

OFFICE OF MANAGEMENT & FINANCE

The Financial Outlook



for the City of Portland General Fund

Accounting Period #6 (AP-6)

November 15 to December 12, 2007

ESTIMATED YEAR-END GENERAL FUND RESOURCES

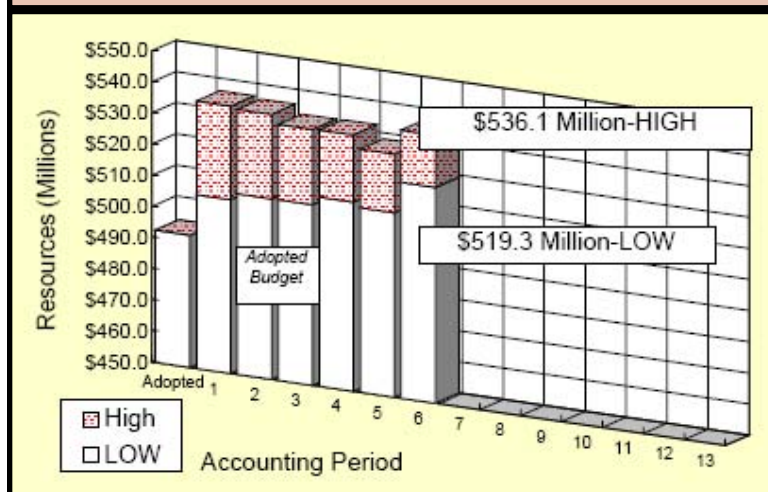
Estimated year-end General Fund resources at AP-6 are forecast to range from \$519.3 million (Low) to \$536.1 million (High). General Fund budgeted resources now reflect fall budget adjustments and Council's revised budget stands at \$525.2 million versus a July 1 Adopted Budget for FY 2007-08 of \$492.5 million.

General Fund revenues at AP-6 total \$221.9 million versus \$209.1 million last year at AP-6. Revenues are a solid 6.2% ahead of last year. All of the anomalies that prevented good year over year comparisons (utility license fees in AP-6 instead of AP-5 and a slightly different property tax receipts pattern this year) have been resolved by AP-6's mid-December ending date. Discretionary revenues are up a solid 4.3%, with estimated revenues totaling \$187.7 million versus \$179.9 million last year at AP-6.

First quarter utility license fees are now in. PGE franchise fees are up 12.9% over last year due

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



RESOURCE RECAP

*Budgeted Resources	\$525,215,789
*Resource Range, (High)	\$536,096,189
(Low)	\$519,330,048
Revenues At AP-6(*)	\$221,933,833
Versus Year-Ago...UP	6.16%

NOTEWORTHY AT AP-6

- *Hotel/Motel UP 15.0% vs. year-ago
- *Property Taxes UP 5.8% vs. year-ago
- *Utility License/Franchise UP 4.5% vs. year-ago

The Bottom Line:

- **Resources, year end**, are estimated to range from \$519.3 million (Low) to \$536.1 million (High).
- **Budgeted Resources** remained at \$525.2 million during AP-6.
- **Year-end expenditure** estimates range from \$496.3 million (Low) to \$498.8 million (High).
- **Forecast year end balance**, beginning FY 2008-09 balance, is forecast at somewhere between \$20.6 million (Low) to \$39.8 million (High).

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

to the strength of PGE’s recent rate increase. NW Natural’s franchise fees totaled about \$1.3 million versus \$886,144 last year. Next quarter’s revenues will show the initial impact of a relatively large rate decrease that went into effect November 1. Qwest (land line based) franchise fees totaled just \$839,530 versus \$1,013,139 last year. Qwest franchise fee revenues, though “choppy” from quarter to quarter, continue their long, slow decline. Lodging taxes are up about 15% over last year at AP-6. It is still too early in the year to infer much about business license revenues.

