

City of Portland
Office of Management & Finance
THE FINANCIAL OUTLOOK

Accounting Period 13
(June 1, 2006 to June 30, 2006)

General Fund Financial Outlook
(Issue Date: Sept. 26, 2006)

Estimated Year-End General Fund Resources At AP-13 (as of September 19th) are forecast to range from \$469.0 million (LOW) to \$469.3 million (High). Council's revised year-end budget of \$459.8 million ends the fiscal year at \$20.8 million above the initial July 1 Adopted Budget. General Fund revenues are up 9.6% over the previous year. Revenue growth throughout the year was very strong. Resources may change somewhat to audit, but adjustments to audit are typically minor and unlikely to move revenues much off of \$434.9 million. Both discretionary and non-discretionary revenues showed good growth.

RESOURCE RECAP	
* IBIS Budgeted Resources.....	\$459,822,593
* Resource Range....(High).....	\$469,325,412
.....(Low).....	\$469,043,957
* Revenues At AP-13(*)	\$434,853,590
Versus Year-Ago...UP.....	9.57%
(*) Net of Short-Term Borrowing	
NOTEWORTHY AT AP-13	
* Hotel/Motel Up 12.7 % vs. year-ago	
* Property Taxes Up 4.7 % vs. year-ago	
* Business Licenses up 18.6% vs year-ago.	

