

OFFICE OF MANAGEMENT & FINANCE

The Financial Outlook



for the City of Portland General Fund

Accounting Period #12 (AP-12)

May 3 to May 30, 2007

ESTIMATED YEAR-END GENERAL FUND RESOURCES

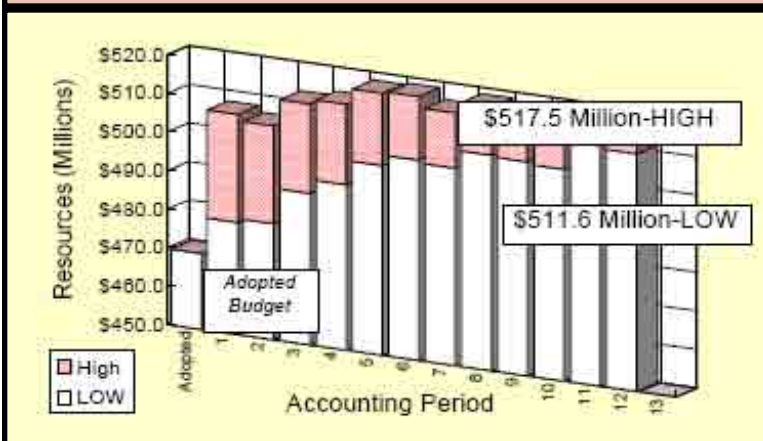
Estimated year-end General Fund resources at AP-12 are forecast to range from \$511.6 million (Low) to \$517.5 million (High). General Fund budgeted resources at AP-12 remain unchanged at \$502.2 million as of May 30. Council's revised budget continues at \$32.5 million above the July 1 Adopted Budget for FY 2006-07.

General Fund revenues at AP-12 total \$407.3 million, up about 9.26% over last year at AP-12. Discretionary revenues total an estimated \$325.4 million versus about \$289.3 million last year at AP-12. Revenue growth remains at well above trend levels as the General Fund prepares to close down FY 2006-07 and move on into FY 2007-08.

With only the month of June left in FY 2007-08, discretionary revenues are mostly in the door. The

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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)	\$517,533,684
(Low)	\$511,613,638
Revenues At AP-12(*)	\$407,346,702
Versus Year-Ago...UP	9.21%
NOTEWORTHY AT AP-12	
*Hotel/Motel	Up 9.6% vs. year-ago
*Property Taxes	Up 5% vs. year-ago

The Bottom Line:

- **Resources, year end** are estimated to range from \$511.6 million (low) to \$517.5 million (high).
- **Budgeted Resources** remained at \$502.2 million during AP-12.
- **Year-end expenditure** estimates range from \$463.0 million (low) to \$467.6 million (high).
- **Forecast year end balance**, beginning FY 2007-08 balance, is forecast at somewhere between \$44.0 million (low) to \$54.6 million (high).

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

only large discretionary revenue outstanding is fourth quarter utility license and franchise fees which should amount to about \$14 million. The major uncertainties are on the non-discretionary side, notably in grant revenues.

Grant revenues to date total \$7.6 million versus last year's \$9.5 million. Budgeted grant revenues this year total \$28.1 million, versus \$32.9 million budgeted at year-end in FY 2005-06. About \$8.8 million of last year's \$18.3 million of revenues showed up during AP-13 which means June, July, and early August. The year-end forecast calls for \$16.1 million with about \$8.5 million projected to come in during AP-13. Year-end actual can easily be a couple of million higher or lower which will produce a major swing in actual ending fund balance as the bulk of grant backed expenditures (about \$16.1 million through AP-12) are already incurred and reflected in accounting expenditure reports.