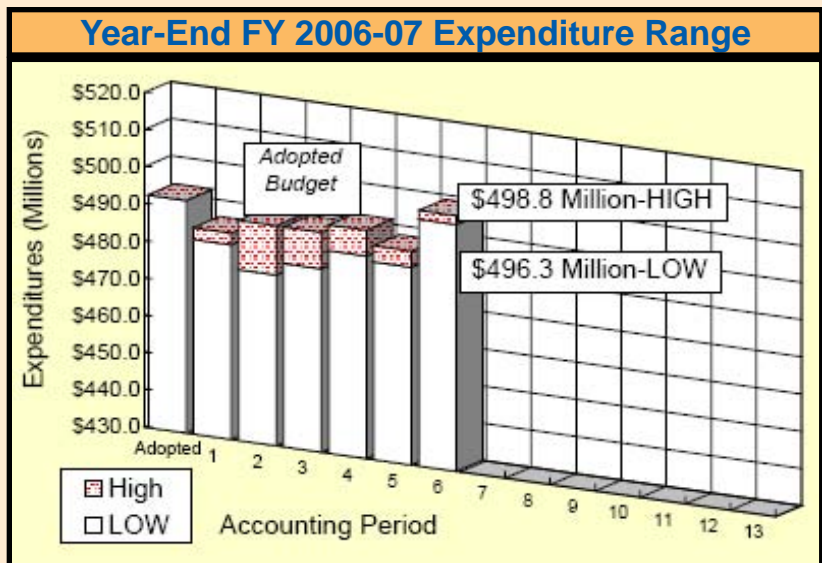
Parks’ main fee revenue category perked up at AP-6 with revenues about 5.6% ahead of a year ago. Miscellaneous fee revenues continue at levels well below last year and the catch-all miscellaneous revenues category pulled up to even with last year. ■

GENERAL FUND EXPENDITURES

General Fund expenditures at AP-6 total about \$215.7 million inclusive of all current encumbrances. Netting out grant-backed encumbrances yields an estimated \$214.4 million. Expenditures at AP-6 remain about 10% ahead of last year. Personal services expenses, overall, remain barely 1% ahead of last year. Overtime (primarily Police) is now running about 18% ahead of last year. The rate of expenditure appears to be accelerating with the passage of time and particularly over the past several accounting periods.

External materials and services are 27% ahead of last year; expenditure growth remains concentrated in the professional services line item. Internal materials and services are about 10.5% ahead of last year at AP-6. ■

EXPENSE RECAP	
*IBIS Budgeted Expenses	\$525,215,789
*Expense Range, (High)	\$498,771,136
(Low)	\$496,341,034
Expenses At AP-6()	\$215,701,075
Versus Year-Ago...Up	10.15%
NOTEWORTHY AT AP-6	
*Personal Services UP 1.0% vs. year-ago	
*Materials and Services UP 20.2% vs. year-ago	
*Capital Outlays UP 7.2% vs. year-ago	



ESTIMATED YEAR-END GENERAL FUND BALANCE

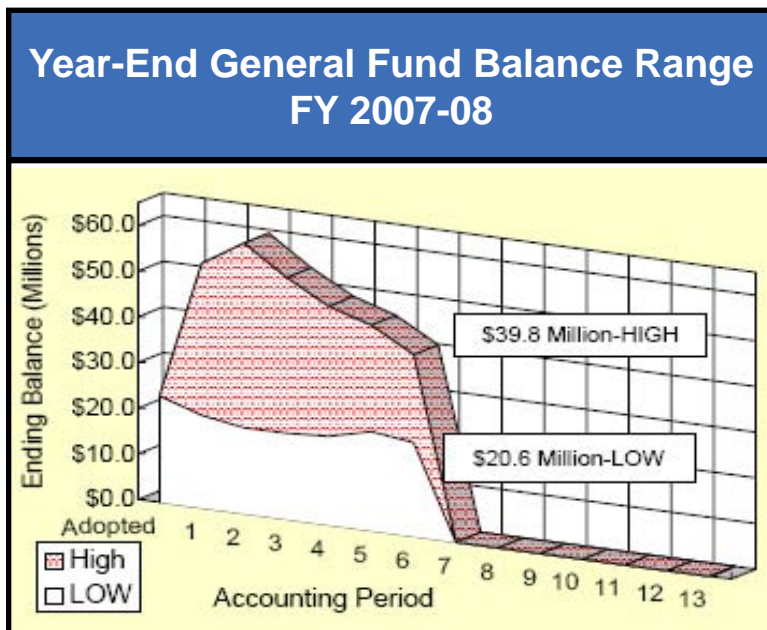
Estimated year end General Fund balance ranges from \$20.6 million (Low) to about \$39.8 million (High). This balance range now reflects audited FY 2006-07 results which became available the last week of December.

