OFFICE OF MANAGEMENT & FINANCE

The Financial Outlook

for the City of Portland General Fund

Accounting Period #8 (AP-8) January 11 to February 7, 2007

ESTIMATED YEAR-END GENERAL FUND RESOURCES

Estimated year-end General Fund resources at AP-8 are forecast to range from $505.9 million (Low) to $518.3 million (High). Budgeted resources stand at about $500.0 million as of February 7. Council's AP-8 budget remains at $30.3 million over the July 1 Adopted budget for FY 2006-07.

General Fund revenues at AP-8 are $236.8 million, up about 13% over last year inclusive of a one-time $5 million transfer from the LID Fund. Revenue growth continues to show strength. Discretionary revenues are also up about 13% over last year which matches overall year over year revenue growth for the General Fund. General Fund revenue growth remains very strong as we head into the last four months of FY 2006-07.

General Fund discretionary revenues continue to hit on all cylinders. Transient lodging taxes

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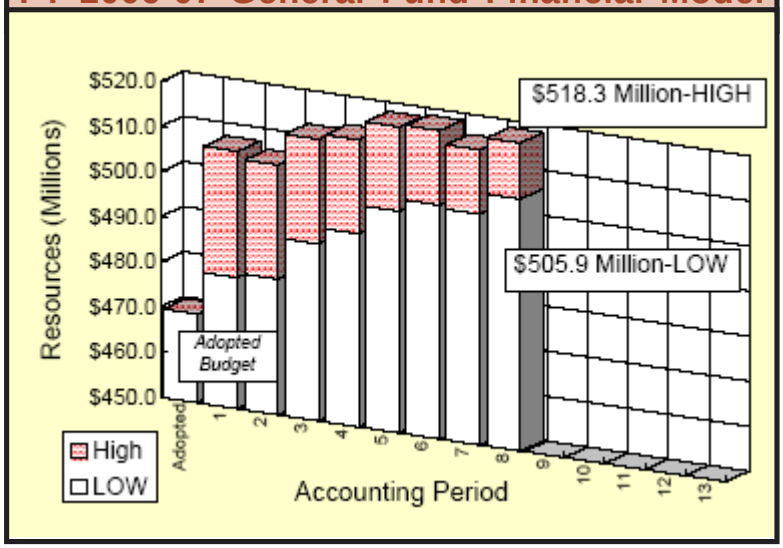
Estimated Year-End Resource Range
FY 2006-07 General Fund Financial Model



RESOURCE RECAP	
* Budgeted Resources	$499,980,943
* Resource Range, (High)	$518,325,506
(Low)	$505,871,394
Revenues At AP-8(*)	$236,803,043
Versus Year-Ago...UP	12.92%
NOTEWORTHY AT AP-8	
* Hotel/Motel Up 8.7 % vs. year-ago	
* Property Taxes Up 5 % vs. year-ago	

The Bottom Line:

- **Resources, year-end**, are estimated to range from $505.9 million (Low) to $518.3 million (High).
- **Budgeted Resources** after the Fall BuMP, rise to $500.0 million.
- **Year-end expenditure estimates** from $478.0 million (Low) to $482.9 million (High).
- **FY 2006-07 year-end balance** is forecast between $23.0 million (Low) to $40.3 million (High).

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

stand at just over $11 million versus $10.1 million last year, up 8.7%. Revenue growth for this category appears to have accelerated with third quarter payments easily outpacing third quarter payments last year.

Utility license and franchise fees have come to life. Revenues from PGE, NW Natural, and Pacific Corp. total $8.1 million versus $7.5 million last year and up collectively 7.3% on a year over year basis. Qwest franchise fees seem to have stabilized around the $4 million level this year. Cable and other telecom related revenues are running well ahead of last year. Water and Environmental Service license fees remain flat funded at $16.9 million per Council Resolution.