Bureau fee revenues remain the same: Parks' main fee revenue category continues to run about 12% ahead of a year ago while miscellaneous fee and permit revenues continue to be solidly ahead of last year. Police Bureau revenues will be well short of initial budget. ■

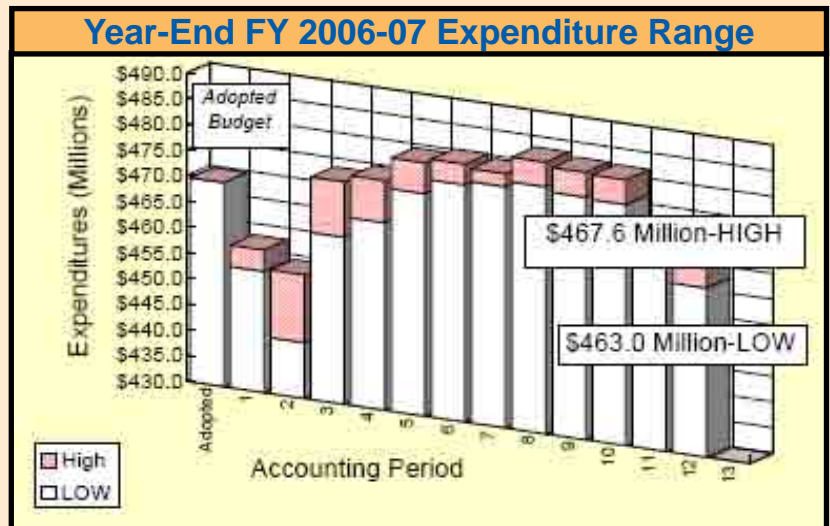
GENERAL FUND EXPENDITURES

General Fund expenditures at AP-12 total about \$397.6 million inclusive of all current encumbrances. Netting out grant backed encumbrances yields an estimated total of \$396.2. General Fund expenses, on a 13 period or 12 month basis look very "flat" with overall growth over the last three accounting periods at only about seven tenths of one percentage point.

Personal services expenditure growth stands about 4% year over year with virtually all of the growth concentrated in overtime (+13.2%), premium pay (+18%), and benefits (+11.1%). The basic wage and salary category is about 0.9% ahead of last year at AP-12.

External materials and services expense remain ahead of last year. Internal materials and services are 2% behind last year versus 4.7% behind last year at AP-11. ■

EXPENSE RECAP	
*IBIS Budgeted Expenses	\$502,187,370
*Expense Range, (High)	\$467,612,144
(Low)	\$462,959,287
Expenses At AP-12()	\$397,622,675
Versus Year-Ago...Up	5.37%
NOTEWORTHY AT AP-12	
*Personal Services UP 4.0%	
*All M&S UP 8.% vs. year-ago	

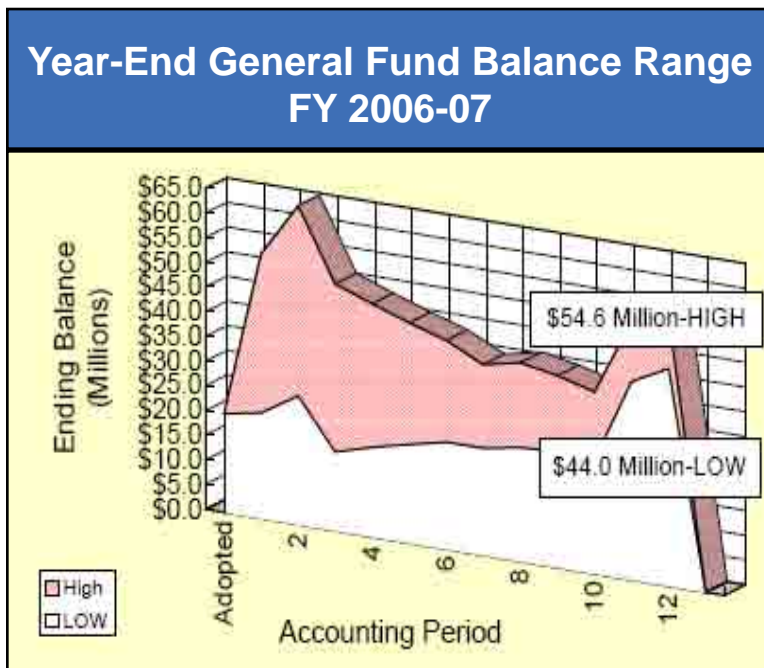


ESTIMATED YEAR-END GENERAL FUND BALANCE

The estimated year end General Fund balance ranges from \$44.0 million (Low) to about \$54.6 million (High). This balance range reflects bureau carryover as incorporated in Council’s FY 2007-08 budget adopted June 27. The General Fund’s gross Adopted Budget beginning fund balance totals \$47.8 million inclusive of \$11 million budgeted for expected encumbrances plus about \$6.7 million for bureau carryover requirements. The midpoint of the range estimate for


