business license revenues remained negative through period 7. Gross receipts to-date are \$7.4 million (up 9.1% over last year) but refunds of \$4.7 million (up 94% over last year) and credits taken totaling \$3.9 million combine to leave the net at -\$1.32 million. Net revenues of \$3.3 million a year-ago means that current revenues are a full \$4.6 million behind last year (net of audit recovery revenues). It is unclear whether year-to-date represents an emerging, typical pattern, or whether revenues are in fact well behind last year. The answer to this question will only be known in mid-April and early May after the usual surge in revenues.

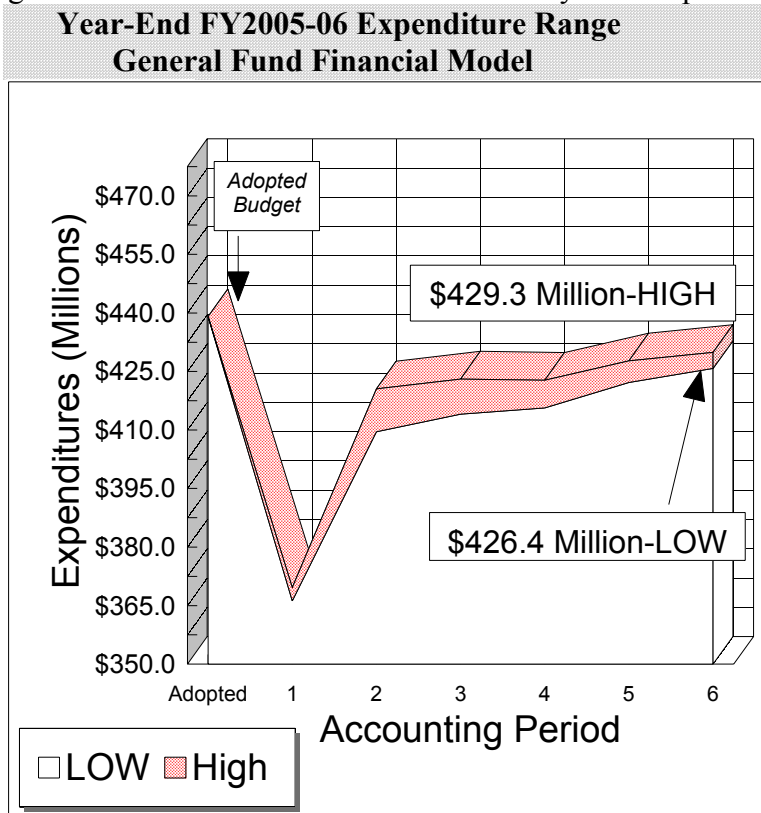
EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	\$454,743,594
* Expense Range.....(High).....	\$429,276,865
* .....(Low).....	\$426,402,022
* Expenses At AP-7(*).....	\$216,943,962
Versus Year-Ago..Up.....	11.2%
(*) Net of Short Term Borrowing	
NOTEWORTHY AT AP-7	
* Personal Services UP 8.5% vs. year-ago	
* All M&S UP 16% vs. year-ago	
* Capital Outlays UP 46.5% vs. year-ago	

Property taxes continue to do well, judging from "real-time" tax turnovers from the County. Revenues remain about 4% ahead of last year. Transient lodging tax revenues also continue to register strong growth, with revenues up over 13% over last year.

Bureau fee and miscellaneous revenues continue mixed as of period 7. Parks' main fee revenue category is up 6.6% over last year. Miscellaneous fee revenues are 21.8% ahead of last year at period 7. Miscellaneous revenues continue to lag behind last year and as of period 7 were about 6.9 percent behind year-ago.

General Fund expenditures at AP-7 total about \$216.9 million vs. last year's \$195.2 million. Expenditures remain "11-plus" percent ahead of last year. Personal services expenditure growth remains well above 8% over last year. Expenditure growth did not accelerate through period

7, but growth remains very strong and shows no signs of slowing down. Spending growth reflects a fully staffed Police Bureau, new Police and Fire contract costs and rising healthcare costs.



External materials and services expenditures growth accelerated during period 7. Year-over-year growth rose to 19% versus 11% at period 6.

Internal materials and services expenses remain well ahead of last year. Year-over-year growth is 11.4%. Year-end expenditures continue to look "tight" relative to budgets.

Capital outlays total \$5.3 million as of period 7 versus a Fall Bump adjusted budget that remains at \$7.12 million. It remains likely that the bulk of this budget, if not all, will be spent by year-end.

Figure 2-General Fund Expenditures, FY2005-06

The Estimated Year-End General Fund Balance at AP-7 ranges from \$12.3 (Low) to \$27.2 million (High). The current period 7 OUTLOOK forecast ending balance "point" estimate for the General Fund's FY2005-06 ending balance dropped to \$16.6 million which is well below the period 6 estimate of \$18.8 million as well as the current \$18.5 million December financial forecast number.