State shared cigarette and liquor tax distributions got "caught up" during AP-8 with several cigarette and liquor distributions coming in the door. ■

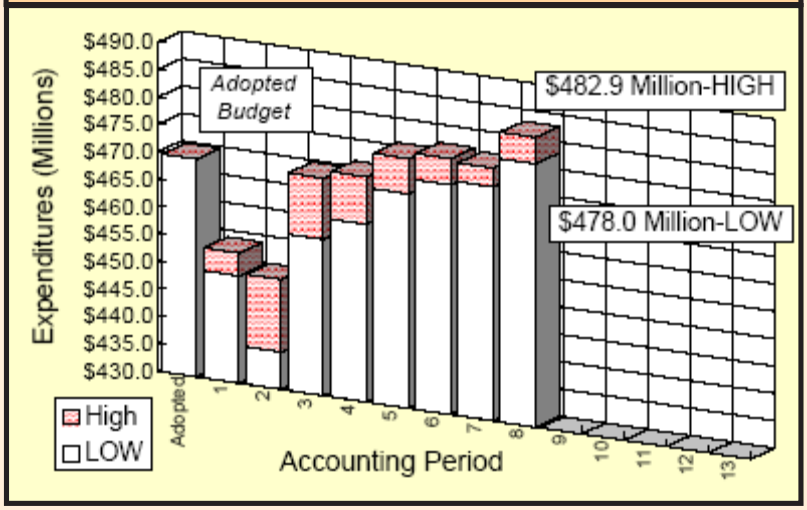
General Fund Expenditures

General Fund AP-8 expenditures total $263.1 million versus $245.5 million last year. Year over year expense growth continues to be about 7.2%. Personal services growth continues to be concentrated in overtime, premium, and benefits growth. The basic wage and salary spending category continues to show little year over year growth. Through the end of AP-8, wage and salary growth remained in a range of 1% to about 1.5% ahead of last year, with the difference as of AP-8 being about 1.3% ahead of last year.

External materials and services at AP-8 totaled $48.4 million versus $39.4 million last year. Actual cash outlays continue to be very weak. Encumbrances continue to be very high compared to past years but declined slightly during period 8 to about $12.3 million from $13.2 million last period. ■

Expense Recap	
* IBIS Budgeted Expenses	$499,980,943
* Expense Range, (High)	$482,851,613
(Low)	$478,047,119
* Expenses At AP-8(*)	$263,151,284
Versus Year-Ago..Up	7.19%
NOTEWORTHY AT AP-8	
* Personal Services UP 4.5%	
* All M&S UP 13% vs. year-ago	
* Capital Expense DOWN -14.7%	

Year-End FY 2006-07 Expenditure Range



Estimated Year-End General Fund Balance

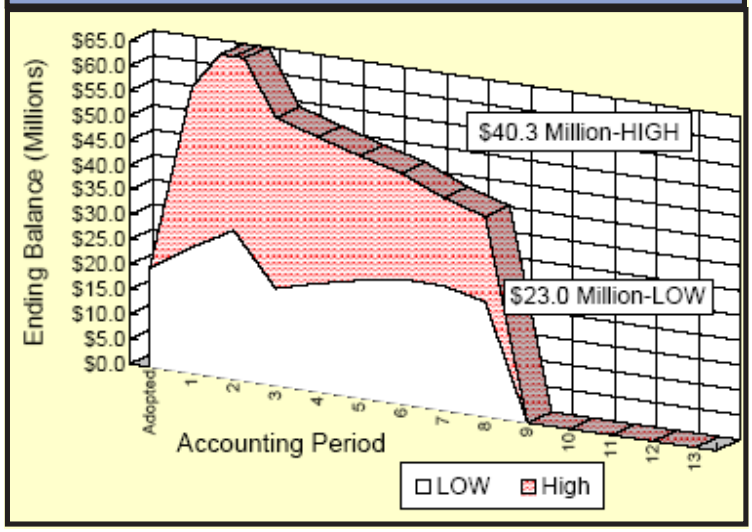
Estimated year end General Fund balance ranges from $23.0 million (Low) to about $40.3 million (High). This estimated range has started to narrow as is typical this far into the fiscal year.

