

OFFICE OF MANAGEMENT & FINANCE  
**The Financial Outlook**  
*for the City of Portland General Fund*



**Accounting Period #3 (AP-3)**

August 24 to September 20, 2006

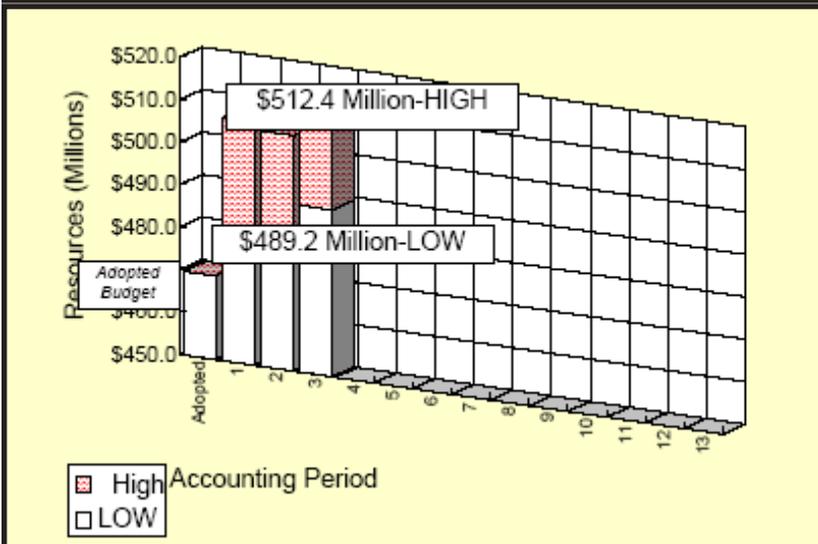
**ESTIMATED YEAR-END GENERAL FUND RESOURCES**

Estimated year-end General Fund resources at AP-3 are forecast to range from \$489.2 (LOW) to \$512.4 million (HIGH). Budgeted resources of \$469.7 million are expected to increase to \$488.6 million in the Fall Budget update and Monitoring Process (Fall BuMP) with recognition of an additional \$18.9 million in beginning balance.

General Fund revenues at AP- 3 are \$20.6 million, down 33% from last year. Net of utility license fees - which are recorded on a different schedule this year - revenues are \$19.0 million this year versus \$17.6 million last year. Revenue growth is concentrated in service reimbursements and overhead billings, miscellaneous fee and permit revenues, cigarette and liquor tax revenues, and fund interest income. First quarter transient lodging taxes total \$3.45 million versus \$3.35 million last year, up 3.1%.

*Continued on page 2*

**Estimated Year-End Resource Range  
 FY 2006-07 General Fund Financial Model**



RESOURCE RECAP	
* Budgeted Resources.....	\$488,563,958
* Resource Range, (High).....	\$512,427,850
.....(Low).....	\$489,249,024
Revenues At AP-3(*) .....	\$20,618,816
Versus Year-Ago...DOWN.....	-33.33%
NOTEWORTHY AT AP-3	
* Hotel/Motel Up 3.1 % vs. year-ago	
* Bus. Licenses Down 9% vs. year-ago **	
** Net of utility license fees growth is about 8% over a year ago	

**The Bottom Line:**

- **Resources, year-end**, are estimated to range from \$489.2 million (Low) to \$512.4 million (High).
- **Budgeted resources**, currently at \$469.7 million, are anticipated to rise to \$488.6 million in the Fall Budget Monitoring Process (BuMP).
- **Year-end expenditure estimates** range from \$466.3 million (Low) to \$477.2 million (High).
- **FY 2006-07 year-end balance** is forecast at between \$12.1 million (Low) to \$46.1 million (High).

**Estimated Year-End General Fund Resources, continued from page 1**

Multnomah County released FY 2006-07 property tax data the first week of October. This data shows that compression will reduce the City's imposed property tax levy of \$177.0 million by \$4.85 million, to \$172.2 million. This reduction of 2.76% is less than last year's 3.08%. Taxable assessed value growth at 4% exceeded 3% for only the second time in the last five years.

Current levy property tax revenue is budgeted at \$160.0 million, but with the low compression rate and increase in assessed value growth, this amount should come in somewhere between \$161 million to as much as \$162.8 million. This figure will vary depending on actual delinquencies and the number of taxpayers who take their discount for early payment. This puts year-end revenues up, at somewhere between \$1.1 million (0.6%) to as much as \$2.8 million (1.6%) above budget. Multnomah County has not released any real market value (RMV) data yet. However, the drop in compression suggests that RMV growth must have been well above trend growth, which is typically in the 5% to 6% range.