(*) And net of intrafund revenues

Estimated Year-End Resource Range FY2005-06
General Fund Financial Model

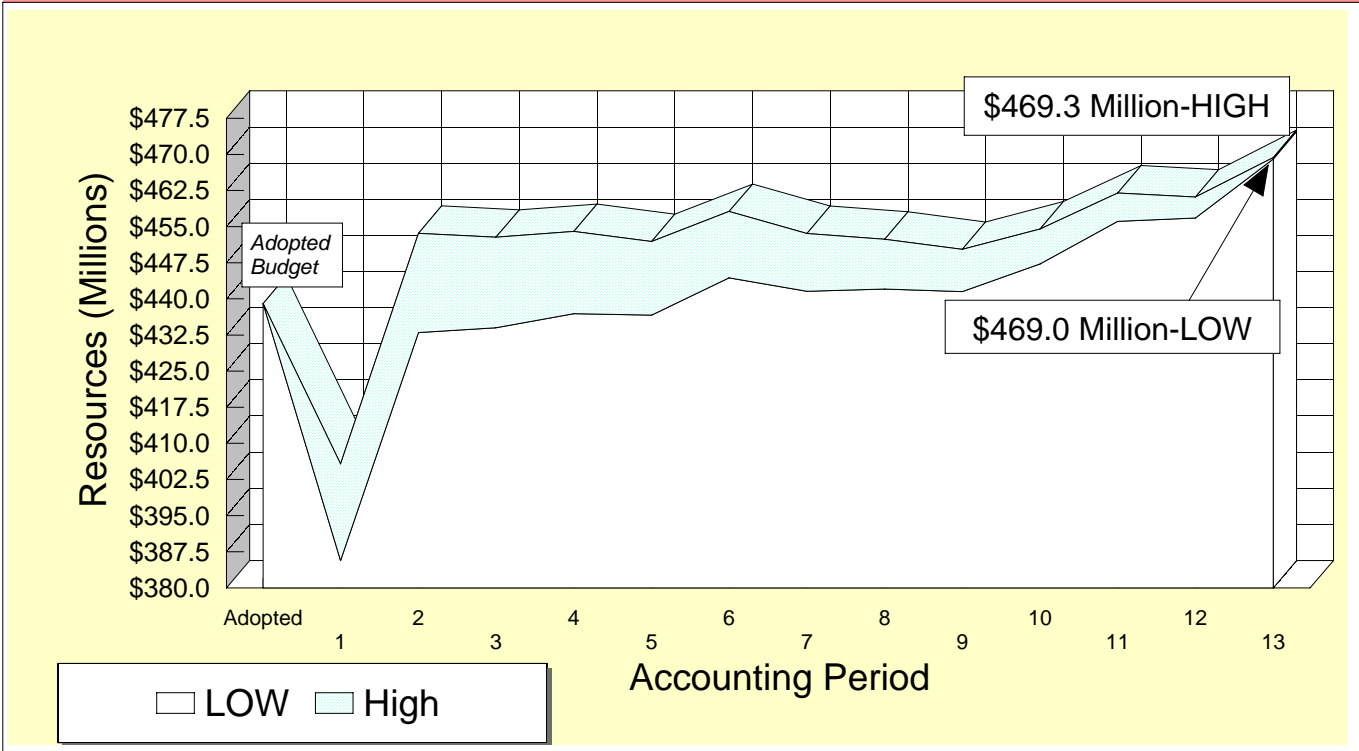


Figure 1-General Fund Resources, Year-End FY2005-06

The Bottom Line: Resources, year-end, are estimated to range from \$469.0 million (Low) to \$469.3 million (High). Budgeted resources are \$459.8 million. Year-end expenditure estimates range from \$425.2 million (Low) to \$425.4 million (High). Forecast year-end balance, which becomes FY2006-07's beginning fund balance, is forecast at \$18.99 million above an FY2006-07 budgeted beginning fund balance of \$19.31 million.

The City's General Fund FY2005-06 revenues mirror performances at state levels throughout the Pacific Northwest. The well respected Marple's Pacific Northwest Letter's July 8th edition notes that Idaho (\$200 million budget surplus of 10%), Montana (projected general fund surplus of \$550 million for current biennium), and Oregon are all reporting revenues well in excess of forecasts. The principal reason for improving fiscal situations is state economies that generated significantly more employment and income growth than originally forecast. At the local level, in Portland's case, this manifested itself in transient lodging and business license revenues well in excess of budget. Against this background of strong revenue growth, the City also settled license fee litigation with Electric Lightwave, adding another \$4.5 million to the bottom line in early July that was accrued back to FY2005-06. Thus, General Fund resources end FY2005-06 at an estimated \$469.1 prior to audit adjustments which typically can be "plus or minus" several hundred thousand.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	\$459,822,593
* Expense Range.....(High).....	\$425,430,026
*(Low).....	\$425,174,896
* Expenses At AP-13(*).....	\$425,217,418
Versus Year-Ago..Up.....	8.7%
(*) Net of Short Term Borrowing	
NOTEWORTHY AT AP-13	
* Personal Services UP 7.6% vs. year-ago	
* All M&S UP 9% vs. year-ago	
* Capital Outlays UP 27.3% vs. year-ago	

Parks main fee revenue category ended FY2005-06 at \$7.89 million versus budget of \$8.25 million. Miscellaneous fee revenues ended the year at \$3.69 million, well above a \$2.21 million budget. The other miscellaneous fee revenue category finished 4.8% below last year at \$2.08 million but well above budgeted revenue estimates totaling only \$1.34 million.

General Fund expenditures at AP-13 total about \$425.2 million vs. last year's \$391.3 million. The AP-12 expenditure estimate was \$427.9 million, \$2.7 million or 0.6% higher than actual year-end prior to audit. Personal services expenditures at year-end total \$251.9 million versus an AP-12 year-end estimate of \$252.1 million. Year-over-year growth came in at 7.6%. In the coming years this growth rate can be expected to accelerate given "95/5" health benefits cost sharing and expected higher rates of inflation.