As noted in the previous OUTLOOK, expenditures remain quite strong compared to a year-ago. At the same time revenues continue to be very weak in several categories, particularly in the business licenses and utility license, franchise fee, areas. In addition, grant revenues continue to be very weak both relative to budgeted revenues and revenues last year at period 7. Revenues are \$1.6 million through period 7 with budgeted revenues at \$27.7 million. Both business license revenues and grant revenues must come up towards budget over the next three or four periods. If not, the ending balance estimate will continue to move down.

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$441,561,995	\$453,572,988
Expenses.....	\$429,276,865	\$426,402,022
<b>End Balance</b>	<b>\$12,285,130</b>	<b>\$27,170,966</b>

**Ending Fund Balance Range**

**Estimated Year-End General Fund Balance Range FY2005-06  
General Fund Financial Model**

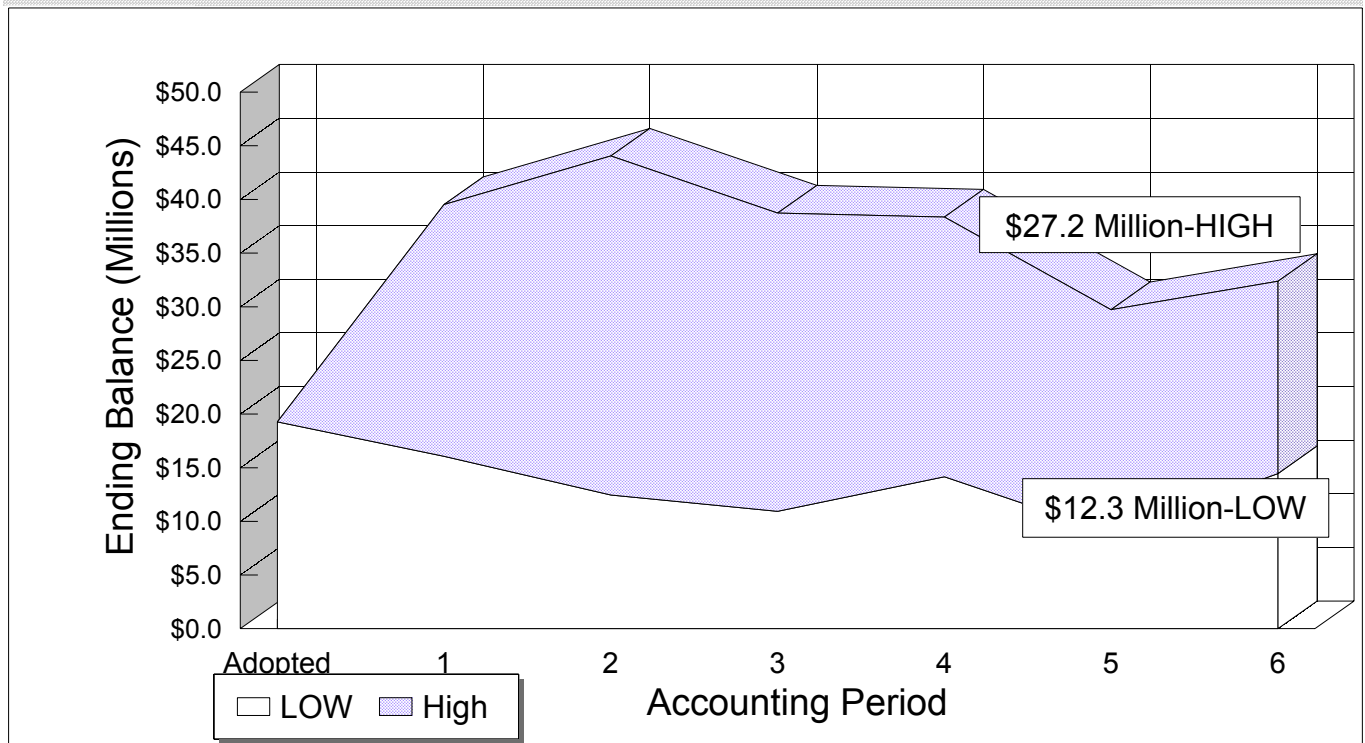


Figure 3-Estimated General Fund Balance, Year-End FY2005-06

**Portland-Salem CPI-W Comes In Up 2.8% Over Year-Ago**

The Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov)) released consumer price index numbers for the Portland-Salem-Vancouver area. For the six-month July to December period the area's consumer price index, "urban wage earners and clerical workers," CPI-W, came in at 192.2 up 2.8% over the second half of 2004. This is 1% below the December financial forecast assumption of 3.8% and will help to "improve" the revised upcoming March financial forecast, helping to close the gap between resources and requirements. Increases in the Portland area trailed other west coast cities. Anchorage CPI-W was up 3.2% over the same period. Similarly, the Phoenix-Mesa Arizona index was up 4% and San Diego was up 4.1%. For the "West" region in general prices were up 3.6% on average. Page 6 summarizes CPI-W and CPI-U for the last 10 years.