Given the estimated increase in property tax revenue, it is shaping up as a good year for this half of the General Fund's discretionary revenue stream. ■

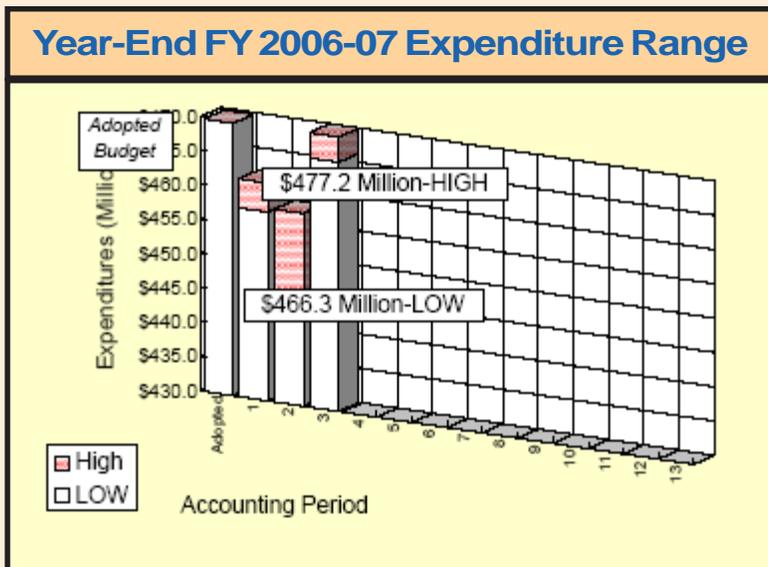
## GENERAL FUND EXPENDITURES

General Fund expenditures at AP-3 total \$98.8 million versus last year's \$93.0 million at this time. Growth has occurred in all major categories.

Personal services expenses are running 4.9% ahead of last year as of AP-3. The current forecast calls for a \$265.3 million year-end versus an estimated budget of \$269.4 million (which includes COLA).

External materials and services continue to be up, with \$16.4 million spent compared to about \$15.2 million last year.

EXPENSE RECAP	
* IBIS Budgeted Expenses.....	\$488,563,958
* Expense Range, (High).....	\$477,167,089
* .....(Low).....	\$466,301,551
* Expenses At AP-3(*).....	\$98,782,447
Versus Year-Ago..Up.....	6.17%
NOTEWORTHY AT AP-3	
* Personal Services UP 4.9%	
* All M&S UP 8% vs. year-ago	
* Capital Outlays UP 0.6%	



AP-3 internal materials and services billings total \$10.6 million versus \$9.9 million last year at AP-3, up 7.7% from last year at this time.

AP-3 financial data show \$3.8 million in capital outlays. Budget is still \$3.1 million with OMF citywide projects capital at \$735,000 over budget. As noted in the AP-2 *Outlook*, this is due to a large corporate software expenditure scheduled last fiscal year, but was carried over when availability was delayed and will be resolved in the Fall BuMP. Any of the beginning balance that is unspent will increase the balance available for appropriation in FY 2007-08. ■

## ESTIMATED YEAR-END GENERAL FUND BALANCE

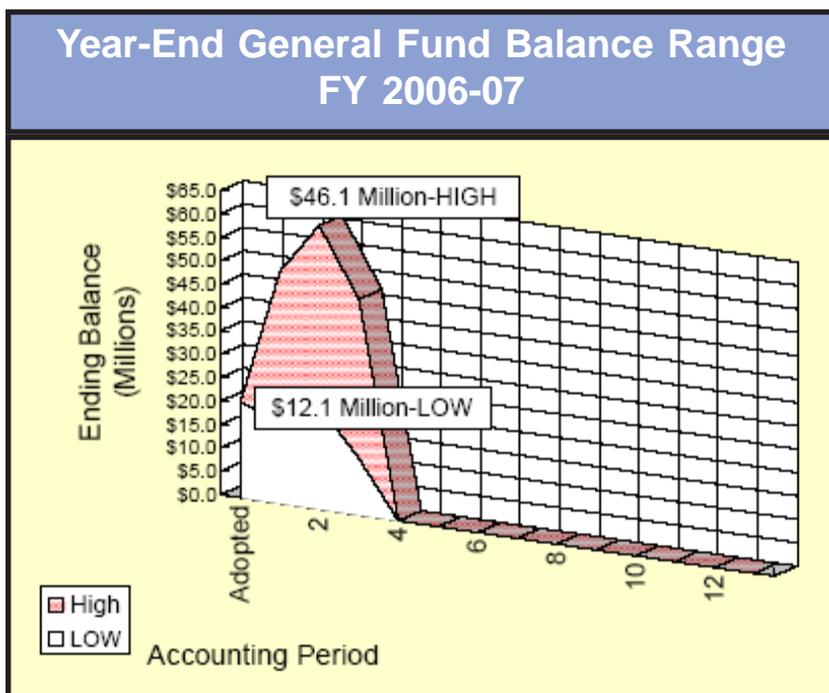
Estimated year-end General Fund balance ranges from \$12.1 million (Low) to about \$46.1 million (High). This wide balance range is typical of early year estimates.

