OFFICE OF MANAGEMENT & FINANCE

The Financial Outlook

for the City of Portland General Fund

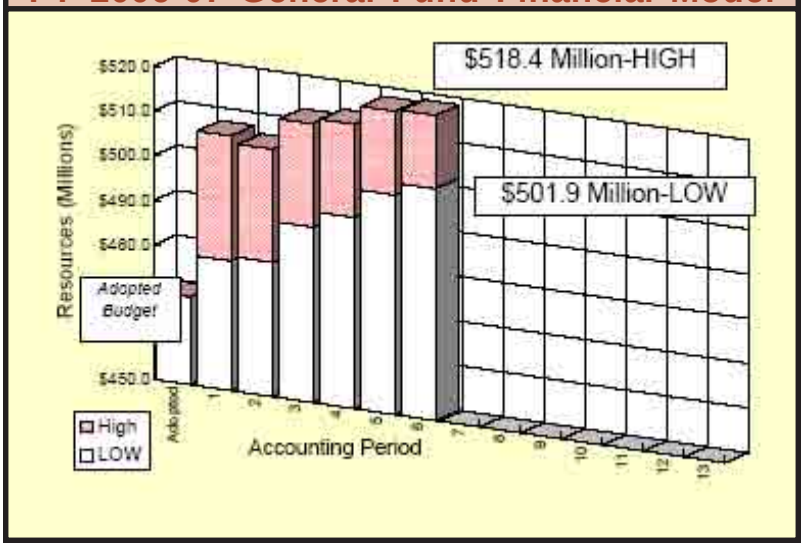
Accounting Period #6 (AP-6) November 16 to December 13, 2006

ESTIMATED YEAR-END GENERAL FUND RESOURCES

Estimated year-end General Fund resources at AP-6 are forecast to range from $501.9 million (low) to $518.4 million (high). Budgeted resources, after fall budget monitoring (BuMP) adjustments, are now $499.98 million or one-half billion. Council's AP-6 budget stands at $30.3 million above the July 1 Adopted Budget. Of the budget, the FY 2006-07 beginning balance increase accounts for $19 million.

General Fund revenues at AP-6 are $207.9 million, up about 8.1% over last year. Revenues, both discretionary and nondiscretionary, continue to grow, reflecting a solid regional economy.

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



Transient lodging taxes continue to accelerate after a slow first quarter start. Revenues for the past twelve months

Continued on page 2

RESOURCE RECAP

* Budgeted Resources.....	$499,980,943
* Resource Range, (High).....	$518,385,311
.....(Low).....	$501,891,961
Revenues At AP-6(*)	$207,923,644
Versus Year-Ago...UP.....	8.14%

NOTEWORTHY AT AP-6

* Hotel/Motel Up 7.0 % vs. year-ago
* Property Taxes Up 5 % vs. year-ago

(*) Net of utility franchise fees revenues are 4.1% lower

The Bottom Line:

- **Resources, year-end**, are estimated to range from $501.9 million (Low) to $518.4 (High).
- **Budgeted Resources** rise to $500 million after the Fall BuMP.
- **Year-end expenditure estimates** range from $475.7 million (Low) to $480.5 million (High).
- **FY 2006-07 year-end balance** is forecast between $21.4 million (Low) to $42.7 million (High).

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

total $13.8 million versus $12.8 million last year, up 9%. Revenues year to date are $7.8 million versus $7.3 million last year at AP-6, up 6.7% on this basis. Year-end revenues should easily be a few hundred thousand over budget.

Other discretionary revenues are growing strongly. Business license and utility license/franchise fee revenues are well ahead of last year. Current levy property tax revenues continue to run about 4.4% ahead of last year but delinquent property tax revenues remain stagnant. Higher interest rates continue to fuel fund interest income which stands at about $991,400 through AP-6. To-date, interest income is more than twice last year's AP-6 interest income. Overall, discretionary revenues are up about 8.4% over last year.

Bureau fee and permit revenues remain mixed. Parks main fee revenues are up 11.9%. Miscellaneous revenues vary considerably among the different categories.