The AP-6 “point” estimate for ending balance is about \$25.7 million, which is \$1.3 million above the current financial forecast estimate of \$24.4 million as run off of AP-4 (which ended October 14) data. If personal

Estimated Year-End Balance Range		
Item	Low	High
Resources	\$519,330,048	\$536,096,189
Expenses	\$498,771,136	\$496,341,034
End Balance	\$20,558,912	\$39,755,155

services expenditure growth remains slow as it has been over the first half of the year, it is likely that the ending balance estimated for the March financial forecast update will be substantially higher.

Fall budget adjustments increased appropriations to bureau budgets. It will take bureaus time to digest these budget increases and increase expenditures. If expenditure rates do not pick up (as happened last year) then year-end balance estimates will rise. This potential rise in balance, however, may possibly be offset by bureau carryover requests this spring. ■



Recent Economic Data

Recent national economic data continues to very clearly show a slowing U.S. economy. The December employment report showed that the unemployment rate rose to 5% from 4.7% in November. Job losses occurred in manufacturing and construction as might be expected given the turmoil in the housing market. At the same time that employment growth seems to be slowing to a crawl, inflation seems to be on the upswing. The U.S. consumer price index (CPI-U) was up 4.3% in November, compared to about 3.2% for all of calendar year 2006. The higher inflation is underscored by the continuing surge in the price of oil to \$100 a barrel. The first half of calendar year 2008 is likely to be a very bumpy ride for the US economy with recession becoming more of a real possibility than at any time in the recent past. ■

FY 2007-08 General Fund Resources: To-Date, Estimated Year-End & Current Revised Budget			
GENERAL FUND RESOURCE CATEGORY	Through AP-6	Estimated Year-End	Revised Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$10,623,891	\$37,080,759	\$43,624,422
Other Internal, Overhead & Transfers-IN	\$10,970,930	\$40,011,767	\$44,935,457
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$155,005,668	\$175,786,965	\$171,508,684
Lodging Taxes	\$8,920,600	\$15,852,730	\$14,659,186
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$763,531	\$70,123,670	\$64,531,784
Utility License/Franchise	\$16,366,259	\$63,494,592	\$64,081,616
Other Permits	\$1,846,012	\$4,231,237	\$3,958,285
SERVICE CHARGES & FEES 44000	\$8,301,340	\$16,930,663	\$16,852,402
STATE (Cigarette & Liquor) 46000	\$3,446,389	\$11,076,231	\$10,779,684
LOCAL SOURCES (Contracts) 47000	\$3,666,424	\$14,479,985	\$15,637,529
MISC. REVENUES & INTEREST 49400	\$2,221,671	\$7,138,755	\$9,503,341
Bond Proceeds	\$0	\$0	\$0
BEGINNING FUND BALANCE	\$58,237,189	\$58,237,189	\$60,431,354
ENCUMBRANCE & CARRYOVER	\$7,495,205	\$7,495,205	\$4,712,045
GENERAL FUND RESOURCE TOTAL	\$287,865,109	\$521,939,747	\$525,215,789
Estimated Percent Of Budget Resources Realized	54.8%	99.4%	