Estimated Year-End Balance Range		
Item	Low	High
Resources	\$511,613,638	\$517,533,684
Expenses	\$467,612,144	\$462,959,287
End Balance	\$40,001,494	\$54,574,397

balance is about \$49.3 million which is about \$1.5 million higher the Adopted Budget beginning balance for FY 2007-08. This is consistent with recent spending trends, particularly in external materials and services, where spending during AP-10 through AP-12 this year was about \$1.5 million behind last year over the same period. In addition, overall spending has flattened out over the last three accounting periods. Additional balance is likely to develop if spending does not pick up during June. ■



Demand Up in Portland Area Industrial Market

According to a recent CB Richard Ellis report, the Portland area industrial real estate market has improved significantly since 2003. The vacancy rate has dropped from over 10% in 2003 to 5.6%. Strong job opportunities and a declining area unemployment rate have increased the demand for office and industrial space. Portland (the city) remains Oregon’s industrial leader with 1,317 companies employing 52,245 workers, and with Portland’s urban growth boundary restriction, the limited supply of industrial land will continue to drive prices higher. Business parks are considered to be the best indicator of the industrial market. In 2006 Portland’s business park vacancy rate dropped nearly two percentage points to just below 10%, the lowest since 2001. Also, commercial vacancy rates have declined from over 17% in 2003 to a current rate of 11.3%. ■

FY 2006-07 General Fund Resources: To-Date, Estimated Year-End & Current Revised Budget			
 =General Fund Discretionary Resource		Through	Estimated
GENERAL FUND RESOURCE CATEGORY		AP-12	Year-End
			Revised Budget
INTERNAL REVENUES	41000		
Service Reimbursements		\$29,829,783	\$39,468,605
Other Internal, Overhead & Transfers-IN		\$32,563,364	\$46,249,366
PROPERTY & LODGING TAXES	42100		
Property Taxes		\$159,725,060	\$167,987,981
Lodging Taxes		\$14,487,786	\$14,551,938
BUSINESS LICENSES, PERMITS	43000		
Business Licenses		\$74,327,766	\$74,087,371
Utility License/Franchise		\$52,075,302	\$64,088,326
Other Permits		\$2,911,922	\$3,167,652
SERVICE CHARGES & FEES	44000	\$15,343,514	\$17,187,356
STATE (Cigarette & Liquor)	46000	\$8,152,474	\$11,176,574
LOCAL SOURCES (Contracts)	47000	\$12,771,055	\$14,609,792
MISC. REVENUES & INTEREST	49400	\$6,356,687	\$7,322,442
Bond Proceeds		\$0	\$0
BEGINNING FUND BALANCE		\$46,230,866	\$46,230,866
ENCUMBRANCE & CARRYOVER		\$8,056,291	\$8,056,291
GENERAL FUND RESOURCE TOTAL		\$462,831,870	\$514,184,560

FY 2006-07 General Fund Expenses: To Date, Estimated Year-End & Current Revised Budget			
GENERAL FUND EXPENSE CATEGORY	Through AP-12	Estimated Year-End	Revised Budget
Salaries & Wages	\$165,593,988	\$182,541,055	\$188,412,280
Overtime	\$9,747,465	\$10,953,213	\$8,056,331
Premium & Part-Time	\$17,122,438	\$19,114,855	\$18,035,586
Benefits	\$47,326,359	\$50,825,815	\$52,921,801
TOTAL PERSONAL SERVICES	\$239,790,250	\$263,434,938	\$267,425,997
Estimated Percent Of Budget Spent	89.7%	98.5%	
EXTERNAL MATERIALS & SERVICES	\$66,594,373	\$90,763,917	\$114,126,875
Estimated Percent Of Budget Spent	58.4%	79.5%	
INTERNAL MATERIALS & SERVICES	\$47,926,108	\$52,783,802	\$52,169,492
Estimated Percent Of Budget Spent	91.9%	101.2%	
CAPITAL OUTLAY	\$4,858,872	\$7,687,299	\$7,687,299
Estimated Percent Of Budget Spent	63.2%	100.0%	
CONTINGENCY & UNFORESEEN	\$0	\$3,415,622	\$12,430,873
FUND CASH TRANSFERS	\$38,453,072	\$49,059,871	\$49,206,490
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$397,622,675	\$467,145,449	\$503,047,026
Grant Backed Encumbrances Adjustment	-\$2,151,846	-\$1,859,734	
GENERAL FUND EXPENSE TOTAL-NET	\$395,470,829	\$465,285,715	\$503,047,026
Estimated Percent Of Budget Spent	79.0%	92.9%	