Table 1-General Fund Resources, FY2005-06				
GENERAL FUND RESOURCE CATEGORY		Through	Estimated	Revised
		AP-7	Year-End	Budget
<b>INTERNAL REVENUES.....</b>	<b>41000</b>			
Service Reimbursements.....		\$8,891,916	\$39,243,732	\$46,169,097
Other Internal & Transfers-IN.....		\$10,941,101	\$39,148,287	\$51,392,227
<b>PROPERTY &amp; LODGING TAXES</b>	<b>42100</b>			
Property Taxes.....		\$139,604,579	\$160,260,707	\$158,678,968
Lodging Taxes.....		\$7,293,874	\$13,145,928	\$12,092,518
<b>BUSINESS LICENSES, PERMITS....</b>	<b>43000</b>			
Business Licenses.....		(\$1,087,944)	\$49,747,272	\$44,418,253
Utility License/Franchise.....		\$13,493,647	\$59,081,080	\$57,612,597
Other Permits.....		\$1,690,270	\$3,287,871	\$3,160,253
<b>SERVICE CHARGES &amp; FEES.....</b>	<b>44000</b>	\$7,063,671	\$14,201,310	\$13,734,142
<b>STATE, FEDERAL SOURCES.....</b>	<b>46000</b>	\$4,097,432	\$9,996,578	\$10,105,896
<b>LOCAL SOURCES (Contracts).....</b>	<b>47000</b>	\$5,294,316	\$12,468,383	\$15,672,696
<b>MISC. REVENUES &amp; INTEREST.....</b>	<b>49400</b>	\$2,827,427	\$7,157,477	\$8,201,702
TAX ANTICIPATION NOTES/Note Sales.....		\$1,587,138	\$1,805,000	\$0
BEGINNING FUND BALANCE.....		\$27,597,902	\$27,597,902	\$21,005,245
ENCUMBRANCE & CARRYOVER.....		\$6,639,374	\$6,639,374	\$12,500,000
<b>GENERAL FUND RESOURCE TOTAL</b>		<b>\$235,934,703</b>	<b>\$443,780,900</b>	<b>\$454,743,594</b>
Estimated Percent Of Budget Resources Realized		51.9%	97.6%	

Table 2-General Fund Expenditures, FY2005-06				
GENERAL FUND EXPENDITURES		Through	Estimated	Revised
		AP-7	Year-End	Budget
<b>Salaries &amp; Wages.....</b>		\$95,558,041	\$178,833,449	\$184,043,740
Overtime.....		\$5,274,889	\$9,457,170	\$8,388,208
Benefits.....		\$25,544,809	\$46,833,701	\$44,035,704
Premium & Part-Time.....		\$10,017,915	\$16,346,190	\$16,808,532
<b>TOTAL PERSONAL SERVICES.....</b>		<b>\$136,395,654</b>	<b>\$251,470,510</b>	<b>\$253,276,184</b>
Estimated Percent Of Budget Spent.....		53.9%	99.3%	
<b>EXTERNAL MATERIALS &amp; SERVICES.....</b>		<b>\$34,805,251</b>	<b>\$71,785,309</b>	<b>\$90,128,998</b>
Estimated Percent Of Budget Spent.....		38.6%	79.6%	
<b>INTERNAL MATERIALS &amp; SERVICES.....</b>		<b>\$26,226,655</b>	<b>\$53,575,767</b>	<b>\$53,575,767</b>
Estimated Percent Of Budget Spent.....		49.0%	100.0%	
<b>CAPITAL OUTLAY.....</b>		<b>\$5,031,052</b>	<b>\$6,875,558</b>	<b>\$7,119,239</b>
Estimated Percent Of Budget Spent.....		70.7%	96.6%	
<b>CONTINGENCY &amp; UNFORESEEN.....</b>		<b>\$0</b>	<b>\$3,800,000</b>	<b>\$11,009,391</b>
<b>FUND CASH TRANSFERS.....</b>		<b>\$14,485,350</b>	<b>\$39,634,015</b>	<b>\$39,634,015</b>
<b>INVENTORY.....</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>GENERAL FUND EXPENSE TOTAL</b>		<b>\$216,943,962</b>	<b>\$427,141,159</b>	<b>\$454,743,594</b>
Estimated Percent Of Budget Spent.....		47.7%	93.9%	

