

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



**Accounting Period #4 (AP-4)**

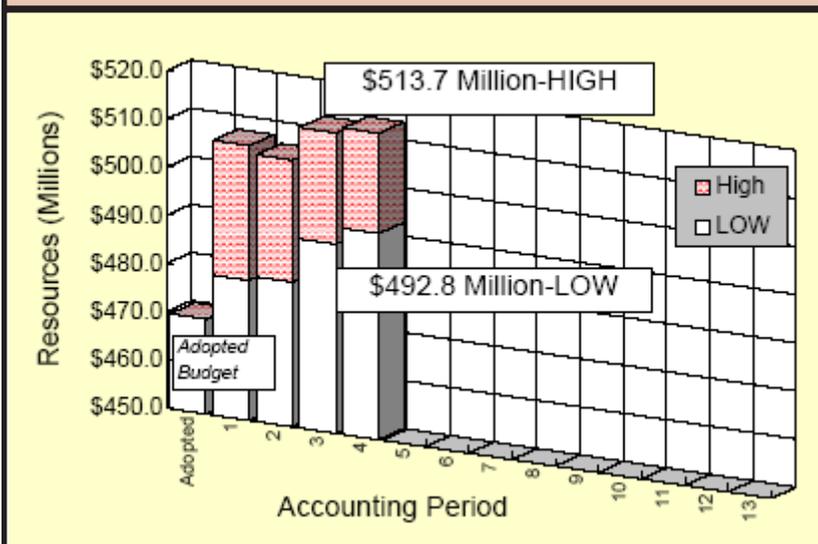
September 21 to October 18, 2006

**ESTIMATED YEAR-END GENERAL FUND RESOURCES**

Estimated year-end General Fund resources at Accounting Period 4 (AP-4) which spanned September 21 - October 18 are forecast to range from \$492.8 million (LOW) to \$513.7 million (HIGH). Budgeted resources of \$469.7 million are expected to increase in the fall budget update and monitoring process (Fall BuMP) with recognition of \$18.9 million in beginning balance bringing budgeted resources up to at least \$488.6 million.

General Fund revenues at AP-4 are \$31.1 million, down almost 30% from last year. Net of utility license and franchise fees - which are recorded on a different schedule this year - revenues are \$28.8 million this year versus \$30.3 million last year. Revenues are about \$1.5 million or 5.2% behind last year at AP-4.

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



Accounting period data puts transient lodging taxes at \$4.6 million through October 18th versus \$4.8 million last year through October 19th. With one less day, revenues are about 4.6% behind last year.

*Continued on Page 2*

RESOURCE RECAP	
* Budgeted Resources.....	\$488,563,958
* Resource Range, (High).....	\$513,650,174
.....(Low).....	\$492,827,338
Revenues At AP-4(*) .....	\$31,114,445
Versus Year-Ago...UP.....	-29.84%
NOTEWORTHY AT AP-4	
* Hotel/Motel Down -4.6 % vs. year-ago	
* Business licenses Down -11 % vs. year-ago	

(\*) Net of utility franchise fees revenues are 5.2% lower.

**The Bottom Line:**

- **Resources, year-end**, are estimated to range from \$492.8 million (Low) to \$513.7 (High).
- **Budgeted Resources** are anticipated to rise to \$488.6 million in Fall Budget Monitoring Process (BuMP).
- **Year-end expenditure estimates** range from \$470.1 million (Low) to \$478.4 million (High).
- **FY 2006-07 year-end balance range** is forecast at between \$14.5 million (Low) to \$43.5 million (High).
- **AP-4 estimated FY 2006-07 year-end balance** is at \$19.3 million (see page 3 for more information).

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

Revenue for the last 12 months totals \$13.6 million versus an FY 2005-06 year-end of about \$13.3 million. On a twelve-month basis, revenues are up 2.1% over last year through roughly the first half of FY 2006-07. Transient lodging tax revenue growth has clearly slowed down to between 3% to 4%.

This suggests that the broader economy is in the process of slowing down, perhaps reflecting additional “drag” on the metropolitan area’s economy associated with Intel’s well-publicized efforts to trim staff and restructure global operations. In addition, higher gasoline prices this past summer may have reduced tourism.

