

OFFICE OF MANAGEMENT & FINANCE

The Financial Outlook

for the City of Portland General Fund



Accounting Period #3 (AP-3)

August 23 to September 19, 2007

ESTIMATED YEAR-END GENERAL FUND RESOURCES

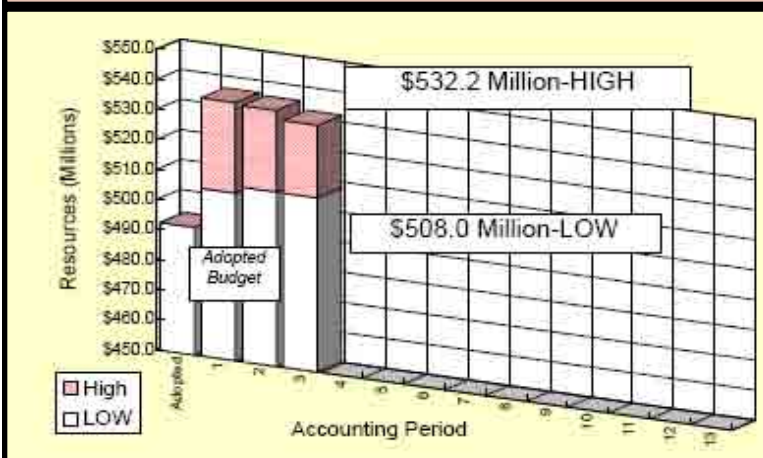
Estimated year-end General Fund resources at AP-3 are forecast to range from \$508.0 million (low) to \$532.2 million (high). General Fund budgeted resources remain unchanged at \$492.5 million as of September 19. Council's revised budget is unchanged compared to the July 1 Adopted Budget for FY 2007-08.

General Fund revenues at AP-3 total \$23.5 million, up about 14.2% over last year at the same time. Discretionary revenues total an estimated \$10.2 million versus about \$9.5 million last year. Early revenue data suggests that General Fund revenue growth continues to remain above trend levels, although it is still very early in the new fiscal year.

At AP-3, revenues are about \$2.9 million ahead of last year with early revenue growth concentrated in bureau interagency revenues, first quarter transient lodging taxes, General Fund overhead revenues, and business license audit revenues. Transient

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Estimated Year-End Resource Range FY 2007-08 General Fund Financial Model



RESOURCE RECAP

*Budgeted Resources	\$492,511,185
*Resource Range, (High)	\$532,189,995
(Low)	\$508,042,511
Revenues At AP-3(*)	\$23,541,179
Versus Year-Ago...UP	14.17%

NOTEWORTHY AT AP-3

- * Hotel/Motel Up 17.5 % vs. year-ago
- * Property Taxes Up 3 % vs. year-ago

The Bottom Line:

- **Resources, year end** are estimated to range from \$508.2 million (low) to \$532.2 million (high).
- **Budgeted Resources** remained at \$492.5 million during AP-3.
- **Year-end expenditure** estimates range from \$479.3 million (low) to \$489.1 million (high).
- **The year-end balance**, beginning FY 2008-09 balance, is forecast at somewhere between \$18.9 million (low) to \$52.9 million (high).

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

lodging taxes total just under \$4.1 million to date versus \$3.4 million last year, up 17.5%. Bureau interagency revenues total \$2.9 million versus \$1.4 million last year. Business license audit revenues total \$600,000 compared to \$99,900 last year at this time. General Fund overhead revenues are about \$840,000 ahead of last year.