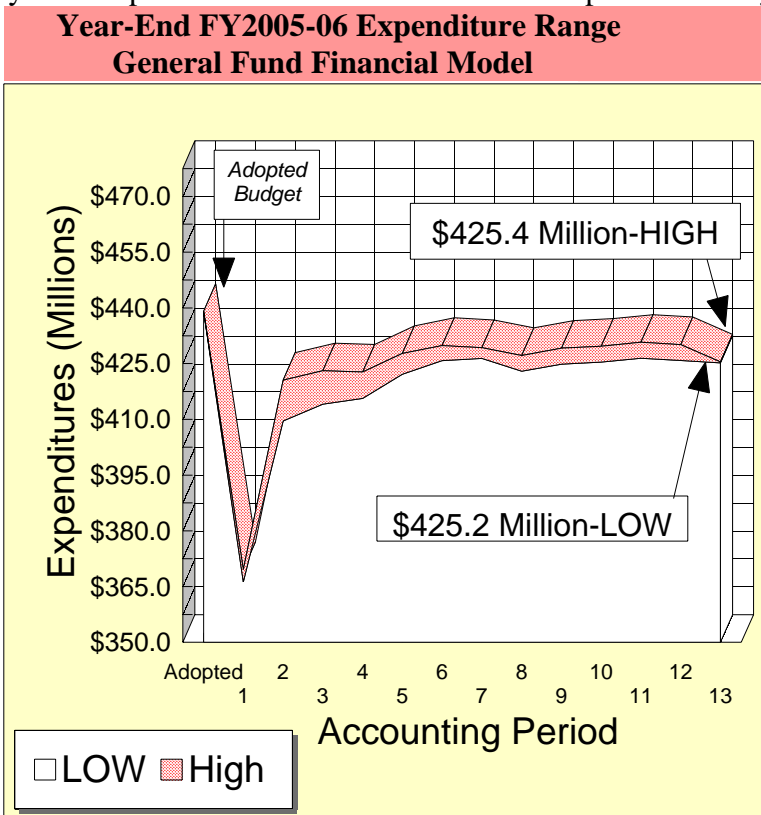


Figure 2-General Fund Expenditures, FY2005-06

External materials and services expenditures total \$70.5 million inclusive of \$6.9 million in encumbrances. Spending during AP-13 amounted to \$12.2 million versus \$13.6 million last year and \$12.1 million the previous year. The AP-12 estimate called for \$72.3 million at year-end. Internal materials and services are \$56.2 million at year-end. This is 11.5% above year ago and \$508,000 above the AP-12 estimate.

Capital outlays at year-end total \$6 million versus \$4.7 million last year and an AP-12 year-end estimate of \$7.3 million. This year-end figure does not include \$1.4 million for fire equipment purchases that may be contractually obligated but not formally encumbered.

Capital outlays at year-end total \$6 million versus \$4.7 million last year and an AP-12 year-end estimate of \$7.3 million. This year-end figure does not include \$1.4 million for fire equipment purchases that may be contractually obligated but not formally encumbered.

The Estimated Year-End General Fund Balance at AP-13 ranges from \$43.6 (Low) to \$44.2 million (High). Year-end accounting data through September 18th puts the ending balance "point" estimate at \$43.9 million. This is up considerably from the AP-12 estimate which did not include the unexpected \$4.5 million from Electric Lightwave. Against this \$43.9 million (at present) are estimated requirements of about \$5.7 million to cover bureau carryover requirements (currently estimated at \$2.8 million), contractually obligated expenses not encumbered (\$1.7 million, mostly for fire apparatus purchases), and \$1.2 million that is needed under Council's adopted Revenue Policy to fund bureau fee and program revenues in excess of budget. This leaves \$38.2 million of discretionary balance against an FY2006-07 budgeted beginning fund balance of \$19.3 million. Excess balance is \$18.9 million inclusive of the \$4.5 million of settlement money from the Electric Lightwave litigation.

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$469,043,957	\$469,325,412
Expenses.....	\$425,430,026	\$425,174,896
End Balance	\$43,613,931	\$44,150,516