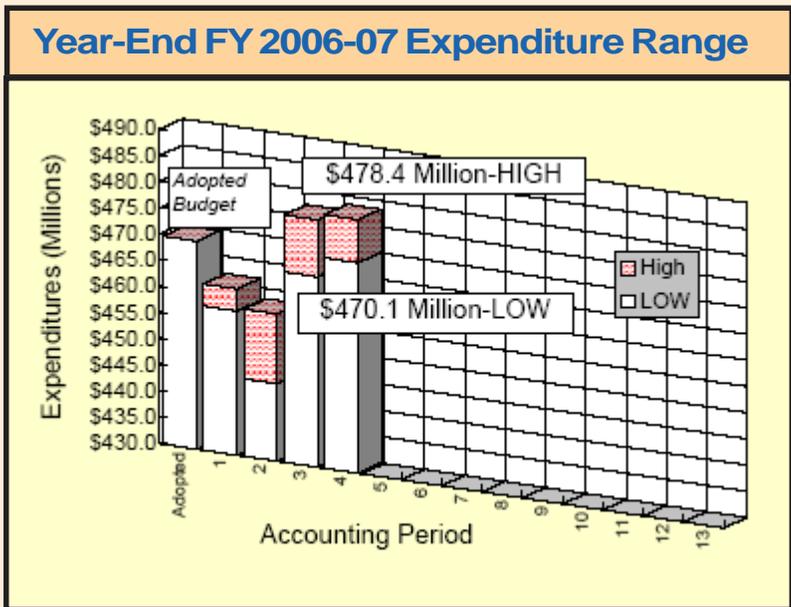
Bureau (fee, permit) revenues are mixed, with Parks main fee revenues up 19.4%. One miscellaneous category is up 138.2% while the other is down 57.4% compared to last year. Wide variations are typical here and these bureau revenues do not contribute to discretionary balance. ■

## GENERAL FUND EXPENDITURES

General Fund AP-4 expenditures total \$129.8 million versus last year’s \$122.4 million. Expense growth remains very strong in the personal services and external materials and services areas.

Personal services are up about 5.5% over last year but most of the expense growth is in areas outside of wage and salary, which is up only 2.2% over last year.

EXPENSE RECAP	
* IBIS Budgeted Expenses.....	<b>\$488,563,958</b>
* Expense Range, (High).....	<b>\$478,382,031</b>
* .....(Low).....	<b>\$470,137,143</b>
* Expenses At AP-4.....	<b>\$129,771,449</b>
Versus Year-Ago..Up.....	<b>6.04%</b>
NOTEWORTHY AT AP-4	
* Personal Services UP 5.5%	
* All M&S UP 6% vs. year-ago	
* Capital Outlays UP 1.4%	



Overtime, premium pay, and benefits are up 10.9%, 17.2% and 12.6% respectively compared to last year at AP-4.

AP-4 external materials and services expenses total \$21.5 million versus \$18.8 million last year, up 14.3% from a year ago at this time.

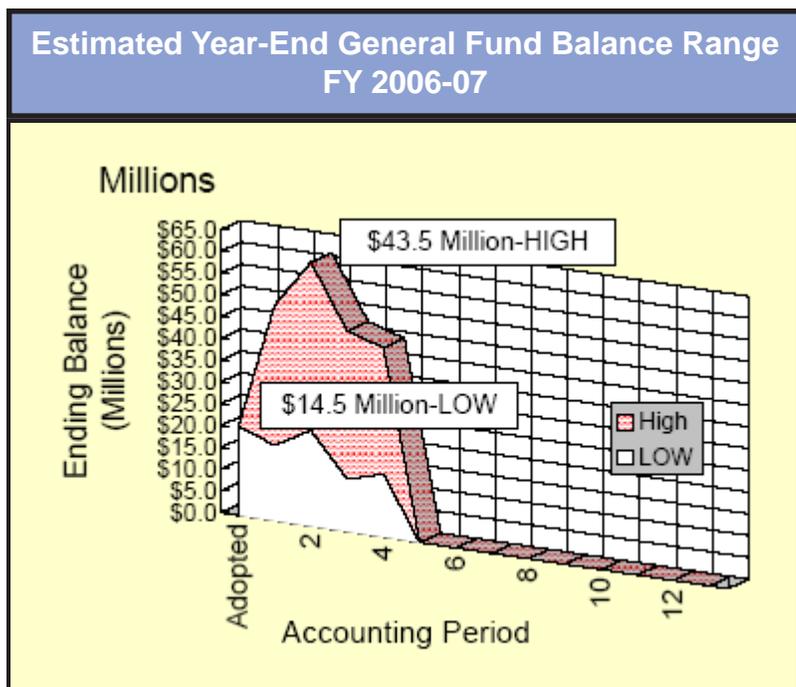
Internal materials and services are about 4.2% behind last year with expenses totaling \$14.1 million versus \$14.7 million last year at AP-4. ■

## ESTIMATED YEAR-END GENERAL FUND BALANCE

Estimated year-end General Fund balance ranges from \$14.5 million (Low) to about \$43.5 million (High). This wide balance range is typical of early year estimates.