Estimated Year-End Balance Range

Item	Low	High
Resources	$505,871,394	$518,325,506
Expenses	$482,851,613	$478,047,119
End Balance	$23,019,781	$40,278,387

The estimated ending fund balance "point" estimate through February 7, works out to $27.9 million. The December financial forecast used a $19.3 million estimate. The financial forecast traditionally prepared for the Mayor's Proposed Budget uses the AP-8 *Financial Outlook* balance estimate. Thus, the upcoming financial forecast will use this revised beginning balance estimate that is $8.6 million higher. This usually translates into increased availability of one-time funds to the financial forecast, but also depends on changes that occur to revenues and current appropriation level (CAL) estimates.

Year-End General Fund Balance Range



Average grant backed encumbrances are increasing the balance estimate by $3.6 million. However, as of AP-8, the actual number dropped to about $2.3 million. The instability in grant backed encumbrancescontributes to uncertainty in the forecast ending balance. ■

Largest Home Builder Bearish on Housing

DR Horton, the largest U.S. home builder based in Texas, has cut its new construction by 50%, is offering new incentives and discounts, and is building smaller homes, all of which have helped to reduce cancellation rates, inventory, and costs. Although a company executive declined to provide any 2007 outlook, he has however maintained that the national market has yet to hit bottom. Most home-building executives expect the first half of the year to be dismal as discounts and write-offs in land holdings and options erode profitability. Horton's net profit for the December quarter fell from $310m to $110m, including $78m of write-offs. Meanwhile, new home sales fell in 2006 by the largest amount since 1989, but there were signs of stabilization heading into 2007, as sales of new single-family homes rose 7.4% and 4.8% respectively in November and December. ■

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

=General Fund Discretionary Resour GENERAL FUND RESOURCE CATEGORY		Through AP-8	Estimated Year-End	Revised Budget
INTERNAL REVENUES	41000			
Service Reimbursements		$10,627,651	$40,590,067	$45,265,629
Other Internal, Overhead & Transfers-IN		$19,803,047	$50,507,937	$59,672,019
PROPERTY & LODGING TAXES	42100			
Property Taxes		$149,456,249	$169,110,061	$164,437,521
Lodging Taxes		$11,014,530	$14,299,031	$13,502,206
BUSINESS LICENSES, PERMITS	43000			
Business Licenses		$1,574,849	$63,581,630	$52,830,754
Utility License/Franchise		$17,453,542	$62,608,152	$59,055,137
Other Permits		$1,998,233	$3,237,829	$3,817,184
SERVICE CHARGES & FEES	44000	$10,740,228	$17,124,486	$14,752,629
STATE (Cigarette & Liquor)	46000	$5,418,781	$11,059,384	$10,285,660
LOCAL SOURCES (Contracts)	47000	$5,686,235	$14,954,051	$16,119,991
MISC. REVENUES & INTEREST	49400	$3,396,825	$7,053,676	$9,936,945
Bond Proceeds		$0	$0	$0
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		$291,457,327	$508,413,461	$499,980,943
Estimated Percent Of Budget Resources Realized		58.3%	101.7%	