General Fund Expenditures

General Fund AP-6 expenditures total $195.8 million versus last year's $186.8 million. Expense growth remains very strong, with expenses up 4.8%. Grant-backed encumbrances total about $4.2 million as of AP-6 and have ranged from about $3.5 million in AP-4 to the current high of $4.2 million. Expenditures for both overtime and premium pay continue to run well ahead of last year. Overtime is up 8.2% and premium pay is up 15.5%. Benefits remain about 13% ahead of last year.

External materials and services, at $33.1 million through period 6, are up 11.2% over last year at period 6. Internal materials and services slowed to 3.2% behind last year with expenses totaling $22.3 million versus $23.0 million last year at AP-6.

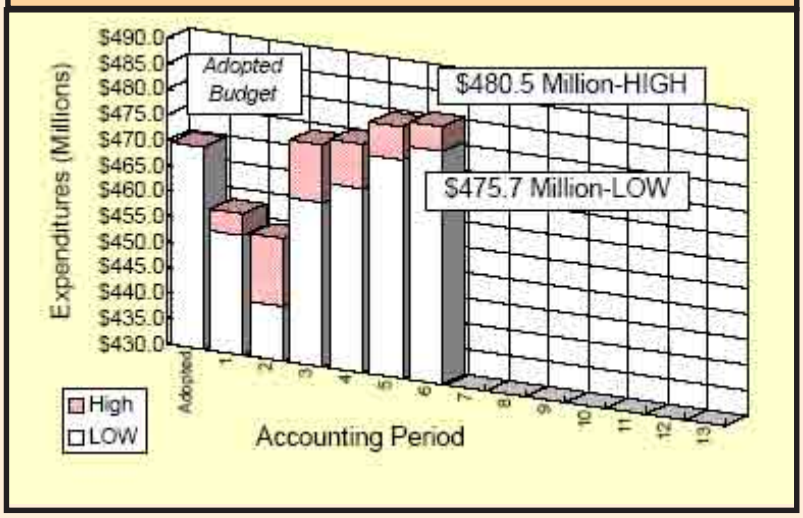
Expense Recap

* IBIS Budgeted Expenses.....	$499,980,943
* Expense Range, (High).....	$480,525,612
* .....(Low).....	$475,733,832
* Expenses At AP-6(*).....	$195,821,234
Versus Year-Ago..Up.....	4.83%

NOTEWORTHY AT AP-6

* Personal Services UP 4.8%
* All M&S UP 5% vs. year-ago
* Capital Expense DOWN -18.7%

Year-End FY 2006-07 Expenditure Range



Estimated Year-End General Fund Balance

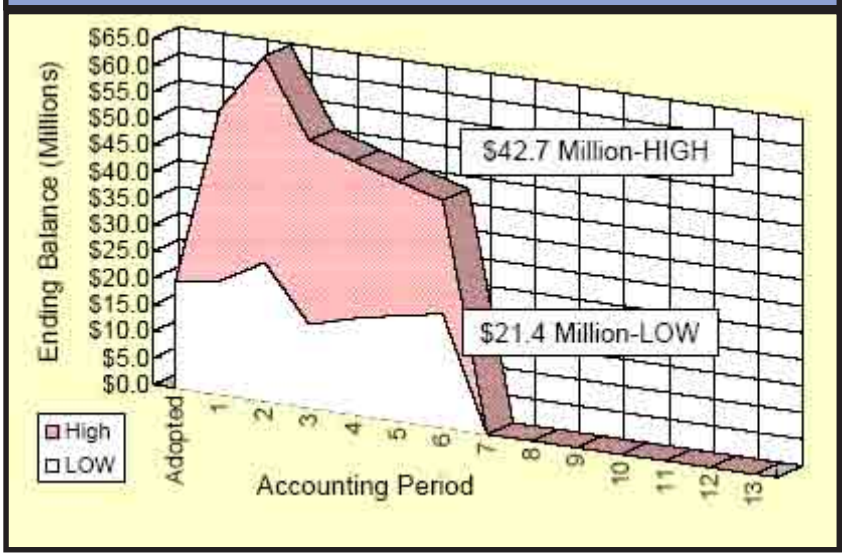
Estimated year-end General Fund balance ranges from $21.4 million (low) to about $42.6 million (high). This wide balance range is typical for half way through the fiscal year.

