

OFFICE OF MANAGEMENT & FINANCE

The Financial Outlook

for the City of Portland General Fund



Accounting Period #8 (AP-8)

January 10 to February 6, 2008

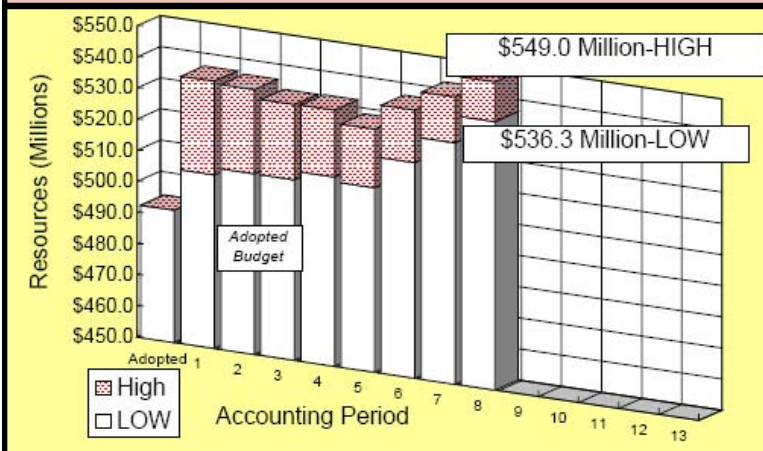
ESTIMATED YEAR-END GENERAL FUND RESOURCES

Estimated year-end General Fund resources as of AP-8 are forecast to range from \$536.3 million (Low) to \$549.0 million (High). General fund budgeted resources remain at \$525.0 million with no change compared to the last period. Council's July 1 Adopted Budget for FY 2007-08 was \$492.5 million.

General Fund AP-8 revenues total \$243.8 million versus \$236.8 million last year at AP-8. Revenues slipped from about 6% ahead of last year at AP-7 to about 3% ahead of last year as of AP-8. Discretionary revenues similarly slipped from about 4% ahead of last year at AP-7 to about 0.7% as of AP-8. It does not look like revenues have slowed down. It appears that three more anomalies have cropped up and combined to make year-over-year comparisons look weak. First, PacificCorp franchise fees are being paid quarterly this year as opposed to a combination of monthly (3%) and quarterly payments (2%). Thus, utility license

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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)	\$549,028,157
(Low)	\$536,249,407
Revenues At AP-8(*)	\$243,814,558
Versus Year-Ago...UP	2.96%

NOTEWORTHY AT AP-8

- *Hotel/Motel UP 13.7% vs. year-ago
- *Property Taxes UP 5.6% vs. year-ago
- *Utility License Fees DOWN -0.5 vs. year-ago

The Bottom Line:

- **Resources, year end**, are estimated to range from \$536.3 million (Low) to \$549.3 million (High).
- **Budgeted Resources** remained at \$525.2 million during AP-8.
- **Year-end expenditure** estimates range from \$496.9 million (Low) to \$501.9 million (High).
- **Forecast year end balance**, beginning FY 2008-09 balance, is forecast at somewhere between \$34.3 million (Low) to \$52.1 million (High).

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

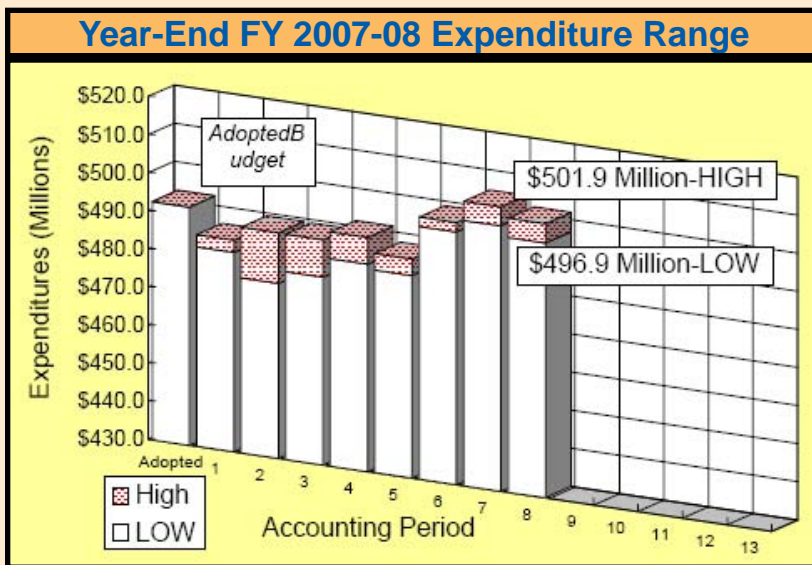
and franchise fees look like they are about 0.5% behind last year when they are actually 2-3% higher. Second, cigarette and liquor tax distributions are “slow” so far this year. State revenue distributions will catch-up by year-end. Third, business license revenues are about \$1 million behind last year and net revenues are still slightly negative. A check of what little historical data exists for this new “net revenue” stream seems to show a pattern of little in the way of positive net revenues until AP-9 is reached. So, for the present, net business license revenues year-to-date are behaving much like the past couple of years with net revenue receipts likely to be concentrated around April 15.

