

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



Accounting Period #11 (AP-11)

April 5 to May 2, 2007

ESTIMATED YEAR-END GENERAL FUND RESOURCES

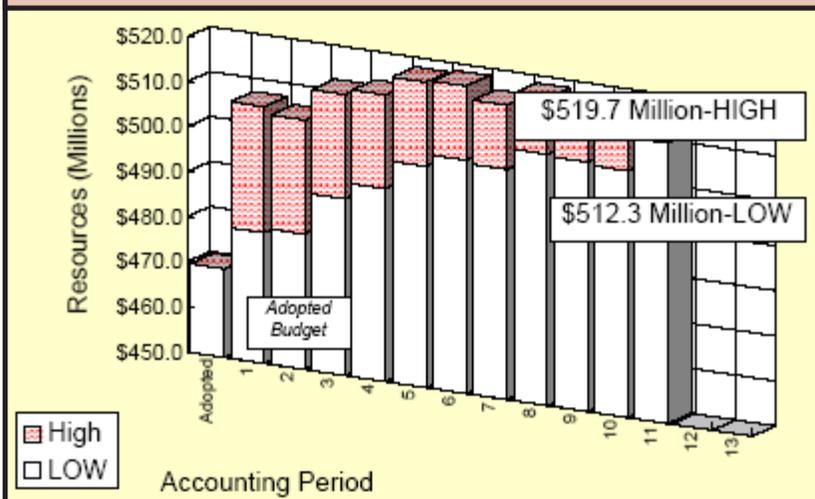
Estimated year-end General Fund resources at AP-11 are forecast to range from \$512.3 million (Low) to \$519.7 million (High). Budgeted resources remain unchanged at \$502.2 million as of May 2. The City Council's revised budget continues to be about \$32.5 million above the July 1 Adopted Budget for FY 2006-07.

General Fund revenues at AP-11 total \$373.3 million, up about 10.6% over last year at this time. Discretionary revenues total an estimated \$299.6 million versus about \$267 million last year. Revenue gains remain very strong, indicated by double digit growth this year.

The General Fund's basic FY 2006-07 revenue story remains unchanged. Year-over-year growth continues to be very strong, especially compared to the recent recession years.

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



RESOURCE RECAP	
* Budgeted Resources	\$502,187,370
* Resource Range, (High)	\$519,721,068
(Low)	\$512,341,585
Revenues At AP-11(*)	\$373,272,787
Versus Year-Ago...UP	10.60%
NOTEWORTHY AT AP-11	
* Hotel/Motel Up 5.3 % vs. year-ago	
* Property Taxes Up 5 % vs. year-ago	

The Bottom Line:

- **Resources, year end** are estimated to range from \$512.3 million (low) to \$519.7 million (high).
- **Budgeted Resources** rose to \$502.2 million during AP-11.
- **Year-end expenditure estimates** range from \$467.5 million (low) to \$472.2 million (high).
- **Forecast year end balance**, beginning FY 2007-08 balance, is forecast at somewhere between \$40.1 million (low) to \$52.1 million (high).

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

Through May 2, transient lodging taxes total \$13.7 million on an accounting period basis. Year-over-year growth apparently has dipped to “only” 5.3%. However, monthly data through April 30 show revenues of \$13.7 million this year versus \$12.4 million last year with growth at a solid 10.7%. This is a good example of how accounting period data sometimes skews comparisons as a result of the irregular nature of accounting period end dates from one year to the next. The monthly data is a more reliable indicator of where revenues are on a year-over-year basis. The City’s move to a new financial and human resources system next year that implements monthly reporting may have the benefit of eliminating this issue making year-over-year comparisons more reliable.