Estimated Year-End Balance Range

Item	Low	High
Resources.....	$501,891,961	$518,385,311
Expenses.....	$480,525,612	$475,733,832
End Balance...	$21,366,349	$42,651,479

As noted in the last *Financial Outlook* and beginning with this issue, encumbrances are being adjusted for grant-backed encumbrances using a special accounting report. As of AP-6, $4.2 million of about $8.2 million in encumbrances are funded by grant revenues. Both the external materials and services and capital outlay expense items, current and year-end, have been reduced for grant backed encumbrances (see the table at the bottom of page 4 and the line item entry on the page 5 table). This has the effect of increasing the ending balance estimate by $3.8 million in this issue. This adjustment may result in more volatility in ending balance estimates if this number varies widely over the course of a fiscal year. For the first six accounting periods of this year, grant-backed encumbrances have ranged from $3.5 million to this year's current high of $4.2 million. It is hoped that adding this adjustment to expense estimates leads to improved accuracy. ■

Year-End General Fund Balance Range FY 2006-07



Calendar 2006, A Pretty Good Year

Calendar 2006 was a pretty good year as measured by labor market data. Oregon Employment Department economists are labeling 2006 as, "Another Banner Year." Employment by place of work grew rapidly in Oregon during 2006 led by the construction sector. This matches local anecdotal data in the form of the "crane index," which remains very high, especially in the downtown Portland area. The unemployment rate averaged about 6.1% for all of calendar 2005 and was about 5.4% that December. By November of 2006 the unemployment rate had dropped to about 4.5%. Labor markets tightened during 2006 and the Oregon Employment Department reports that, "average pay per worker rose faster than inflation," during 2006. Good economic growth during calendar 2006 ensures continued above average FY2006-07 revenue growth. ■

FY 2006-07 General Fund Resources: To-Date, Estimated Year-End & Current Revised Budget

=General Fund Discretionary Resource GENERAL FUND RESOURCE CATEGORY		Through AP-6	Estimated Year-End	Revised Budget
INTERNAL REVENUES	41000			
Service Reimbursements		$6,990,184	$38,940,489	$45,265,629
Other Internal, Overhead & Transfers-IN		$11,420,002	$50,717,244	$59,672,019
PROPERTY & LODGING TAXES	42100			
Property Taxes		$146,550,562	$167,393,340	$164,437,521
Lodging Taxes		$7,756,051	$14,167,433	$13,502,206
BUSINESS LICENSES, PERMITS	43000			
Business Licenses		$1,203,456	$63,581,630	$52,830,754
Utility License/Franchise		$15,657,011	$62,502,425	$59,055,137
Other Permits		$1,561,668	$3,255,897	$3,817,184
SERVICE CHARGES & FEES	44000	$8,054,074	$17,119,845	$14,752,629
STATE (Cigarette & Liquor)	46000	$2,328,698	$11,447,333	$10,285,660
LOCAL SOURCES (Contracts)	47000	$4,562,789	$14,437,810	$16,119,991
MISC. REVENUES & INTEREST	49400	$1,919,728	$6,563,426	$9,936,945
BEGINNING FUND BALANCE		$46,230,866	$46,230,866	$42,248,977
ENCUMBRANCE & CARRYOVER		$8,056,291	$8,056,291	$8,056,291
GENERAL FUND RESOURCE TOTAL		$262,291,380	$504,414,031	$499,980,943
Estimated Percent Of Budget Resources Realized		52.5%	100.9%	

FY 2006-07 General Fund Expenses: To-Date, Estimated Year-End & Current Revised Budget