Parks’ main fee revenue category dropped further, to about 11% behind last year during AP-8. Miscellaneous fee revenues continue to do “poorly” while the catch-all miscellaneous category ended AP-8 about 1.3% behind last year at AP-8. ■

GENERAL FUND EXPENDITURES

General Fund expenditures at AP-8 total about \$288.8 million inclusive of all current encumbrances. Netting out grant backed encumbrances yields an estimated \$287.9 million. Expenditures at AP-8 increased to about 9.7% ahead of last year. Personal services expenses are now about 1.1% ahead of last year, but overtime (primarily Police) continues to run about 14% to 15% ahead of last year. Part-time related expenditures are 5.34% ahead of last year while premium pay is even with last year and benefits expenses are running about 1.8% behind last year at AP-8.

EXPENSE RECAP	
*IBIS Budgeted Expenses	\$524,998,827
*Expense Range, (High)	\$501,909,492
(Low)	\$496,915,368
Expenses At AP-8()	\$288,748,933
Versus Year-Ago...Up	9.73%
NOTEWORTHY AT AP-8	
*Personal Services UP 1.1% vs. year-ago	
*Materials and Services UP 10.9% vs. year-ago	
*Capital Outlays UP 9.2% vs. year-ago	

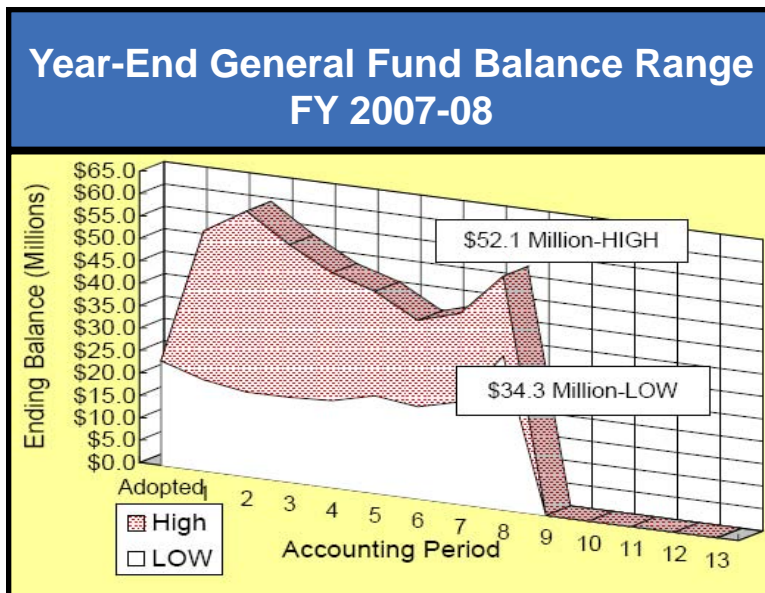


External materials and services remain about 11% ahead of last year at AP-8 and expenses continue to be very strong. Internal materials and services also remain about “11-plus” percent ahead of last year as of AP-8. ■

ESTIMATED YEAR-END GENERAL FUND BALANCE

Estimated year end General Fund balance ranges from \$34.4 million (Low) to about \$52.1 million (High) with the point estimate again moving up to \$39 million versus a March financial forecast estimate of \$28 million. The remaining unknown is bureau carryover requirements. Some portion of this ending balance estimate is needed to fund annual bureau carryover requirements. The exact size

Estimated Year-End Balance Range		
Item	Low	High
Resources	\$536,249,407	\$549,028,157
Expenses	\$501,909,492	\$496,915,368
End Balance	\$34,339,915	\$52,112,789



of the carryover portion of ending balance will not be known until spring “BuMP” requests are processed in May and finalized by Council in June. Last year bureau carryover requests totaled \$6.7 million and increased to about \$10 million by the Fall BuMP. Although last year’s outcome is not typical, a carryover requirement in the \$3 to \$10 million range matches experience over the last 10 to 15 years. This suggests that somewhere between \$1 million to as much as \$8 million might become available to Council in the Fall BuMP, barring any unforeseen problems with revenues or expenditures to year-end. ■