The AP-4 ending balance estimate has increased from \$16.9 million to \$19.3 million in this issue. This is traditionally the beginning balance estimate used in fall revenue and financial forecast documents.

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$492,827,338	\$513,650,174
Expenses.....	\$478,382,031	\$470,137,143
<b>End Balance...</b>	<b>\$14,445,307</b>	<b>\$43,513,031</b>



This \$19.3 million can be broken into two components. About \$12 to \$13 million becomes fund balance that, in the financial forecast, supports program expenditures. The remaining \$6 million to \$7 million represents added one-time resources available to Council in the FY 2007-08 budget process. This amount, along with any one-time resources identified within the context of the five-year financial forecast, becomes the total one-time amount available to Council for FY 2007-08.

It is in the five-year financial forecast that the full interplay between resources and requirements determines the overall split of any resources above requirements into available ongoing and one-time amounts. ■

## More on The Economic Outlook

News on the U.S. economy continues to be mixed. Third quarter gross domestic product (GDP) numbers are out: growth sagged to about 1.6% for the third quarter. Third quarter economic growth was much slower than most prognosticators had expected. Detroit’s auto woes and a declining housing market, even given lower fuel prices, are likely to dampen fourth quarter growth. Given this background, the City’s national economic advisor, Moody’s - Economy.com estimates the chance of recession in the next several quarters at “one in four” versus “one in ten” last year. Federal Reserve economists and officials put the chance of recession in the next twelvemonths at 40%. Most economists still expect the economy to avoid recession over the coming months but it may be a much closer thing. ■

FY 2006-07 General Fund Resources: To-Date, Estimated Year-End & Current Revised Budget			
GENERAL FUND RESOURCE CATEGORY	Through AP-4	Estimated Year-End	Revised Budget
INTERNAL REVENUES..... 41000			
Service Reimbursements.....	\$1,801,573	\$35,612,186	\$48,650,714
Other Internal, Overhead & Transfers-IN.....	\$5,576,644	\$48,201,053	\$44,974,365
PROPERTY & LODGING TAXES..... 42100			
Property Taxes.....	\$544,044	\$167,656,534	\$164,437,521
Lodging Taxes.....	\$4,621,149	\$13,529,956	\$13,502,206
BUSINESS LICENSES, PERMITS.... 43000			
Business Licenses.....	\$3,277,122	\$63,581,630	\$52,830,754
Utility License/Franchise.....	\$2,343,913	\$61,279,833	\$59,055,137
Other Permits.....	\$982,422	\$3,307,441	\$3,817,184
SERVICE CHARGES & FEES..... 44000	\$5,664,921	\$16,256,101	\$14,383,656
STATE (Cigarette & Liquor)..... 46000	\$1,644,121	\$10,752,179	\$10,253,228
LOCAL SOURCES (Contracts)..... 47000	\$3,332,227	\$15,026,836	\$16,353,562
MISC. REVENUES & INTEREST..... 49400	\$1,354,984	\$6,598,856	\$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>\$84,644,373</b>	<b>\$495,303,857</b>	<b>\$488,563,958</b>
Estimated Percent Of Budget Resources Realized	17.3%	101.4%	

