## Office of Management & Finance

# The Financial Outlook



for the City of Portland General Fund

**Accounting Period #4 (AP-4)** 

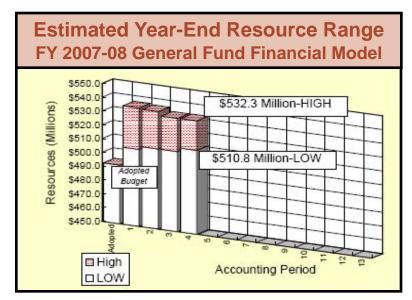
September 20 to October 17, 2007

### ESTIMATED YEAR-END GENERAL FUND RESOURCES

Estimated year-end General Fund resources at AP-4 are forecast to range from \$510.8 million (Low) to \$532.3 million (High). General Fund budgeted resources remain unchanged at \$492.5 million as of October 17. Council's revised budget is unchanged compared to the July 1 Adopted Budget for FY 2007-08.

General Fund revenues at AP-4 total almost \$33.0 million, up a respectable 5.4% over last year at the same time. Discretionary revenues total \$14.3 million versus about \$14.8 million last year at AP-4. What appears to be a decline in revenues is due only to a change in timing of some franchise fee payments. Thus, the AP-4 comparison does not signal an overall decline in revenues.

During AP-4, Multnomah County Assessment and Taxation released its FY 2008-09 property tax results. Measure 50 taxable assessed value growth came in at about 5.1%, well above last year's 4.0% and the previous year's 2.9%. The



forecast called for only 2.95% taxable assessed value growth. The General Fund's tax base results from multiplying taxable assessed value times the Fund's

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Resource Recap				
*Budgeted Resources	\$492,511,185			
*Resource Range, (High)	\$532,332,550			
(Low)	\$510,823,618			
Revenues At AP-4(*)	\$32,794,544			
Versus Year-AgoUP	5.40%			
NOTEWORTHY AT AP-4				
* Hotel/Motel Up 15.7 % vs. year-ago				
* Property Taxes Down -3.7 % vs. year-ago				

### **The Bottom Line:**

- Resources, year end are estimated to range from \$510.8 million (Low) to \$532.3 million (High).
- Budgeted Resources remained at \$492.5 million during AP-4.
- Year-end expenditure estimates range from \$484.5 million (Low) to \$491.4 million (High).
- Forecast year end balance, beginning FY 2008-09 balance, is forecast at somewhere between \$19.4 million (Low) to \$47.8 million (High).

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

permanent tax rate of \$4.5770. Thus, the higher than expected assessed value growth translates directly into revenue in excess of budget. Compression remained about the same as last year at 2.67% (versus 2.74%).

Although property taxes are down 3.7% from a year-ago, there is as yet no new levy money in General Fund coffers. Good year over year comparisons will not be possible until results for period 5 and 6 are available.

Given these results, revenues at year-end should come in about \$4.3 million (2.4%) over budget. Analysis of assessed value growth suggests that new construction values added about 1.3% to assessed value growth which is probably as high as it have ever been (outside of urban renewal districts) under Measure 50 rules.

Transient lodging tax revenue continues to come in very strongly with revenues at AP-4 totaling \$5.4 million versus \$4.6 million last year. Revenues are up a remarkable 15.6% over a year-ago.

## GENERAL FUND EXPENDITURES

General Fund expenditures at AP-4 total about \$144.9 million inclusive of all current encumbrances. Netting out grant-backed encumbrances yields an estimated \$143.4 million. Expenditures at AP-4 appear to be about 11.7% ahead of year-ago. Expense growth outside of the personal services area remains very steady.

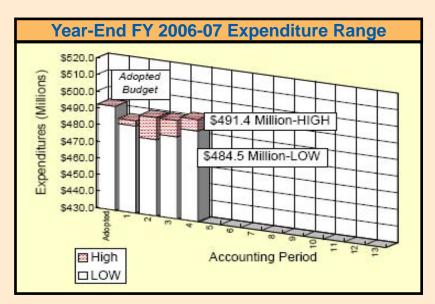
Personal services expenditures continue to lag, with lower wage and salary expenditures offset by stronger premium pay and overtime expenses.

External materials and services total \$32.2 million versus \$21.5

million last year, up 49.8%. Spending is occurring earlier than usual. Expenditures for the past 12 months total about \$99.3 million versus a current budget of \$83.9 million (net of the compensation setaside). At some point, expenditures are expected to slow.