FY 2006-07 General Fund Expenses by Bureau: To Date, Estimated Year-End & Current Revised Budgets											
Percent Of Year Elapsed.....		92.3%		Percent Year Remaining.....		7.7%					
		Through AP-12		Estimated Year-End		Revised Budget		Percent Spent			
AU Description		AU#									
Police Bureau		100		\$130,413,764		\$144,502,937		\$145,301,532		89.8%	
Fire Bureau		124		\$73,932,862		\$82,991,406		\$85,525,425		86.4%	
Parks Bureau		133		\$45,068,467		\$52,150,367		\$52,166,335		86.4%	
Subtotal-Public Safety and Parks				\$249,415,093		\$279,644,710		\$282,993,291		88.1%	
Commissioner #2 (Sten)		190		\$679,712				\$692,879		98.1%	
Commissioner #4 (Leonard)		191		\$602,247				\$683,516		88.1%	
Commissioner #3 (Saltzman)		192		\$629,306				\$703,743		89.4%	
Commissioner #1 (Adams)		193		\$741,275				\$792,526		93.5%	
Office of the Mayor		195		\$2,308,201				\$3,074,338		75.1%	
Operating Contingency		298		\$1,886		\$3,415,622		\$9,695,273		#N/A	
Unforeseen Revenues		298		\$0		\$0		\$2,000,000		#N/A	
Other Cash Transfers		299		\$38,380,191		\$49,059,871		\$49,206,490		78.0%	
Office of Cable Com		300		\$1,544,228				\$2,082,379		74.2%	
P.O.E.M		110		\$9,970,200				\$13,555,831		73.5%	
Office-Sus. Development		302		\$2,227,995				\$4,064,686		54.8%	
Government Relations		303		\$723,133				\$950,649		76.1%	
Office of Manage & Finance		307		\$20,864,852				\$24,219,600		86.1%	
Office of City Attorney		312		\$6,038,058				\$6,745,212		89.5%	
Business Licenses		316		\$3,298				\$0		#N/A	
City Auditor		336		\$6,109,490				\$7,444,789		82.1%	
Office Neigh. Involve		342		\$5,598,130				\$6,247,481		89.6%	
OMF Citywide Projects		381		\$11,722,964				\$13,853,011		84.6%	
OMF Revenue Bureau		390		\$15,226,165				\$17,000,542		89.6%	
Special Appropriations		401		\$8,694,426				\$20,614,402		42.2%	
Bureau of Planning		510		\$6,058,419				\$8,494,384		71.3%	
Bureau Com. Develop		540		\$10,159,105				\$27,072,347		37.5%	
Subtotal-All Other AUs				\$148,283,281		\$185,307,079		\$219,194,079		67.6%	
General Fund Total-All AUs				\$397,698,374		\$464,951,789		\$502,187,370		79.2%	
Grant Backed Encumbrances Adjustment				-\$2,151,846		-\$1,859,734		\$0			
General Fund Total-All AUs				\$395,546,528		\$463,092,055		\$502,187,370		78.8%	

Revenue and Economic Indicators			
This table summarizes some basic revenue and economic indicators. The onset of an economic slowdown or financial trouble will be reflected by indicators that climb above the applicable "Concern Level."			
	FY2006-07	FY2006-07	Concern Level
Reserve Fund Usage	3rd Quarter	2nd Quarter	
Basic Revenue Growth	20.8%	7.3%	Below 3%
Portland Unemployment	5.4%	4.6%	Above 6.5%
Business License Revenue	30.2%	45.6%	Below 5.5%
Property Tax	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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