As noted in the AP-2 *Outlook*, the General Fund began FY 2006-07 with a discretionary balance that was \$18.9 million in excess of its budgeted \$19.3 million balance.

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$489,249,024	\$512,427,850
Expenses.....	\$477,167,089	\$466,301,551
<b>End Balance...</b>	<b>\$12,081,935</b>	<b>\$46,126,299</b>

The \$18.9 million is inclusive of a settlement with Electric Lightwave.

The current estimated ending balance is \$16.9 million pending the Fall BuMP process where it is expected that the \$18.9 million excess balance will be recognized. This *Outlook* assumes expenditure or appropriation of the full \$18.9 million during the course of this current fiscal year. The estimated General Fund budget reflects this assumption, as do the year-end expenditure estimates. ■



## Economic Outlook Calls for Slower Growth

The U.S. economy has slowed markedly during the last several months. Non-farm employment growth for the most recent month shows a job increase of only 51,000 new jobs. Most economists have reduced their estimates for fourth quarter growth downward into a lower “2-plus” percent range. Economy.com notes that “a small, but vocal and respected, group of economists” is arguing that the economy is approaching stall speed and could easily fall into recession. Most economists however, like Economy.com, argue that growth - although slower - will remain firm over the coming months and judge the principal risk to the economy to be underlying inflation, which continues to be uncomfortably high. For now, the weight of opinion seems to be that the current expansion continues to generate growth, albeit at a slower pace. ■

FY 2006-07 General Fund Resources: To-Date, Estimated Year-End & Current Revised Budget			
GENERAL FUND RESOURCE CATEGORY	Through AP-3	Estimated Year-End	Revised Budget
INTERNAL REVENUES..... 41000			
Service Reimbursements.....	\$1,403,370	\$43,274,810	\$48,650,714
Other Internal, Overhead & Transfers-IN.....	\$4,162,140	\$38,190,428	\$44,974,365
PROPERTY & LODGING TAXES..... 42100			
Property Taxes.....	\$75,840	\$167,749,475	\$164,437,521
Lodging Taxes.....	\$3,453,910	\$13,757,368	\$13,502,206
BUSINESS LICENSES, PERMITS..... 43000			
Business Licenses.....	\$2,012,835	\$63,581,630	\$52,830,754
Utility License/Franchise.....	\$1,587,295	\$61,718,627	\$59,055,137
Other Permits.....	\$692,463	\$2,740,307	\$3,817,184
SERVICE CHARGES & FEES..... 44000	\$4,210,592	\$15,237,335	\$14,383,656
STATE (Cigarette & Liquor)..... 46000	\$647,769	\$10,749,098	\$10,253,228
LOCAL SOURCES (Contracts)..... 47000	\$1,464,479	\$14,674,372	\$16,353,562
MISC. REVENUES & INTEREST..... 49400	\$928,836	\$6,532,858	\$11,352,160
TAX ANTICIPATION NOTES/Note Sales.....	\$0	\$0	\$0
BEGINNING FUND BALANCE.....	\$38,631,728	\$38,631,728	\$38,203,471
ENCUMBRANCE & CARRYOVER.....	\$14,869,525	\$14,869,525	\$10,750,000
<b>GENERAL FUND RESOURCE TOTAL</b>	<b>\$74,140,782</b>	<b>\$491,707,562</b>	<b>\$488,563,958</b>
Estimated Percent Of Budget Resources Realized	15.2%	100.6%	

FY 2006-07 General Fund Expenses: To-Date, Estimated Year-End & Current Revised Budget			
GENERAL FUND EXPENSE CATEGORY	Through AP-3	Estimated Year-End	Revised Budget
Salaries & Wages.....	\$40,482,798	\$183,428,348	\$190,418,436
Overtime.....	\$2,513,850	\$9,783,673	\$7,635,352
Premium & Part-Time.....	\$6,199,459	\$18,176,337	\$17,184,855
Benefits.....	\$12,361,869	\$53,892,291	\$53,892,291
<b>TOTAL PERSONAL SERVICES.....</b>	<b>\$61,557,976</b>	<b>\$265,280,648</b>	<b>\$269,130,934</b>
Estimated Percent Of Budget Spent.....	22.9%	98.6%	
EXTERNAL MATERIALS & SERVICES.....	\$16,402,514	\$81,895,273	\$88,711,850
Estimated Percent Of Budget Spent.....	18.5%	92.3%	
INTERNAL MATERIALS & SERVICES.....	\$10,641,140	\$53,836,310	\$53,836,310
Estimated Percent Of Budget Spent.....	19.8%	100.0%	
CAPITAL OUTLAY.....	\$3,842,719	\$3,905,460	\$3,141,779
Estimated Percent Of Budget Spent.....	122.3%	124.3%	
CONTINGENCY & UNFORESEEN.....	\$0	\$33,162,023	\$36,443,803
FUND CASH TRANSFERS.....	\$6,338,098	\$36,713,410	\$37,299,282
INVENTORY.....	\$0	\$0	\$0
<b>GENERAL FUND EXPENSE TOTAL</b>	<b>\$98,782,447</b>	<b>\$474,793,124</b>	<b>\$488,563,958</b>
Estimated Percent Of Budget Spent.....	20.2%	97.2%	