Capital Outlay shows spending above budget. This consists primarily of encumbrances, and adjustments will be requested in the fall BuMP. Similarly, OMF Special Projects (AU 381) shows 76% of its budget spent through AP-4, which reflects the encumbrance of the EBS implementation contract with Ariston. An adjustment for this is also being requested in the BuMP.

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EXPENSE RECAP					
*IBIS Budgeted Expenses	\$492,511,185				
*Expense Range, (High)	\$491,420,564				
(Low)	\$484,485,358				
*Expenses At AP-4(*)	\$144,898,544				
Versus Year-AgoUp	11.7%				
NOTEWORTHY	NOTEWORTHY AT AP-4				
* Personal Services UP 0.7%					
* All M&S UP 35% vs. year-ago					
* Capital Outlays UP 18.4%					



### ESTIMATED YEAR-END GENERAL FUND BALANCE

Estimated year-end General Fund balance ranges from \$19.4 million (Low) to about \$47.8 million (High). This balance continues to reflect unaudited FY 2006-07 results as reported in last year's AP-13 Outlook. The range for the ending balance is very wide, which is typical for this early in the year. This year's Fall Budget Monitoring (BuMP)

Estimated Year-End Balance Range					
Item	Low High				
Resources	\$510,823,618	\$532,332,550			
Expenses	\$491,420,564	\$484,485,358			
End Balance	\$19,403,053	\$47,847,191			

process, now underway, will allocate about \$6.7 million of unbudgeted beginning fund balance resources

Year-End General Fund Balance Range FY 2007-08				
Ending Balance (Millions)  (Millions)  (Millions)  (Millions)  (Millions)  (Millions)  (Millions)  (Millions)  (Millions)	\$47.8 Million-HIGH \$19.4 Million-LOW Accounting Period			

and is scheduled to go to Council on December 5, along with the traditional December General Fund financial forecast.

The point estimate for ending balance is \$24.4 million. This ending balance is traditionally the estimate that goes into the December financial forecast as next fiscal year's beginning fund balance. The December financial forecast uses this balance estimate. This is because AP-5 ends November 14 and accounting reports will not be out until November 26, which will not allow enough time to update once more prior to issuing the forecast.

### **Northwest Economy Remains In Good Shape**

Despite decidedly downbeat economic news that includes a very weak dollar, oil approaching \$100 per barrel, a weak housing market, and the subprime financial mess, the greater northwest regional economy remains in relatively good shape. Marple's most recent, "Pacific Northwest Letter," notes that, "the Pacific Northwest overall remains a bright spot economically." Employment growth in Washington, Idaho, and Montana remains very strong. Oregon and Alaska are growing more slowly as calendar year 2007 draws to a close. Some observers think that, if the national economy does succumb to recession sometime in 2008, the region may be able to weather the downturn better than was the case during the last recession. This remains to be seen but it is clear that calendar year 2007 was another pretty good year for the region.

FY 2007-08 General Fund Resources: To-Date, Estimated Year-End & Current Revised Budget				
☐ =General Fund Discretionary Resource		Through	Estimated	Revised
GENERAL FUND RESOURCE CATEGORY		AP-4	Year-End	Budget
INTERNAL REVENUES	41000			
Service Reimbursements		\$3,037,878	\$31,535,987	\$37,101,161
Other Internal, Overhead & Transfers-IN		\$6,610,917	\$34,508,789	\$36,566,062
PROPERTY & LODGING TAXES	42100			
Property Taxes		\$524,010	\$175,508,589	\$171,508,684
Lodging Taxes		\$5,345,796	\$15,344,394	\$14,659,186
BUSINESS LICENSES, PERMITS	43000			
Business Licenses		\$3,427,074	\$74,448,332	\$64,531,784
Utility License/Franchise		\$1,389,618	\$63,129,782	\$64,031,616
Other Permits		\$814,715	\$3,779,186	\$3,955,000
SERVICE CHARGES & FEES	44000	\$6,212,816	\$17,106,324	\$16,614,077
STATE (Cigarette & Liquor)	46000	\$1,187,669	\$11,386,743	\$10,779,684
LOCAL SOURCES (Contracts)	47000	\$2,513,014	\$14,616,397	\$15,375,180
MISC. REVENUES & INTEREST	49400	\$1,765,761	\$6,882,649	\$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		\$97,972,667	\$513,390,570	\$492,511,185
Estimated Percent Of Budget Resources Realized	1	19.9%	104.2%	