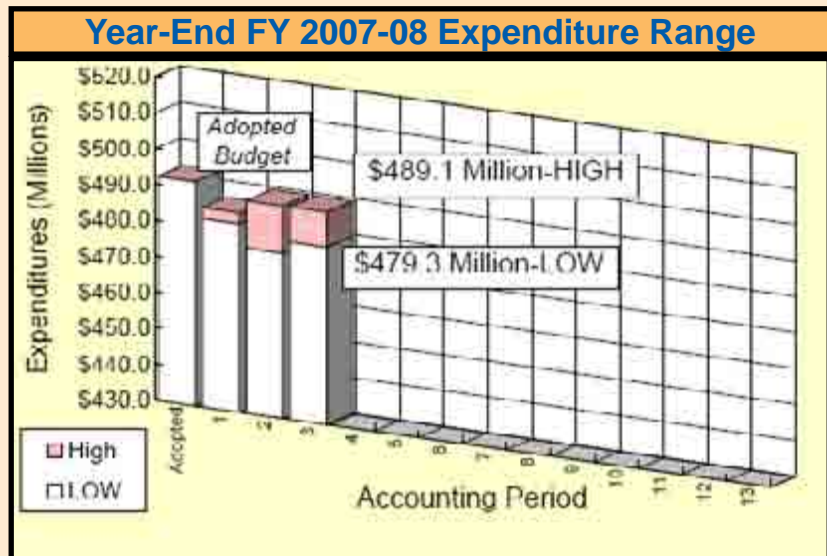
There is no news on property taxes yet. Though the County was scheduled to complete tax calculations and certify the tax rolls on September 9 or 10, the first new levy data is expected to start showing up the week of October 15, just as tax bills go out to property tax owners. OMF expects that continued strong real market value (RMV) growth will likely further reduce local government revenue losses from compression. The next Financial Outlook should have the benefit of some FY 2007-08 property tax revenue data from the “current” or new FY 2007-08 tax base levy. ■

GENERAL FUND EXPENDITURES

General Fund expenditures at AP-3 total about \$109.2 million, inclusive of all current encumbrances. Netting out grant-backed encumbrances yields an estimated \$107.2 million. General Fund expenses for the last twelve months on a 13 period basis look very robust. Overall growth through September 19 appears to be about 10.6%, year over year.

With the exception of overtime and part-time expenses, personal services expenditures are barely above last year. External materials and services are well ahead of last year based on the level of professional services expenses. These total \$12.1 million through AP-3 compared to a budget of \$16.4 million and expenditures last year of \$830,185 through AP-3. Internal materials and services expenditures have also accelerated with expenses up 10.5% over last year. ■

EXPENSE RECAP	
*IBIS Budgeted Expenses	\$492,511,185
*Expense Range, (High)	\$489,147,723
(Low)	\$479,284,432
Expenses At AP-3()	\$109,210,592
Versus Year-Ago...Up	10.56%
NOTEWORTHY AT AP-3	
* Personal Services UP 0.5%	
* All M&S UP 42% vs. year-ago	
* Capital Expense DOWN -77.6%	

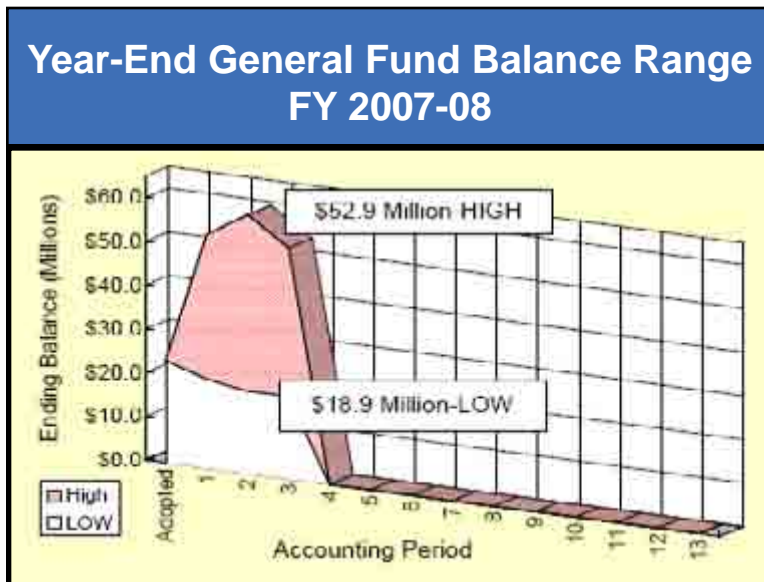


ESTIMATED YEAR-END GENERAL FUND BALANCE

Estimated year end General Fund balance ranges from \$18.9 million (low) to about \$52.9 million (high). This balance reflects unaudited FY 2006-07 results as reported in last year's AP-13 Outlook. The range for the ending balance is very wide and is typical for this early in the year. This year's Fall Budget Monitoring Process (BuMP) will increase General Fund budgets as about \$6.7 million of excess beginning fund balance is allocated by Council.

