

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



Accounting Period #7 (AP-7)

December 14, 2006 to January 10, 2007

ESTIMATED YEAR-END GENERAL FUND RESOURCES

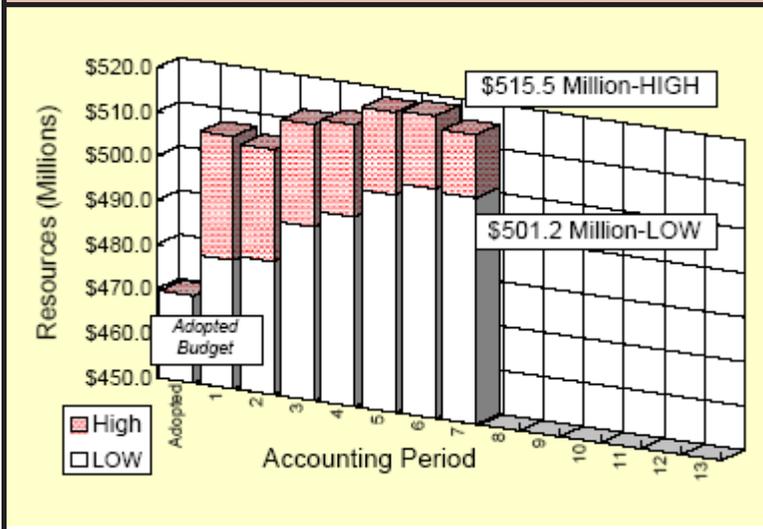
Estimated year-end General Fund resources at AP-7 are forecast to range from \$501.2 million (Low) to \$515.5 million (High). Budgeted resources stand at just over one-half billion at \$500.0 million as of January 10. Council's AP-7 budget is \$30.3 million above Council's July 1 Adopted Budget for FY 2006-07, following the fall BuMP action that recognized \$20.2 million in additional fund balance, as well as increases in federal grants.

General Fund revenues at AP-7 are \$214.8 million, up about 8.4% over last year. Discretionary revenues are up about 8.4% over last year which matches overall year over year revenue growth for the General Fund. Overall, General Fund revenue growth continues to show good strength as we head into calendar year 2007.

Business license revenues net of refunds,

Continued on page 2

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



RESOURCE RECAP	
* Budgeted Resources	\$500,005,413
* Resource Range, (High)	\$515,497,990
(Low)	\$501,165,916
Revenues At AP-7(*)	\$214,839,698
Versus Year-Ago...UP	8.43%
NOTEWORTHY AT AP-7	
* Hotel/Motel Up 7.4 % vs. year-ago	
* Property Taxes Up 5 % vs. year-ago	

The Bottom Line:

- **Resources, year-end**, are estimated to range from \$501.2 million (Low) to \$515 million (High).
- **Budgeted Resources** rise to \$500 million after the Fall BuMP.
- **Year-end expenditure estimates** range from 476.5 million (Low) to \$479.9 million (High).
- **FY 2006-07 year-end balance** is forecast between \$21.3 million (Low) to \$39 million (High).

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

credits, and audit recovery total \$880,400 versus a negative \$1.1 million last year.

Revenues are running about \$2 million ahead of last year with the big month of April still two months out. Just about all other discretionary revenues continue to show strong year over year growth comparison:

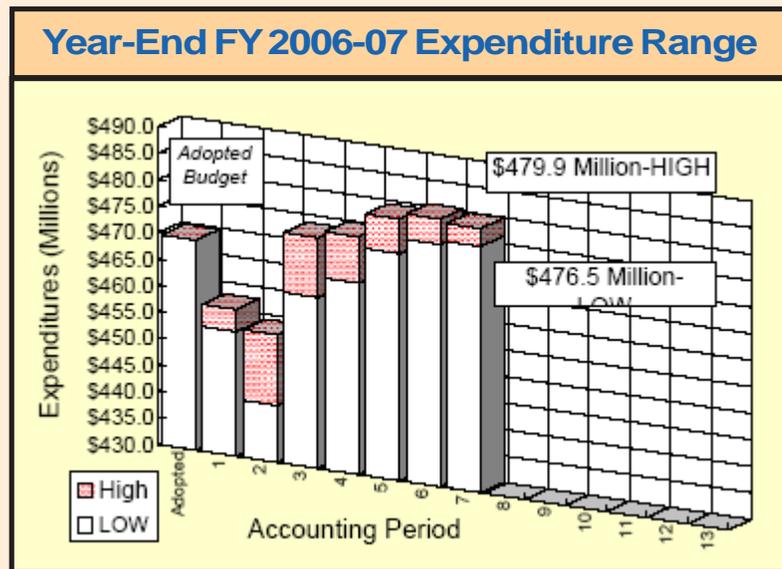
- Property taxes are almost 5% ahead of last year at AP-7.
- Transient lodging taxes are 7.4% ahead of last year.
- Utility license and franchise fees are 18.3% ahead of last year.
- General Fund interest income totals about \$1.4 million, double last year’s total at AP-7 of \$0.7 million.

The only lagging discretionary revenue source is state distributed cigarette and liquor tax revenues, due to a delay in distributions of the revenues from the State. ■

GENERAL FUND EXPENDITURES

General Fund AP-7 expenditures total \$232.6 million versus \$217.1 million last year. Expense growth accelerated from about 4.8% last period to about 7.2% ahead of last year AP-7. Overtime (up 8.6%), premium pay (up 15.7%) and benefits (up 12.5%) continue to run well ahead of year ago. Basic wage and salary personal services expenditures continue to show little, if any, year over year growth with expenses only 1.5% ahead of last year despite a 2.8% July 1 cost of living adjustment.

External materials and services at AP-7 totaled \$43.2 million versus \$34.8 million last year, including an increase in encumbrances from \$7.4 million to \$13.3 million. Capital outlay was only \$4.4 million versus \$4.9 million last year. ■



EXPENSE RECAP	
* IBIS Budgeted Expenses	\$500,005,413
* Expense Range, (High)	\$479,890,867
(Low)	\$476,493,285
* Expenses At AP-7(*)	\$232,630,497
Versus Year-Ago..Up	7.17%
NOTEWORTHY AT AP-7	
* Personal Services UP 4.7%	
* All M&S UP 13% vs. year-ago	
* Capital Expense DOWN -12.2%	

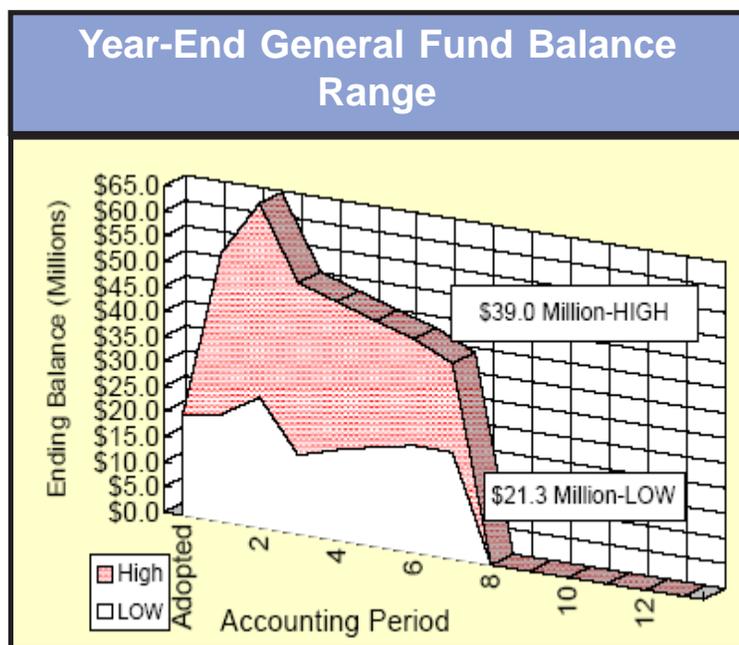
ESTIMATED YEAR-END GENERAL FUND BALANCE

Estimated year end General Fund balance ranges from \$21.3 million (Low) to about \$39.0 million (High). This wide balance range is typical for half way through the year.