Bureau fee revenues continue to present a mixed picture. Parks’ main fee revenue category is running about 12.8% ahead of last year at this time and miscellaneous bureau fee and permit revenues are also well ahead of year ago. Police revenue remains well short of budget. ■

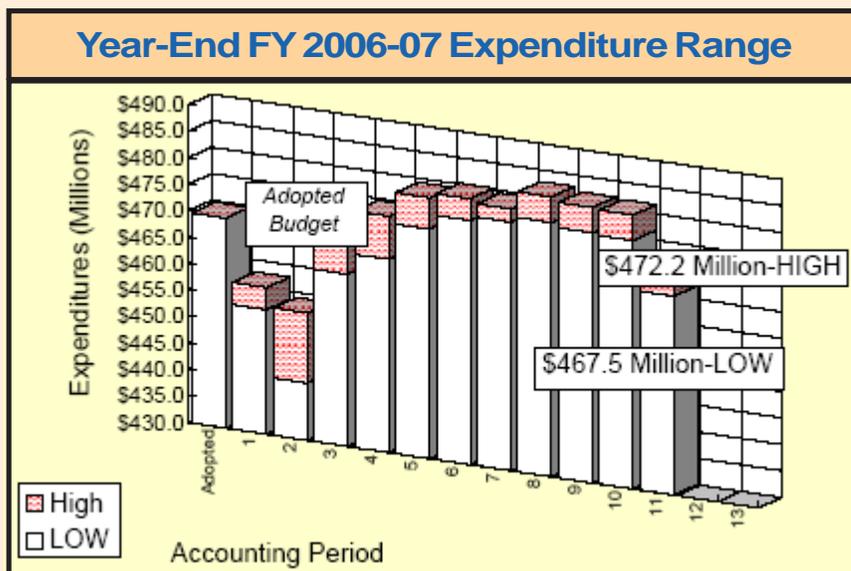
GENERAL FUND EXPENDITURES

General Fund AP-11 expenditures total about \$357.3 million, inclusive of all current encumbrances. Netting out grant-backed encumbrances yields an expense total of \$355.9. Overall, General Fund expenses dropped to about 3.6% ahead of last year at AP-11 versus 4.1% at AP-10.

Personal services expenditure growth remains concentrated in the overtime, premium, and benefits categories. The main wage and salary category is barely 1% ahead of last year at AP-11. Overtime, premium pay, and benefits continue to show double digit year-over-year growth.

External materials and services expense growth picked up during AP-11 and internal materials and service expenses dropped to about 4.7% behind last year. ■

EXPENSE RECAP	
* IBIS Budgeted Expenses	\$502,187,370
* Expense Range, (High)	\$472,236,940
(Low)	\$467,538,065
* Expenses At AP-11(*)	\$357,337,067
Versus Year-Ago..Up	3.59%
NOTEWORTHY AT AP-11	
* Personal Services UP 4.2%	
* All M&S UP 6% vs. year-ago	
* Capital Expense DOWN -18.1%	

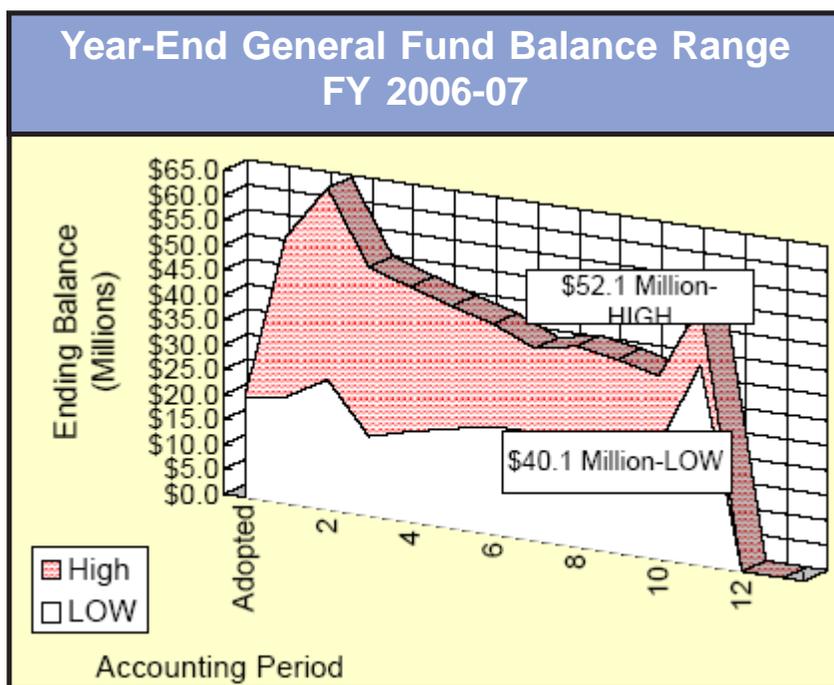


ESTIMATED YEAR-END GENERAL FUND BALANCE

The estimated year-end General Fund balance ranges from \$40.1 million (Low) to about \$52.1 million (High). This balance range preliminary reflects General Fund bureau carryover estimates that will come out of budgets and go into contingency in the spring “BuMP” budget adjustments. The estimated gross balance before the usual year-end adjustments appears to be about \$43.2 million.