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

GENERAL FUND EXPENSE CATEGORY	Through AP-8	Estimated Year-End	Revised Budget
Salaries & Wages	$110,611,011	$184,422,528	$188,810,766
Overtime	$6,422,965	$11,001,916	$8,307,660
Premium & Part-Time	$12,394,808	$19,683,718	$18,090,534
Benefits	$32,660,445	$51,785,409	$53,007,019
TOTAL PERSONAL SERVICES	$162,089,229	$266,893,571	$268,215,978
Estimated Percent Of Budget Spent	60.4%	99.5%	
EXTERNAL MATERIALS & SERVICES	$48,425,982	$105,273,294	$116,853,176
Estimated Percent Of Budget Spent	41.4%	90.1%	
INTERNAL MATERIALS & SERVICES	$29,128,439	$50,883,776	$50,883,776
Estimated Percent Of Budget Spent	57.2%	100.0%	
CAPITAL OUTLAY	$4,401,616	$7,791,204	$7,791,204
Estimated Percent Of Budget Spent	56.5%	100.0%	
CONTINGENCY & UNFORESEEN	$0	$3,000,000	$6,250,977
FUND CASH TRANSFERS	$19,106,018	$50,212,367	$49,985,832
INVENTORY	$0	$0	$0
GENERAL FUND EXPENSE TOTAL	$263,151,284	$484,054,212	$499,980,943
Grant Backed Encumbrances Adjustment	($2,327,940)	($3,604,846)	
GENERAL FUND EXPENSE TOTAL-NET	$260,823,344	$480,449,366	$499,980,943
Estimated Percent Of Budget Spent	52.6%	96.8%	

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

Percent Of Year Elapsed.....		61.5%	Percent Year Remaining.....		38.5%
AU Description	AU#	Through AP-8	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau	100	$86,297,397	$145,263,749	$146,039,722	59.1%
Fire Bureau	124	$50,739,402	$84,319,701	$85,344,576	59.5%
Parks Bureau	133	$29,642,372	$50,757,977	$52,360,956	56.6%
Subtotal-Public Safety and Parks		$166,679,171	$280,341,427	$283,745,253	58.7%
Commissioner #2 (Sten)	190	$452,104		$692,879	65.3%
Commissioner #4 (Leonard)	191	$395,894		$683,516	57.9%
Commissioner #3 (Saltzman)	192	$405,796		$703,743	57.7%
Commissioner #1 (Adams)	193	$489,419		$792,526	61.8%
Office of the Mayor	195	$1,611,778		$3,074,338	52.4%
Operating Contingency	298	$0	$3,000,000	$4,250,977	#N/A
Unforeseen Revenues	298	$0	$0	$2,000,000	#N/A
Other Cash Transfers	299	$18,809,641	$50,212,367	$49,985,832	37.6%
Office of Cable Com	300	$1,058,646		$2,082,379	50.8%
P.O.E.M	110	$7,440,602		$13,596,360	54.7%
Office-Sus. Development	302	$1,421,231		$4,400,059	32.3%
Government Relations	303	$413,232		$950,649	43.5%
Office of Manage & Finance	307	$13,907,537		$24,844,302	56.0%
Office of City Attorney	312	$3,992,461		$6,845,605	58.3%
Business Licenses	316	$3,069		$0	#N/A
City Auditor	336	$4,204,421		$8,139,683	51.7%
Office Neigh. Involve	342	$3,678,614		$6,455,452	57.0%
OMF Citywide Projects	381	$9,744,911		$13,872,516	70.2%
OMF Revenue Bureau	390	$11,560,780		$15,649,648	73.9%
Special Appropriations	401	$7,152,868		$21,043,390	34.0%
Bureau of Planning	510	$3,700,675		$9,225,704	40.1%
Bureau Com. Develop	540	$6,028,313		$26,946,131	22.4%
Subtotal-All Other AUs		$96,471,993	$190,776,273	$216,235,690	44.6%
General Fund Total-All AUs		$263,151,164	$471,117,699	$499,980,943	52.6%
Grant Backed Encumbrances Adjustment		($2,327,940)	($3,604,846)	$0	
General Fund Total-All AUs		$260,823,224	$467,512,854	$499,980,943	52.2%

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 2nd Quarter	FY2006-07 1st Quarter	Concern Level
Basic Revenue Growth	***6.9%***	***7.1%***	Below 3%
Portland Unemployment Rate	***4.6%***	***5.1%***	Above 6.5%
Business License Revenue Growth	***45.6%***	***22.7%***	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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