FY 2007-08 General Fund Expenses: To Date, Estimated Year-End & Current Revised Budget			
GENERAL FUND EXPENSE CATEGORY	Through AP-6	Estimated Year-End	Revised Budget
Salaries & Wages	\$82,574,960	\$185,599,312	\$197,354,502
Overtime	\$5,732,156	\$12,700,357	\$9,588,405
Premium & Part-Time	\$24,960,144	\$53,495,007	\$54,146,490
Benefits	\$10,211,285	\$19,242,582	\$18,553,886
TOTAL PERSONAL SERVICES	\$123,478,545	\$271,037,259	\$279,643,283
Estimated Percent Of Budget Spent	44.2%	96.9%	
EXTERNAL MATERIALS & SERVICES	\$41,938,606	\$100,713,784	\$110,217,961
Estimated Percent Of Budget Spent	38.1%	91.4%	
INTERNAL MATERIALS & SERVICES	\$24,627,032	\$55,693,555	\$57,010,079
Estimated Percent Of Budget Spent	43.2%	97.7%	
CAPITAL OUTLAY	\$4,638,122	\$6,502,891	\$6,588,601
Estimated Percent Of Budget Spent	70.4%	98.7%	
CONTINGENCY & UNFORESEEN	\$0	\$6,308,064	\$14,881,036
FUND CASH TRANSFERS	\$21,018,770	\$56,034,134	\$56,874,829
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$215,701,075	\$496,289,687	\$525,215,789
Grant Backed Encumbrances Adjustment	-\$1,286,124	-\$1,339,707	
GENERAL FUND EXPENSE TOTAL-NET	\$214,414,951	\$494,949,980	\$525,215,789
Estimated Percent Of Budget Spent	40.8%	94.2%	

FY 2007-08 General Fund Expenses by Bureau: To Date, Estimated Year-End & Current Revised Budgets							
Percent Of Year Elapsed.....		46.2%		Percent Year Remaining.....		53.8%	
AU Description		AU#	Through AP-6	Estimated Year-End	Revised Budget	Percent Spent	
Police Bureau		100	\$66,256,739	\$151,278,649	\$152,099,596	43.6%	
Fire Bureau		124	\$41,264,955	\$83,189,958	\$90,132,369	45.8%	
Parks Bureau		133	\$24,297,437	\$55,310,870	\$56,494,742	43.0%	
Subtotal-Public Safety and Parks			\$131,819,131	\$289,779,477	\$298,726,707	44.1%	
Commissioner #2 (Sten)		190	\$369,256		\$820,877	45.0%	
Commissioner #4 (Leonard)		191	\$419,038		\$803,465	52.2%	
Commissioner #3 (Saltzman)		192	\$315,229		\$723,532	43.6%	
Commissioner #1 (Adams)		193	\$400,477		\$830,356	48.2%	
Office of the Mayor		195	\$1,155,990		\$3,357,735	34.4%	
Operating Contingency		298	\$0	\$6,308,064	\$12,881,036	#N/A	
Unforeseen Revenues		298	\$0	\$0	\$2,000,000	#N/A	
Other Cash Transfers		299	\$21,018,770	\$56,034,134	\$56,821,844	37.0%	
Office of Cable Com		300	\$1,213,071		\$2,246,060	54.0%	
P.O.E.M		110	\$3,647,290		\$7,023,440	51.9%	
Office-Sus. Development		302	\$1,361,668		\$5,009,806	27.2%	
Government Relations		303	\$426,997		\$1,127,432	37.9%	
Office of Manage & Finance		307	\$11,430,901		\$27,365,657	41.8%	
Office of City Attorney		312	\$3,211,148		\$7,766,127	41.3%	
Business Licenses		316	\$0		\$0	#N/A	
City Auditor		336	\$2,972,151		\$7,020,076	42.3%	
Office Neigh. Involve		342	\$3,195,413		\$7,389,577	43.2%	
OMF Citywide Projects		381	\$10,063,620		\$19,989,983	50.3%	
OMF Revenue Bureau		390	\$4,425,064		\$11,102,339	39.9%	
Special Appropriations		401	\$5,251,957		\$12,779,075	41.1%	
Bureau of Planning		510	\$4,935,363		\$12,376,204	39.9%	
Bureau Com. Develop		540	\$8,068,538		\$27,054,460	29.8%	
Subtotal-All Other AUs			\$83,881,941	\$62,342,198	\$226,489,082	37.0%	
General Fund Total-All AUs			\$215,701,072	\$352,121,675	\$525,215,789	41.1%	
Grant Backed Encumbrances Adjustment			-\$1,286,124	-\$1,339,707	\$0		
General Fund Total-All AUs			\$214,414,948	\$350,781,968	\$525,215,789	40.8%	

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	FY2006-07	Concern Level
	1st Quarter	4th Quarter	
Reserve Fund Usage Condition			
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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