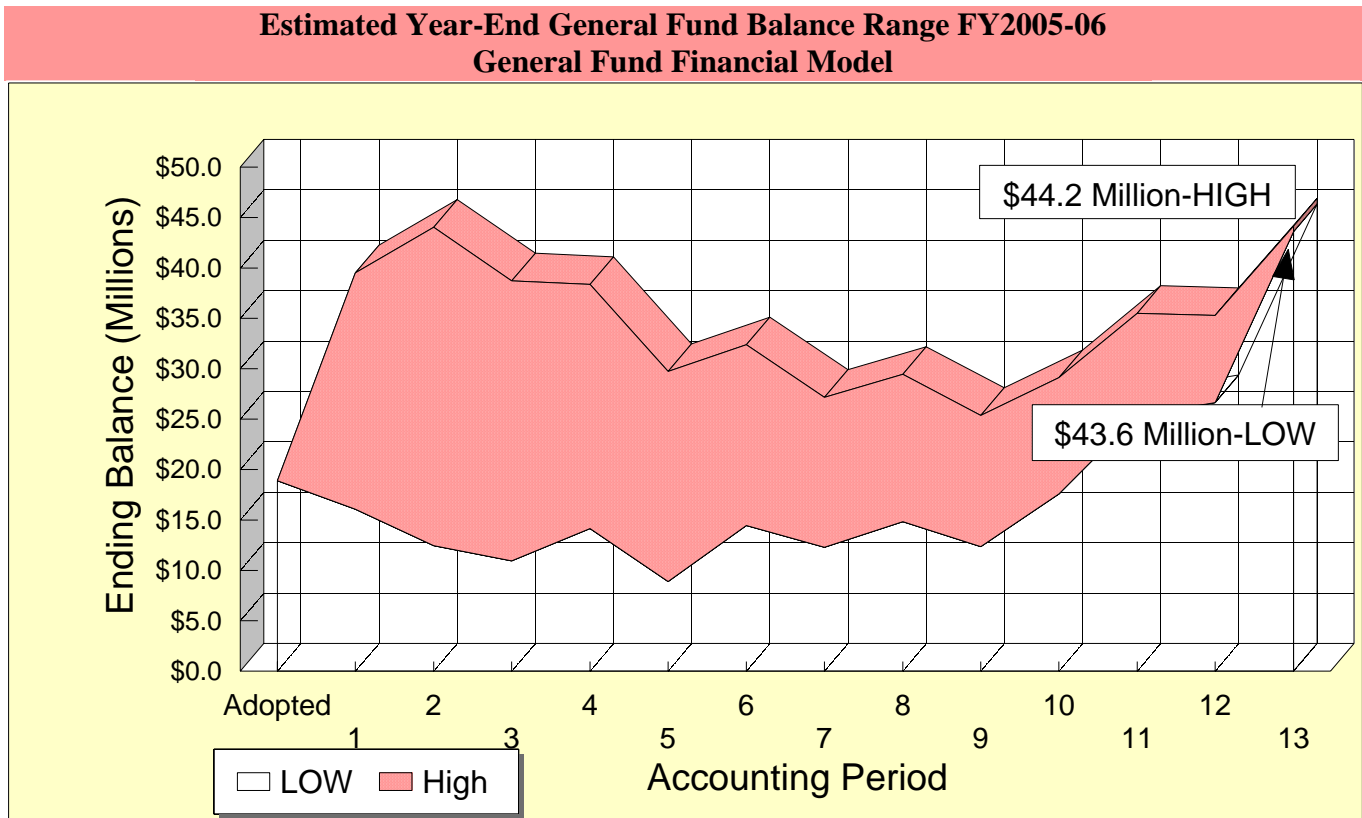


Figure 3-Estimated General Fund Balance, Year-End FY2005-06

Recent Inflation Data

Inflation has steadily accelerated over the course of the last 12 to 18 months, due in large part to rising energy, housing, and food prices. The Bureau of Labor Statistics (BLS) August Consumer Price Index - All Urban Consumers, U.S. City Average was up 3.8 percent over year-ago levels. The Consumer Price Index - Urban Wage Earners and Clerical Workers (CPI-W) was 3.9 percent above the August 2005 level. Along the West Coast the increases for the last year are higher. In the Los Angeles metro-area the increase for the 12 month period ending August 2006 was 5.1 percent. For the San-Francisco metro-area the increase was 3.9 percent. The Seattle metro-are registered an increase of almost 4.9 percent. It is likely that higher inflation here in the Portland area will partially offset the next financial forecast's revised revenue estimates.

Table 1-General Fund Resources, FY2005-06				
GENERAL FUND RESOURCE CATEGORY		Through	Estimated	Revised
		AP-13	Year-End	Budget
INTERNAL REVENUES.....	41000			
Service Reimbursements.....		\$39,875,237	\$39,875,237	\$45,097,551
Other Internal & Transfers-IN.....		\$42,120,373	\$42,120,373	\$57,021,781
PROPERTY & LODGING TAXES	42100			
Property Taxes.....		\$161,313,998	\$161,313,998	\$158,678,968
Lodging Taxes.....		\$13,303,241	\$13,303,241	\$12,092,518
BUSINESS LICENSES, PERMITS....	43000			
Business Licenses.....		\$62,231,703	\$62,231,703	\$44,418,253
Utility License/Franchise.....		\$61,979,667	\$61,979,667	\$57,612,597
Other Permits.....		\$3,221,317	\$3,221,317	\$3,529,081
SERVICE CHARGES & FEES.....	44000	\$14,900,286	\$14,900,286	\$13,841,270
STATE, FEDERAL SOURCES.....	46000	\$11,495,893	\$11,495,893	\$10,142,896
LOCAL SOURCES (Contracts).....	47000	\$14,922,766	\$14,922,766	\$15,907,590
MISC. REVENUES & INTEREST.....	49400	\$7,665,110	\$7,665,110	\$7,974,843
TAX ANTICIPATION NOTES/Note Sales.....		\$1,824,000	\$1,824,000	\$0
BEGINNING FUND BALANCE.....		\$27,597,902	\$27,597,902	\$21,005,245
ENCUMBRANCE & CARRYOVER.....		\$6,639,374	\$6,639,374	\$12,500,000
GENERAL FUND RESOURCE TOTAL		\$469,090,867	\$469,090,867	\$459,822,593
Estimated Percent Of Budget Resources Realized		102.0%	102.0%	