GENERAL FUND EXPENSE CATEGORY	Through AP-6	Estimated Year-End	Revised Budget
Salaries & Wages	$82,444,135	$184,425,109	$188,810,748
Overtime	$5,032,571	$10,800,335	$8,307,660
Premium & Part-Time	$10,041,216	$18,638,923	$18,082,347
Benefits	$24,790,122	$52,720,836	$53,015,197
TOTAL PERSONAL SERVICES	$122,308,044	$266,585,203	$268,215,953
Estimated Percent Of Budget Spent	45.6%	99.4%	
EXTERNAL MATERIALS & SERVICES	$33,087,705	$104,800,535	$116,853,201
Estimated Percent Of Budget Spent	28.3%	89.7%	
INTERNAL MATERIALS & SERVICES	$22,290,450	$50,883,776	$50,883,776
Estimated Percent Of Budget Spent	43.8%	100.0%	
CAPITAL OUTLAY	$4,327,463	$7,326,732	$7,791,204
Estimated Percent Of Budget Spent	55.5%	94.0%	
Grant Backed Encumbrances Adjustment	($4,218,624)	($3,858,067)	
CONTINGENCY & UNFORESEEN	$0	$2,250,977	$6,250,977
FUND CASH TRANSFERS	$13,807,572	$49,801,275	$49,985,832
GENERAL FUND EXPENSE TOTAL	$191,602,610	$477,790,430	$499,980,943
Estimated Percent Of Budget Spent	38.3%	95.6%	

FY 2006-07 General Fund Expenses by Bureau:
To-Date, Estimated Year-End & Current Revised Budgets

Percent Of Year Elapsed.....		46.2%	Percent Year Remaining.....		53.8%
AU Description	AU#	Through AP-6	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	$65,037,854	$145,317,282	$146,039,722	44.5%
Fire Bureau.....	124	$38,814,342	$84,643,316	$85,344,576	45.5%
Parks Bureau.....	133	$22,951,251	$50,718,540	$52,360,956	43.8%
Subtotal-Public Safety and Parks		$126,803,447	$280,679,138	$283,745,253	44.7%
Commissioner #2 (Sten)	190	$339,117	#N/A	$692,879	48.9%
Commissioner #4 (Leonard)	191	$298,712	#N/A	$683,516	43.7%
Commissioner #3 (Saltzman)	192	$316,098	#N/A	$703,743	44.9%
Commissioner #1 (Adams)	193	$366,605	#N/A	$792,526	46.3%
Office of the Mayor	195	$1,215,590	#N/A	$3,074,338	39.5%
Operating Contingency...	298	$0	$2,250,977	$4,250,977	#N/A
Unforeseen Revenues..	298	$0	$0	$2,000,000	#N/A
Other Cash Transfers.....	299	$13,567,069	$49,801,275	$48,227,207	28.1%
Office of Cable Com.....	300	$751,277	#N/A	$2,082,379	36.1%
P.O.E.M.....	110	$6,447,249	#N/A	$13,596,360	47.4%
Office-Sus. Develop.....	302	$1,032,466	#N/A	$4,400,059	23.5%
Government Relations..	303	$305,607	#N/A	$950,649	32.1%
Office of Manage & Fin.....	307	$10,424,261	#N/A	$24,844,302	42.0%
Office of City Attorney.....	312	$2,976,668	#N/A	$6,845,605	43.5%
Business Licenses.....	316	$4,069	#N/A	$0	#N/A
Grant Backed Encumbrances.....		($4,218,624)	($3,858,067)	$0	#N/A
City Auditor.....	336	$3,289,280	#N/A	$8,139,558	40.4%
Office Neigh. Involve.....	342	$2,956,088	#N/A	$6,455,452	45.8%
OMF Citywide Projects....	381	$2,865,555	#N/A	$15,631,266	18.3%
OMF Revenue Bureau.....	390	$9,679,820	#N/A	$15,649,622	61.9%
Special Appropriations.....	401	$5,083,695	#N/A	$21,043,415	24.2%
Bureau of Planning.....	510	$2,789,486	#N/A	$9,225,704	30.2%
Bureau Com. Develop.....	540	$4,317,710	#N/A	$26,946,131	16.0%
Subtotal-All Other AUs.....		$64,807,798	$180,075,053	$216,235,690	30.0%
General Fund Total-All AUs		$191,611,245	$460,754,191	$499,980,943	38.3%

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 1st Quarter	FY2005-06 4th Quarter	Concern Level
Basic Revenue Growth.....	***7.7%***	***8.5%***	Below 3%
Portland Unemployment Rate.....	***5.7%***	***6.0%***	Above 6.5%
Business License Revenue Growth.....	***22.7%***	***28.8%***	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 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 in the Financials section.
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