Estimated Year-End Balance Range		
Item	Low	High
Resources	\$508,042,511	\$532,189,995
Expenses	\$489,147,723	\$479,284,432
End Balance	\$18,894,787	\$52,905,563

The Fall BuMP is scheduled to go to Council on December 5.



Early spending patterns are mixed with personal services spending slow, while materials and services spending started out very accelerated. If this spending pattern persists, a larger than normal ending fund balance may result because personal services budgets and expenditures account for the majority (56%) of the General Fund's budget. Each fiscal year seems to have its own personality and this year is no different. ■

Northwest Real Estate Markets Holding Up

Amid the havoc that cheap credit and subprime loans created for financial and real estate markets, the Pacific Northwest stands out as one of the few places that residential real estate markets have managed to hold up. Federal housing price data shows that housing prices have slowed here but generally continue to be modestly positive. Over the twelve months prior to July, housing prices in Oregon (up 1.6%, Portland-Vancouver, 3.8%), Idaho (up 8.4%), Washington (up 9.1%) and Montana (up 9.1%) have managed to register continued gains. California registered a 1.4% decline. Regional housing markets are slower in the Pacific Northwest but the broader economy continues to do well as reflected in recent employment numbers and loan delinquency and foreclosure activity that is somewhat higher and remains well below national averages. ■

FY 2007-08 General Fund Resources: To-Date, Estimated Year-End & Current Revised Budget			
GENERAL FUND RESOURCE CATEGORY	Through AP-3	Estimated Year-End	Revised Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$2,883,761	\$31,535,987	\$37,101,161
Other Internal, Overhead & Transfers-IN	\$4,820,877	\$34,500,481	\$36,566,062
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$78,098	\$171,528,312	\$171,508,684
Lodging Taxes	\$4,058,073	\$15,223,691	\$14,659,186
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$2,385,489	\$75,157,272	\$64,531,784
Utility License/Franchise	\$1,351,490	\$63,421,051	\$64,031,616
Other Permits	\$114,319	\$3,368,749	\$3,955,000
SERVICE CHARGES & FEES 44000	\$4,818,052	\$17,304,988	\$16,614,077
STATE (Cigarette & Liquor) 46000	\$561,844	\$11,211,200	\$10,779,684
LOCAL SOURCES (Contracts) 47000	\$1,353,271	\$14,624,861	\$15,375,180
MISC. REVENUES & INTEREST 49400	\$1,145,847	\$7,575,497	\$9,167,936
Bond Proceeds	\$0	\$0	\$0
BEGINNING FUND BALANCE	\$49,456,752	\$49,456,752	\$37,220,815
ENCUMBRANCE & CARRYOVER	\$15,686,647	\$15,686,647	\$11,000,000
GENERAL FUND RESOURCE TOTAL	\$88,714,520	\$510,595,488	\$492,511,185
Estimated Percent Of Budget Resources Realized	18.0%	103.7%	

FY 2007-08 General Fund Expenses: To Date, Estimated Year-End & Current Revised Budget			
GENERAL FUND EXPENSE CATEGORY	Through AP-3	Estimated Year-End	Revised Budget
Salaries & Wages	\$40,366,516	\$190,490,348	\$195,317,111
Overtime	\$2,732,680	\$11,066,601	\$8,097,443
Premium & Part-Time	\$6,272,772	\$19,050,599	\$17,544,680
Benefits	\$12,490,704	\$53,418,572	\$53,418,572
TOTAL PERSONAL SERVICES	\$61,862,672	\$274,026,120	\$274,377,806
Estimated Percent Of Budget Spent	22.5%	99.9%	
EXTERNAL MATERIALS & SERVICES	\$26,595,258	\$85,785,967	\$85,676,855
Estimated Percent Of Budget Spent	31.0%	100.1%	
INTERNAL MATERIALS & SERVICES	\$11,765,284	\$54,045,609	\$55,328,463
Estimated Percent Of Budget Spent	21.3%	97.7%	
CAPITAL OUTLAY	\$861,531	\$2,380,496	\$2,380,496
Estimated Percent Of Budget Spent	36.2%	100.0%	
CONTINGENCY & UNFORESEEN	\$0	\$21,621,651	\$23,621,651
FUND CASH TRANSFERS	\$8,125,847	\$50,753,439	\$51,125,914
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$109,210,592	\$488,613,282	\$492,511,185
Grant Backed Encumbrances Adjustment	-\$1,781,378	-\$1,899,129	
GENERAL FUND EXPENSE TOTAL-NET	\$107,429,214	\$486,714,152	\$492,511,185
Estimated Percent Of Budget Spent	22.2%	99.2%	