Estimated Year-End Balance Range		
Item	Low	High
Resources	\$501,165,916	\$515,497,990
Expenses	\$479,890,867	\$476,493,285
End Balance	\$21,275,049	\$39,004,705

The estimated ending fund balance appears to be about \$26.6 million versus the December financial forecast estimate of \$19.3 million. The financial forecast estimate, revised to estimated grant backed encumbrances, would have been about \$23.1 million. So the current ending balance estimate

on an “apples to apples” basis is up about \$3.5 million with the remainder of the \$7.3 million increase due to forecast differences in revenues and expenses. Grant backed encumbrances average about \$3.8 million for the past seven accounting periods. The increased balance estimate, if it holds up, translates into increased financial forecast one-time resources. In the next financial forecast, scheduled for late March, one-time resources available to Council's FY 2007-08 budget process should (other things the same) increase from about \$19.1 million to about \$26.4 million, again with the proviso that all variables remain the same. ■



Freightliner Shifts into Lower Gear

Truck manufacturer Freightliner recently announced the lay off of about half of its 1,700 person workforce. In addition, to the lay off, Freightliner will end production of the Freightliner brand of heavy duty trucks at its Portland location. Freightliner will concentrate on manufacturing Western Star brand trucks and military vehicles. As would be expected, the lay off will have a ripple effect on local suppliers and the Oregonian reports that some local suppliers have already announced workforce reductions. The lay off is scheduled for March 30. The loss of Freightliner’s second shift was not unexpected. Tougher emission standards went into effect January 1 and long haul truck companies accelerated buying plans to avoid higher equipment costs. Freightliner hopes to boost production and rehire workers, but the extent of hiring will depend on how quickly demand recovers. ■

FY 2006-07 General Fund Resources: To-Date, Estimated Year-End & Current Revised Budget			
GENERAL FUND RESOURCE CATEGORY	Through AP-7	Estimated Year-End	Revised Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$8,371,565	\$39,109,892	\$45,266,079
Other Internal, Overhead & Transfers-IN	\$13,068,472	\$50,351,961	\$59,672,019
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$146,564,947	\$167,167,432	\$164,437,521
Lodging Taxes	\$7,836,807	\$14,229,603	\$13,502,206
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$1,399,378	\$63,581,630	\$52,830,754
Utility License/Franchise	\$15,964,454	\$62,442,170	\$59,055,137
Other Permits	\$1,819,484	\$3,254,800	\$3,817,184
SERVICE CHARGES & FEES 44000	\$9,401,730	\$17,043,166	\$14,752,629
STATE (Cigarette & Liquor) 46000	\$2,914,023	\$11,446,750	\$10,285,660
LOCAL SOURCES (Contracts) 47000	\$5,079,312	\$13,932,833	\$16,119,991
MISC. REVENUES & INTEREST 49400	\$2,694,206	\$6,836,944	\$9,936,945
BEGINNING FUND BALANCE	\$46,230,866	\$46,230,866	\$42,272,997
ENCUMBRANCE & CARRYOVER	\$8,056,291	\$8,056,291	\$8,056,291
GENERAL FUND RESOURCE TOTAL	\$269,401,535	\$503,684,338	\$500,005,413
Estimated Percent Of Budget Resources Realized	53.9%	100.7%	