This number does not include adjustments for encumbrances and carryover requirements.

Estimated Year-End Balance Range		
Item	Low	High
Resources	\$512,341,585	\$519,721,068
Expenses	\$472,236,940	\$467,538,065
End Balance	\$40,104,644	\$52,183,002



To acknowledge these adjustments, we calculate them as follows. Grant-backed encumbrances of \$1.8 million are added back to the total. We then net out the estimated preliminary \$4.6 million for bureau carryover requirements. Housing and Community Development expects to encumber about \$6.8 million of budgeted external materials and services some time in June which is also subtracted from the total as is provision for \$650,000 of excess bureau revenues. This leaves an approximate \$32 million discretionary balance to compare with the Approved Budget of \$30.3 million. With these adjustments, the Approved Budget number looks to be about right. ■

Home Values Continue to Rise in Portland

The *Wall Street Journal* recently reported that, “The Housing News isn’t all Grim.” Portland (Oregon), Boise, Seattle, Salt Lake City, Houston, Austin, Charlotte, and Raleigh are all cities that are bucking the national trend of weakening housing markets. Nationwide, existing home prices are declining to level at best, but in the eight cities listed above, existing home prices continue to rise well above national averages. The *Wall Street Journal* notes that these cities came out of the recent recession more slowly than other areas of the country and housing price appreciation lagged increases elsewhere. In addition, the article notes that each of these city seems to have one or more sectors of their regional economies (for example, Seattle with Boeing and Microsoft) driving economic growth. All of these cities also have education levels well above the national average. ■

FY 2006-07 General Fund Resources: To-Date, Estimated Year-End & Current Revised Budget			
GENERAL FUND RESOURCE CATEGORY	Through AP-11	Estimated Year-End	Revised Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$27,761,574	\$39,468,605	\$46,433,653
Other Internal, Overhead & Transfers-IN	\$30,923,217	\$51,070,051	\$60,850,520
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$158,721,875	\$168,269,068	\$164,437,521
Lodging Taxes	\$13,677,159	\$14,407,674	\$13,502,206
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$69,919,593	\$72,649,752	\$52,830,754
Utility License/Franchise	\$33,932,950	\$63,371,433	\$59,055,137
Other Permits	\$2,700,191	\$3,192,520	\$3,817,184
SERVICE CHARGES & FEES 44000	\$13,850,357	\$16,560,244	\$14,771,056
STATE (Cigarette & Liquor) 46000	\$7,544,969	\$10,931,195	\$10,295,514
LOCAL SOURCES (Contracts) 47000	\$9,869,950	\$13,620,493	\$15,910,505
MISC. REVENUES & INTEREST 49400	\$5,523,839	\$7,087,973	\$9,978,052
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	\$428,712,831	\$514,916,165	\$502,187,370
Estimated Percent Of Budget Resources Realized	85.4%	102.5%	