FY 2007-08 General Fund Expenses by Bureau: To Date, Estimated Year-End & Current Revised Budgets					
Percent Of Year Elapsed.....23.1%			Percent Year Remaining.....76.9%		
AU Description	AU#	Through AP-3	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau	100	\$32,413,526	\$149,070,499	\$146,405,705	22.1%
Fire Bureau	124	\$19,275,823	\$82,822,621	\$84,766,660	22.7%
Parks Bureau	133	\$12,781,276	\$55,000,254	\$55,069,112	23.2%
Subtotal-Public Safety and Parks		\$64,470,625	\$286,893,374	\$286,241,477	22.5%
Commissioner #2 (Sten)	190	\$181,306		\$820,877	22.1%
Commissioner #4 (Leonard)	191	\$259,448		\$802,018	32.3%
Commissioner #3 (Saltzman)	192	\$154,664		\$723,532	21.4%
Commissioner #1 (Adams)	193	\$196,819		\$830,356	23.7%
Office of the Mayor	195	\$639,821		\$2,965,589	21.6%
Operating Contingency	298	\$0	\$21,621,651	\$21,621,651	#N/A
Unforeseen Revenues	298	\$0	\$0	\$2,000,000	#N/A
Other Cash Transfers	299	\$8,125,847	\$50,753,439	\$51,125,914	15.9%
Office of Cable Com	300	\$636,974		\$2,001,030	31.8%
P.O.E.M	110	\$2,261,556		\$8,069,857	28.0%
Office-Sus. Development	302	\$590,512		\$4,199,380	14.1%
Government Relations	303	\$197,239		\$1,127,432	17.5%
Office of Manage & Finance	307	\$5,977,661		\$26,445,527	22.6%
Office of City Attorney	312	\$1,529,507		\$7,606,127	20.1%
Business Licenses	316	\$3,040		\$0	#N/A
City Auditor	336	\$1,451,857		\$6,968,501	20.8%
Office Neigh. Involve	342	\$1,747,177		\$6,470,975	27.0%
OMF Citywide Projects	381	\$9,285,371		\$13,046,010	71.2%
OMF Revenue Bureau	390	\$2,275,856		\$10,805,689	21.1%
Special Appropriations	401	\$3,322,049		\$9,889,004	33.6%
Bureau of Planning	510	\$2,593,209		\$11,233,929	23.1%
Bureau Com. Develop	540	\$3,310,054		\$17,516,309	18.9%
Subtotal-All Other AUs		\$44,739,967	\$199,353,895	\$206,269,708	21.7%
General Fund Total-All AUs		\$109,210,592	\$486,247,270	\$492,511,185	22.2%
Grant Backed Encumbrances Adjustment		-\$1,781,378	-\$1,899,129	\$0	
General Fund Total-All AUs		\$107,429,214	\$484,348,140	\$492,511,185	21.8%

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."			
	FY2007-08	FY2007-08	Concern Level
Reserve Fund Usage Condition	3rd Quarter	2nd Quarter	
Basic Revenue Growth	7.7%	8.1%	Below 3%
Portland Unemployment Rate	5.4%	4.6%	Above 6.5%
Business License Revenue Growth	22.1%	30.2%	Below 5.5%
Property Tax Delinquency Rate	4.8%	5.1%	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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