FY 2006-07 General Fund Expenses: To-Date, Estimated Year-End & Current Revised Budget			
GENERAL FUND EXPENSE CATEGORY	Through AP-7	Estimated Year-End	Revised Budget
Salaries & Wages	\$97,021,387	\$184,165,263	\$188,810,757
Overtime	\$5,729,531	\$10,849,094	\$8,307,660
Premium & Part-Time	\$11,307,005	\$18,821,859	\$18,082,348
Benefits	\$28,730,095	\$52,165,412	\$53,015,201
TOTAL PERSONAL SERVICES	\$142,788,018	\$266,001,628	\$268,215,966
Estimated Percent Of Budget Spent	53.2%	99.2%	
EXTERNAL MATERIALS & SERVICES	\$43,166,361	\$104,550,257	\$116,877,658
Estimated Percent Of Budget Spent	36.9%	89.5%	
INTERNAL MATERIALS & SERVICES	\$25,795,661	\$50,883,776	\$50,883,776
Estimated Percent Of Budget Spent	50.7%	100.0%	
CAPITAL OUTLAY	\$4,418,810	\$7,360,913	\$7,791,204
Estimated Percent Of Budget Spent	56.7%	94.5%	
CONTINGENCY & UNFORESEEN	\$0	\$2,250,977	\$6,250,977
FUND CASH TRANSFERS	\$16,461,647	\$49,801,495	\$49,985,832
GENERAL FUND EXPENSE TOTAL	\$232,630,497	\$480,849,046	\$500,005,413
Grant Backed Encumbrances Adjustment	(\$3,362,424)	(\$3,858,067)	
GENERAL FUND EXPENSE TOTAL-NET	\$229,268,073	\$476,990,979	\$500,005,413
Estimated Percent Of Budget Spent	46.5%	96.2%	

FY 2006-07 General Fund Expenses by Bureau: To-Date, Estimated Year-End & Current Revised Budgets					
Percent Of Year Elapsed.....		53.8%	Percent Year Remaining.....		46.2%
		Through	Estimated	Revised	Percent
AU Description	AU#	AP-7	Year-End	Budget	Spent
Police Bureau	100	\$76,124,874	\$146,016,960	\$146,039,722	52.1%
Fire Bureau	124	\$45,092,391	\$84,125,970	\$85,344,576	52.8%
Parks Bureau	133	\$26,377,120	\$51,274,366	\$52,385,426	50.4%
Subtotal-Public Safety and Parks		\$147,594,385	\$281,417,296	\$283,769,723	52.0%
Commissioner #2 (Sten)	190	\$393,078		\$692,879	56.7%
Commissioner #4 (Leonard)	191	\$348,630		\$683,516	51.0%
Commissioner #3 (Saltzman)	192	\$361,218		\$703,743	51.3%
Commissioner #1 (Adams)	193	\$428,710		\$792,526	54.1%
Office of the Mayor	195	\$1,401,548		\$3,074,338	45.6%
Office of Cable Com	300	\$1,002,195		\$2,082,379	48.1%
P.O.E.M	110	\$6,912,777		\$13,596,360	50.8%
Office-Sus. Development	302	\$1,259,006		\$4,400,059	28.6%
Government Relations	303	\$354,244		\$950,649	37.3%
Office of Manage & Finance	307	\$12,086,919		\$24,844,302	48.7%
Office of City Attorney	312	\$3,495,134		\$6,845,605	51.1%
Business Licenses	316	\$3,785		\$0	
City Auditor	336	\$3,808,964		\$8,139,558	46.8%
Office Neigh. Involve	342	\$3,269,804		\$6,455,452	50.7%
OMF Citywide Projects	381	\$9,390,518		\$15,631,266	60.1%
OMF Revenue Bureau	390	\$10,710,170		\$15,649,636	68.4%
Special Appropriations	401	\$5,267,948		\$21,043,402	25.0%
Bureau of Planning	510	\$3,237,798		\$9,225,704	35.1%
Bureau Com. Develop	540	\$5,119,096		\$26,946,131	19.0%
Operating Contingency	298	\$0	\$2,250,977	\$4,250,977	
Unforeseen Revenues	298	\$0	\$0	\$2,000,000	
Other Cash Transfers	299	\$16,193,207	\$49,801,495	\$48,227,207	33.6%
Subtotal-All Other AUs		\$85,044,749	\$202,616,488	\$216,235,690	39.3%
General Fund Total-All AUs		\$232,639,134	\$484,033,784	\$500,005,413	46.5%
Grant Backed Encumbrances Adjustment		(\$3,362,424)	(\$3,858,067)	\$0	
General Fund Total-All AUs		\$229,276,710	\$480,175,717	\$500,005,413	45.9%

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."

	FY2006-07	FY2005-06	Concern
Reserve Fund Usage Condition	1st Quarter	4th Quarter	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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