FY 2006-07 General Fund Expenses: To-Date, Estimated Year-End & Current Revised Budget			
GENERAL FUND EXPENSE CATEGORY	Through AP-11	Estimated Year-End	Revised Budget
Salaries & Wages	\$151,953,178	\$182,405,776	\$188,500,180
Overtime	\$8,904,257	\$10,985,306	\$8,336,331
Premium & Part-Time	\$15,898,705	\$18,997,097	\$18,243,586
Benefits	\$43,361,816	\$50,549,959	\$52,929,301
TOTAL PERSONAL SERVICES	\$220,117,956	\$262,938,137	\$268,009,397
Estimated Percent Of Budget Spent	82.1%	98.1%	
EXTERNAL MATERIALS & SERVICES	\$61,515,124	\$95,730,803	\$114,618,225
Estimated Percent Of Budget Spent	53.7%	83.5%	
INTERNAL MATERIALS & SERVICES	\$43,538,691	\$53,018,671	\$52,427,312
Estimated Percent Of Budget Spent	83.0%	101.1%	
CAPITAL OUTLAY	\$4,487,726	\$7,563,243	\$7,563,243
Estimated Percent Of Budget Spent	59.3%	100.0%	
CONTINGENCY & UNFORESEEN	\$0	\$3,415,622	\$10,362,703
FUND CASH TRANSFERS	\$27,677,570	\$49,059,871	\$49,206,490
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$357,337,067	\$471,726,347	\$502,187,370
Grant Backed Encumbrances Adjustment	-\$1,462,658	-\$1,838,844	
GENERAL FUND EXPENSE TOTAL-NET	\$355,874,409	\$469,887,503	\$502,187,370
Estimated Percent Of Budget Spent	71.2%	93.9%	

FY 2006-07 General Fund Expenses by Bureau: To-Date, Estimated Year-End & Current Revised Budgets					
Percent Of Year Elapsed.....		84.6%	Percent Year Remaining.....		15.4%
AU Description		Through AP-11	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau	100	\$119,244,949	\$143,417,805	\$145,851,532	81.8%
Fire Bureau	124	\$67,858,988	\$82,555,574	\$85,525,425	79.3%
Parks Bureau	133	\$40,990,037	\$51,678,558	\$51,875,335	79.0%
Subtotal-Public Safety and Parks		\$228,093,974	\$277,651,937	\$283,252,291	80.5%
Commissioner #2 (Sten)	190	\$620,556		\$692,879	89.6%
Commissioner #4 (Leonard)	191	\$547,917		\$683,516	80.2%
Commissioner #3 (Saltzman)	192	\$564,376		\$703,743	80.2%
Commissioner #1 (Adams)	193	\$675,197		\$792,526	85.2%
Office of the Mayor	195	\$2,085,966		\$3,074,338	67.9%
Operating Contingency	298	\$1,886	\$3,415,622	\$8,362,703	#N/A
Unforeseen Revenues	298	\$0	\$0	\$2,000,000	#N/A
Other Cash Transfers	299	\$27,604,690	\$49,059,871	\$49,206,490	56.1%
Office of Cable Com	300	\$1,465,228		\$2,082,379	70.4%
P.O.E.M	110	\$8,940,742		\$13,555,831	66.0%
Office-Sus. Development	302	\$2,056,775		\$4,034,686	51.0%
Government Relations	303	\$594,205		\$950,649	62.5%
Office of Manage & Finance	307	\$19,109,460		\$24,219,600	78.9%
Office of City Attorney	312	\$5,505,628		\$6,745,212	81.6%
Business Licenses	316	\$3,298		\$0	#N/A
City Auditor	336	\$5,586,173		\$7,444,789	75.0%
Office Neigh. Involve	342	\$5,013,097		\$6,247,481	80.2%
OMF Citywide Projects	381	\$11,172,791		\$14,055,331	79.5%
OMF Revenue Bureau	390	\$14,569,247		\$17,000,542	85.7%
Special Appropriations	401	\$8,306,579		\$21,068,152	39.4%
Bureau of Planning	510	\$5,341,296		\$8,941,884	59.7%
Bureau Com. Develop	540	\$9,477,877		\$27,072,347	35.0%
Subtotal-All Other AUs		\$129,242,984	\$189,263,184	\$218,935,079	59.0%
General Fund Total-All AUs		\$357,336,958	\$466,915,120	\$502,187,370	71.2%
Grant Backed Encumbrances Adjustment		-\$1,462,658	-\$1,838,844	\$0	
General Fund Total-All AUs		\$355,874,300	\$465,076,276	\$502,187,370	70.9%

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 3rd Quarter	FY2006-07 2nd Quarter	Concern Level
Reserve Fund Usage Condition			
Basic Revenue Growth	20.8%	7.3%	Below 3%
Portland Unemployment Rate	5.4%	4.6%	Above 6.5%
Business License Revenue Growth	30.2%	45.6%	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. (FOFY0711)