FY 2007-08 General Fund Expenses: To Date, Estimated Year-End & Current Revised Budget					
	Through	Estimated	Revised		
GENERAL FUND EXPENSE CATEGORY	AP-4	Year-End	Budget		
Salaries & Wages	\$54,485,340	\$190,842,428	\$195,317,111		
Overtime	\$3,753,628	\$11,175,327	\$8,097,443		
Premium & Part-Time	\$7,642,583	\$19,024,806	\$17,544,680		
Benefits	\$16,622,831	\$53,418,572	\$53,418,572		
TOTAL PERSONAL SERVICES	\$82,504,382	\$274,461,133	\$274,377,806		
Estimated Percent Of Budget Spent	30.1%	100.0%			
EXTERNAL MATERIALS & SERVICES	\$32,238,746	\$87,139,084	\$85,676,855		
Estimated Percent Of Budget Spent	37.6%	101.7%			
INTERNAL MATERIALS & SERVICES	\$15,703,558		\$55,328,463		
Estimated Percent Of Budget Spent	28.4%	98.3%			
CAPITAL OUTLAY	\$4,550,531	\$2,380,496	\$2,380,496		
Estimated Percent Of Budget Spent	191.2%	100.0%	Ψ2,300,430		
CONTINGENCY & UNFORESEEN	\$0	\$21,621,651	\$23,621,651		
FUND CASH TRANSFERS	\$9,901,327	\$50,753,439	\$51,125,914		
INVENTORY	\$0	\$0	\$0		
GENERAL FUND EXPENSE TOTAL	\$144,898,544	\$490,770,172	\$492,511,185		
Grant Backed Encumbrances Adjustment	-\$1,467,447	-\$1,794,486			
GENERAL FUND EXPENSE TOTAL-NET	\$143,431,097	\$488,975,686	\$492,511,185		
Estimated Percent Of Budget Spent	29.4%	99.6%			

FY 2007-08 General Fund Expenses by Bureau: To Date, Estimated Year-End & Current Revised Budgets					
Percent Of Year Elapsed		30.8%	Percent Year Remaining		69.2%
AU Description	AU#	Through	Estimated	Revised	Percent
<u>'</u>		AP-4	Year-End	Budget	Spent
Police Bureau	100	\$43,828,940		\$146,405,705	29.9%
Fire Bureau	124	\$29,080,571	\$82,822,621	\$84,766,660	34.3%
Parks Bureau	133	\$16,567,181	\$55,000,254		30.1%
Subtotal-Public Safety and Parks		\$89,476,692	\$284,228,581	\$286,241,477	31.3%
Commissioner #2 (Sten)	190	\$243,261		\$820,877	29.6%
Commissioner #4 (Leonard)	191	\$311,987		\$802,018	38.9%
Commissioner #3 (Saltzman)	192	\$207,438		\$723,532	28.7%
Commissioner #1 (Adams)	193	\$265,297		\$830,356	31.9%
Office of the Mayor	195	\$802,176		\$2,965,589	27.0%
Operating Contingency	298	\$59	\$21,621,651	\$21,621,651	#N/A
Unforeseen Revenues	298	\$0	\$0	\$2,000,000	#N/A
Other Cash Transfers	299	\$9,901,327	\$50,753,439	\$51,125,914	19.4%
Office of Cable Com	300	\$730,387		\$2,001,030	36.5%
P.O.E.M	110	\$2,598,766		\$8,069,857	32.2%
Office-Sus. Development	302	\$856,730		\$4,199,380	20.4%
Government Relations	303	\$280,748		\$1,127,432	24.9%
Office of Manage & Finance	307	\$7,760,727		\$26,445,527	29.3%
Office of City Attorney	312	\$2,081,799		\$7,606,127	27.4%
Business Licenses	316	\$3,040		\$0	#N/A
City Auditor	336	\$1,885,916		\$6,968,501	27.1%
Office Neigh. Involve	342	\$2,068,192		\$6,470,975	32.0%
OMF Citywide Projects	381	\$9,937,243		\$13,046,010	76.2%
OMF Revenue Bureau	390	\$2,953,916		\$10,805,689	27.3%
Special Appropriations	401	\$3,716,272		\$9,889,004	37.6%
Bureau of Planning	510	\$3,275,808		\$11,233,929	29.2%
Bureau Com. Develop	540	\$5,556,757		\$17,516,309	31.7%
Subtotal-All Other AUs		\$55,437,846	\$199,458,539	\$206,269,708	26.9%
General Fund Total-All AUs		\$144,914,538			29.4%
Grant Backed Encumbrances Adjustmen	t	-\$1,781,378			
General Fund Total-All AUs		\$143,133,160	\$481,892,633	\$492,511,185	29.1%

### **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
Reserve Fund Usage Condition	4th Quarter	3rd Quarter	Level
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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