FY 2006-07 General Fund Expenses by Bureau: To-Date, Estimated Year-End & Current Revised Budgets					
Percent Of Year Elapsed.....		23.1%	Percent Year Remaining.....		76.9%
AU Description		Through AP-3	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	\$32,407,261	\$144,172,155	\$143,629,695	22.6%
Fire Bureau.....	124	\$20,838,120	\$81,827,736	\$79,941,935	26.1%
Parks Bureau.....	133	\$11,833,724	\$49,512,737	\$48,866,117	24.2%
Subtotal-Public Safety and Parks		\$65,079,105	\$275,512,628	\$272,437,746	23.9%
Commissioner #2 (Sten)	190	\$171,499	#N/A	\$692,879	24.8%
Commissioner #4 (Leonard)	191	\$144,108	#N/A	\$683,516	21.1%
Commissioner #3 (Saltzman)	192	\$159,170	#N/A	\$703,743	22.6%
Commissioner #1 (Adams)	193	\$179,274	#N/A	\$777,526	23.1%
Office of the Mayor	195	\$599,221	#N/A	\$2,569,938	23.3%
Operating Contingency...	298	\$0	\$33,162,023	\$34,443,803	#N/A
Unforeseen Revenues..	298	\$0	\$0	\$2,000,000	#N/A
Other Cash Transfers.....	299	\$6,181,406	\$36,713,410	\$36,737,508	16.8%
Office of Cable Com.....	300	\$387,920	#N/A	\$1,897,379	20.4%
P.O.E.M.....	110	\$3,649,960	#N/A	\$10,538,252	34.6%
Office-Sus. Develop.....	302	\$513,914	#N/A	\$2,913,583	17.6%
Government Relations.....	303	\$115,026	#N/A	\$799,425	14.4%
Office of Manage & Fin.....	307	\$5,254,028	#N/A	\$24,161,519	21.7%
Office of City Attorney.....	312	\$1,374,031	#N/A	\$6,835,605	20.1%
Business Licenses.....	316	\$6,049	#N/A	\$0	#N/A
City Auditor.....	336	\$1,517,852	#N/A	\$7,953,696	19.1%
Office Neigh. Involve.....	342	\$1,685,931	#N/A	\$5,818,149	29.0%
OMF Citywide Projects....	381	\$1,720,871	#N/A	\$9,049,626	37.8%
OMF Revenue Bureau.....	390	\$4,513,221	#N/A	\$26,184,796	32.0%
Special Appropriations.....	401	\$2,626,287	#N/A	\$18,089,974	14.5%
Bureau of Planning.....	510	\$1,418,808	#N/A	\$7,710,379	18.4%
Bureau Com. Develop.....	540	\$1,492,672	#N/A	\$15,564,914	9.6%
Subtotal-All Other AUs.....		\$33,711,248	\$200,599,217	\$216,126,212	18.2%
General Fund Total-All AUs		\$98,790,353	\$476,111,845	\$488,563,958	21.4%

### Revenue and Economic Indicators

This table summarizes some basic revenue and economic indicators. The onset of an economic slow-down or financial trouble will be reflected by indicators that climb above the applicable "Concern Level."

Reserve Fund Usage Condition	FY2005-06	FY2005-06	Concern Level
	4th Quarter	3rd Quarter	
Basic Revenue Growth.....	<b>7.6%</b>	<b>4.4%</b>	Below 3%
Portland Unemployment Rate.....	<b>5.9%</b>	<b>6.1%</b>	Above 6.5%
Business License Revenue Growth.....	<b>16.2%</b>	<b>17.1%</b>	Below 5.5%
Property Tax Delinquency Rate.....	<b>5.5%</b>	<b>5.5%</b>	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 OMF *Financial Outlook* is written and produced by City Economist D.S. Barden and Economist Kourosh Ghaemmaghami of the Bureau of Financial Services. Find the *Outlook* online at [www.portlandonline.com/omf](http://www.portlandonline.com/omf) in the Financials section.

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