FY 2006-07 General Fund Expenses: To-Date, Estimated Year-End & Current Revised Budget			
GENERAL FUND EXPENSE CATEGORY	Through AP-4	Estimated Year-End	Revised Budget
Salaries & Wages.....	\$54,424,669	\$183,908,901	\$190,418,366
Overtime.....	\$3,426,072	\$10,671,266	\$7,635,351
Premium & Part-Time.....	\$7,595,063	\$18,362,758	\$17,184,851
Benefits.....	\$16,503,791	\$52,099,556	\$53,892,262
<b>TOTAL PERSONAL SERVICES.....</b>	<b>\$81,949,595</b>	<b>\$265,042,481</b>	<b>\$269,130,831</b>
Estimated Percent Of Budget Spent.....	30.4%	98.5%	
EXTERNAL MATERIALS & SERVICES.....	\$21,528,613	\$83,342,337	\$88,711,953
Estimated Percent Of Budget Spent.....	24.3%	93.9%	
INTERNAL MATERIALS & SERVICES.....	\$14,114,994	\$53,836,310	\$53,836,310
Estimated Percent Of Budget Spent.....	26.2%	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.....	\$8,335,528	\$36,713,410	\$37,299,282
INVENTORY.....	\$0	\$0	\$0
<b>GENERAL FUND EXPENSE TOTAL</b>	<b>\$129,771,449</b>	<b>\$476,002,021</b>	<b>\$488,563,958</b>
Estimated Percent Of Budget Spent.....	26.6%	97.4%	

FY 2006-07 General Fund Expenses by Bureau: To-Date, Estimated Year-End & Current Revised Budgets					
Percent Of Year Elapsed.....		30.8%	Percent Year Remaining.....		69.2%
AU Description	AU#	Through AP-4	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	\$42,491,709	\$144,172,155	\$143,629,695	29.6%
Fire Bureau.....	124	\$26,897,860	\$81,827,736	\$79,941,935	33.6%
Parks Bureau.....	133	\$15,577,960	\$49,512,737	\$48,866,117	31.9%
<b>Subtotal-Public Safety and Parks</b>		<b>\$84,967,529</b>	<b>\$275,512,628</b>	<b>\$272,437,746</b>	<b>31.2%</b>
Commissioner #2 (Sten)	190	\$229,459	N/A	\$692,879	33.1%
Commissioner #4 (Leonard)	191	\$192,733	N/A	\$683,516	28.2%
Commissioner #3 (Saltzman)	192	\$210,734	N/A	\$703,743	29.9%
Commissioner #1 (Adams)	193	\$242,327	N/A	\$777,526	31.2%
Office of the Mayor	195	\$789,324	N/A	\$2,569,938	30.7%
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	\$8,142,974	\$36,713,410	\$36,737,508	22.2%
Office of Cable Com.....	300	\$445,678	N/A	\$1,897,379	23.5%
P.O.E.M.....	110	\$4,508,653	N/A	\$10,538,252	42.8%
Office-Sus. Develop.....	302	\$700,418	N/A	\$2,913,583	24.0%
Government Relations.....	303	\$175,468	N/A	\$799,425	21.9%
Office of Manage & Fin.....	307	\$6,911,340	N/A	\$24,161,519	28.6%
Office of City Attorney.....	312	\$1,919,984	N/A	\$6,835,605	28.1%
Business Licenses.....	316	\$6,580	N/A	\$0	N/A
Stock Account.....	325	\$0	N/A	\$0	0.0%
City Auditor.....	336	\$2,038,503	N/A	\$7,953,696	25.6%
Office Neigh. Involve.....	342	\$2,058,734	N/A	\$5,818,149	35.4%
OMF Citywide Projects....	381	\$2,164,291	N/A	\$9,049,626	23.9%
OMF Revenue Bureau.....	390	\$6,469,902	N/A	\$26,184,693	24.7%
Special Appropriations.....	401	\$3,377,002	N/A	\$18,090,077	18.7%
Bureau of Planning.....	510	\$1,885,234	N/A	\$7,710,379	24.5%
Bureau Com. Develop.....	540	\$2,334,566	N/A	\$15,564,914	15.0%
<b>Subtotal-All Other AUs.....</b>		<b>\$44,803,904</b>	<b>\$200,599,217</b>	<b>\$216,126,212</b>	<b>20.7%</b>
<b>General Fund Total-All AUs</b>		<b>\$129,771,433</b>	<b>\$476,111,845</b>	<b>\$488,563,958</b>	<b>26.6%</b>

### 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	FY2006-07	FY2005-06	Concern Level
	1st Quarter	4th Quarter	
Basic Revenue Growth.....	<b>7.7%</b>	<b>8.5%</b>	Below 3%
Portland Unemployment Rate.....	<b>5.7%</b>	<b>6.0%</b>	Above 6.5%
Business License Revenue Growth.....	<b>22.7%</b>	<b>28.8%</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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