<b>Table 3-General Fund Expenditures By Appropriation Unit, FY2005-06</b>					
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	\$74,906,324	\$141,031,073	\$140,892,754	53.2%
Fire Bureau.....	124	\$43,597,200	\$78,921,240	\$77,658,524	56.1%
Parks Bureau.....	130 &133	\$24,759,930	\$48,773,761	\$49,960,479	49.6%
<b>Subtotal-Public Safety and Parks</b>		<b>\$143,263,454</b>	<b>\$268,726,074</b>	<b>\$268,511,756</b>	<b>53.4%</b>
Commissioner #2 (Sten)	190	\$354,699	NA	\$657,737	53.9%
Commissioner #4 (Leonard)	191	\$324,115	NA	\$652,230	49.7%
Commissioner #3 (Saltzman)	192	\$350,716	NA	\$688,556	50.9%
Commissioner #1 (Adams)	193	\$447,129	NA	\$765,877	58.4%
Office Of The Mayor	195	\$971,512	NA	\$2,074,894	46.8%
Operating Contingency...	298	\$0	\$3,300,000	\$9,009,391	NA
Unforeseen Revenues..	298	\$0	\$500,000	\$2,000,000	NA
Other Cash Transfers.....	299	\$14,485,350	\$39,634,015	\$39,034,015	37.1%
Office of Cable Com.....	300	\$922,932	NA	\$1,883,652	49.0%
P.O.E.M.....	110	\$5,160,904	NA	\$10,456,185	49.4%
Office-Sus. Develop.....	302	\$1,121,119	NA	\$3,173,645	35.3%
Government Relations..	303	\$432,343	NA	\$762,417	56.7%
Office Of Manag. & Fin....	307	\$12,229,745	NA	\$25,630,215	47.7%
Office Of City Attorney....	312	\$3,090,160	NA	\$6,172,262	50.1%
Business Licenses.....	316	\$3,374,578	NA	\$8,028,009	42.0%
Stock Account.....	325	(\$25,165)	NA	\$25,000	-100.7%
City Auditor.....	336	\$3,925,924	NA	\$7,917,792	49.6%
Office Neigh. Involve.....	342	\$3,586,865	NA	\$7,287,918	49.2%
OMF Citywide Projects	381	\$3,142,326	NA	\$9,305,965	33.8%
OMF Utility Billing.....	390	\$6,240,121	NA	\$14,431,218	43.2%
Special Appropriations...	401	\$4,481,066	NA	\$13,809,009	32.5%
Bureau Of Planning.....	510	\$3,377,175	NA	\$6,596,282	51.2%
Bureau Com. Develop.....	540	\$5,809,817	NA	\$15,869,568	36.6%
<b>Subtotal-All Other AUs.....</b>		<b>\$73,803,431</b>	<b>\$160,489,567</b>	<b>\$186,231,838</b>	<b>39.6%</b>
<b>General Fund Total-All AUs</b>		<b>\$217,066,885</b>	<b>\$429,215,641</b>	<b>\$454,743,594</b>	<b>47.7%</b>

<b>Table 4-Revenue and Economic Indicators</b>			
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."			
	FY2005-06	FY2005-06	
Reserve Fund Usage Condition	2nd Quarter	1st Quarter	Concern Level
Basic Revenue Growth (*)	0.3%	7.5%	Below 3.0%
Portland Unemployment Rate	5.9%	6.1%	Above 6.5%
Business License Revenue Growth	17.1%	32.3%	Below 5.5%
Property Tax Delinquency Rate	5.5%	5.5%	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 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 2005 (first half,, fiscal 2006). Portland CPI indexes are published twice yearly and represent estimates for a six month period The last half of calendar 2005, July through December CPI-U came in at 2.6% above the same six month period year-ago. The CPI-W increase came in at 2.8% above year-ago. These annual increases are surprising and much lower compared to other west coast data. The table below summarizes recent annual CPI data .*

<b>CPI-U, PORTLAND-SALEM, All Urban Consumers (1982-84=100)</b>						
	Jan.- June	12 Month	July - Dec.	12 Month	Annual	12 Month
Year	CPI-U	% Change	CPI-U	% Change	Average	% Change
<b>1994</b>	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%
<b>2005</b>	194.5	2.5%	<b>197.5</b>	<b>2.6%</b>	<b>196.0</b>	<b>2.5%</b>

<b>CPI-W, PORTLAND-SALEM, Urban Wage Earners (1982-84=100)</b>						
	Jan.- June	12 Month	July - Dec.	12 Month	Annual	12 Month
Year	CPI-W	% Change	CPI-W	% Change	Average	% Change
<b>1994</b>	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%
<b>2005</b>	189.4	2.4%	<b>192.2</b>	<b>2.8%</b>	190.8	2.6%

*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](http://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"***