Table 2-General Fund Expenditures, FY2005-06				
GENERAL FUND EXPENDITURES		Through	Estimated	Revised
		AP-13	Year-End	Budget
Salaries & Wages.....		\$179,982,865	\$179,982,865	\$186,859,266
Overtime.....		\$9,758,373	\$9,758,373	\$8,362,832
Benefits.....		\$45,314,047	\$45,314,047	\$43,449,575
Premium & Part-Time.....		\$16,845,136	\$16,845,136	\$16,601,800
TOTAL PERSONAL SERVICES.....		\$251,900,421	\$251,900,421	\$255,273,473
Estimated Percent Of Budget Spent.....		98.7%	98.7%	
EXTERNAL MATERIALS & SERVICES.....		\$70,550,064	\$70,550,064	\$86,789,849
Estimated Percent Of Budget Spent.....		81.3%	81.3%	
INTERNAL MATERIALS & SERVICES.....		\$56,175,834	\$56,175,834	\$57,046,987
Estimated Percent Of Budget Spent.....		98.5%	98.5%	
CAPITAL OUTLAY.....		\$5,990,840	\$5,990,840	\$8,344,909
Estimated Percent Of Budget Spent.....		71.8%	71.8%	
CONTINGENCY & UNFORESEEN.....		\$0	\$0	\$11,136,495
FUND CASH TRANSFERS.....		\$40,600,260	\$40,600,259	\$41,230,880
INVENTORY.....		\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL		\$425,217,418	\$425,217,418	\$459,822,593
Estimated Percent Of Budget Spent.....		92.5%	92.5%	

Table 3-General Fund Expenditures By Appropriation Unit, FY2005-06					
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	\$141,623,655	\$141,623,655	\$142,436,692	98.6%
Fire Bureau.....	124	\$78,622,152	\$78,622,152	\$82,225,666	94.8%
Parks Bureau.....	130 &133	\$48,455,279	\$48,455,279	\$49,093,547	96.6%
Subtotal-Public Safety and Parks		\$268,701,085	\$268,701,085	\$273,755,905	97.1%
Commissioner #2 (Sten)	190	\$669,823	NA	\$671,487	99.7%
Commissioner #4 (Leonard)	191	\$623,573	NA	\$638,140	97.5%
Commissioner #3 (Saltzman)	192	\$661,427	NA	\$695,618	94.7%
Commissioner #1 (Adams)	193	\$843,367	NA	\$839,418	100.2%
Office Of The Mayor	195	\$2,126,441	NA	\$2,142,589	98.1%
Operating Contingency...	298	\$0	\$0	\$9,136,495	NA
Unforeseen Revenues..	298	\$0	\$0	\$2,000,000	NA
Other Cash Transfers.....	299	\$40,600,259	\$40,600,259	\$41,230,880	89.2%
Office of Cable Com.....	300	\$1,816,899	NA	\$1,832,800	99.0%
P.O.E.M.....	110	\$9,223,731	NA	\$10,996,906	80.9%
Office-Sus. Develop.....	302	\$2,446,123	NA	\$3,403,645	68.9%
Government Relations..	303	\$762,039	NA	\$774,297	94.8%
Office Of Manag. & Fin....	307	\$24,256,046	NA	\$25,409,953	95.2%
Office Of City Attorney....	312	\$6,026,450	NA	\$6,143,435	97.5%
Business Licenses.....	316	\$7,101,776	NA	\$7,992,705	86.5%
Stock Account.....	325	\$0	NA	\$0	0.0%
City Auditor.....	336	\$7,321,616	NA	\$7,865,217	92.1%
Office Neigh. Involve.....	342	\$7,033,279	NA	\$7,200,158	96.2%
OMF Citywide Projects	381	\$7,079,939	NA	\$8,507,587	81.1%
OMF Revenue Bureau.....	390	\$10,728,945	NA	\$12,301,357	94.3%
Special Appropriations....	401	\$9,104,382	NA	\$14,171,881	65.3%
Bureau Of Planning.....	510	\$6,239,045	NA	\$6,532,167	96.2%
Bureau Com. Develop.....	540	\$11,851,171	NA	\$15,579,953	71.9%
Subtotal-All Other AUs.....		\$156,516,332	\$156,516,332	\$186,066,688	80.4%
General Fund Total-All AUs		\$425,217,418	\$425,217,418	\$459,822,593	90.3%

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."			
	FY2005-06	FY2005-06	
Reserve Fund Usage Condition	4th Quarter	3rd Quarter	Concern Level
Basic Revenue Growth (*)	5.0%	6.6%	Below 3.0%
Portland Unemployment Rate	5.9%	6.1%	Above 6.5%
Business License Revenue Growth	20.4%	16.5%	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.