City’s National Economic Consultant Forecasts Recession

The City’s national economic consultant, Moody’s Economy.com, issued a recession forecast in February. Economy.com’s forecast calls for a short shallow recession centered on the first six months of calendar 2008. Economy.com currently expects a pickup during the last six months of the year. The State’s recently released March forecast shows the Oregon economy slowing without lapsing into recession. The State’s forecast relies on a national economic forecast and an Economy.com competitor, Global Insight. The State’s forecast document notes that a few days prior to issuance of the March forecast, Global Insight changed their national economic forecast to a “recession scenario” for the first half of 2008. Most observers seem to be in agreement that the U.S. economy entered into a recession either late 2007 or early 2008. ■

FY 2007-08 General Fund Resources: To-Date, Estimated Year-End & Current Revised Budget			
GENERAL FUND RESOURCE CATEGORY	Through AP-8	Estimated Year-End	Revised Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$12,763,981	\$40,134,468	\$43,624,422
Other Internal, Overhead & Transfers-IN	\$15,485,595	\$44,559,963	\$44,935,457
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$157,869,522	\$176,923,574	\$171,508,684
Lodging Taxes	\$12,522,777	\$16,318,730	\$14,659,186
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$801,968	\$74,177,711	\$64,531,784
Utility License/Franchise	\$17,367,309	\$65,631,237	\$64,081,616
Other Permits	\$2,564,049	\$4,401,042	\$3,958,285
SERVICE CHARGES & FEES 44000	\$11,002,205	\$16,657,321	\$16,852,402
STATE (Cigarette & Liquor) 46000	\$4,115,047	\$11,338,576	\$10,779,684
LOCAL SOURCES (Contracts) 47000	\$6,025,427	\$15,016,274	\$15,637,529
MISC. REVENUES & INTEREST 49400	\$3,568,283	\$8,052,839	\$9,503,341
Bond Proceeds	\$0	\$0	\$0
BEGINNING FUND BALANCE	\$59,090,717	\$59,090,717	\$60,214,392
ENCUMBRANCE & CARRYOVER	\$6,641,677	\$6,641,677	\$4,712,045
GENERAL FUND RESOURCE TOTAL	\$309,818,557	\$538,944,128	\$524,998,827
Estimated Percent Of Budget Resources Realized	59.0%	102.7%	

FY 2007-08 General Fund Expenses: To Date, Estimated Year-End & Current Revised Budget			
GENERAL FUND EXPENSE CATEGORY	Through AP-8	Estimated Year-End	Revised Budget
Salaries & Wages	\$111,795,182	\$186,568,966	\$196,467,113
Overtime	\$7,319,760	\$12,881,151	\$9,568,274
Premium & Part-Time	\$32,058,081	\$51,408,539	\$53,945,690
Benefits	\$12,701,465	\$19,836,247	\$18,474,285
TOTAL PERSONAL SERVICES	\$163,874,488	\$270,694,903	\$278,455,363
Estimated Percent Of Budget Spent	58.9%	97.2%	
EXTERNAL MATERIALS & SERVICES	\$53,628,468	\$104,284,985	\$111,188,919
Estimated Percent Of Budget Spent	48.2%	93.8%	
INTERNAL MATERIALS & SERVICES	\$32,384,628	\$56,814,828	\$57,010,079
Estimated Percent Of Budget Spent	56.8%	99.7%	
CAPITAL OUTLAY	\$4,805,467	\$6,588,601	\$6,588,601
Estimated Percent Of Budget Spent	72.9%	100.0%	
CONTINGENCY & UNFORESEEN	\$0	\$6,308,064	\$14,881,036
FUND CASH TRANSFERS	\$34,055,882	\$55,865,415	\$56,874,829
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$288,748,933	\$500,556,795	\$524,998,827
Grant Backed Encumbrances Adjustment	-\$875,690	-\$1,144,366	
GENERAL FUND EXPENSE TOTAL-NET	\$287,873,243	\$499,412,430	\$524,998,827
Estimated Percent Of Budget Spent	54.8%	95.1%	

FY 2007-08 General Fund Expenses by Bureau: To Date, Estimated Year-End & Current Revised Budgets					
Percent Of Year Elapsed.....		61.5%	Percent Year Remaining.....		38.5%
AU Description	AU#	Through AP-8	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau	100	\$88,555,050	\$151,101,879	\$151,882,634	58.3%
Fire Bureau	124	\$52,901,552	\$85,844,105	\$89,141,411	59.3%
Parks Bureau	133	\$31,421,363	\$55,927,359	\$56,494,742	55.6%
Subtotal-Public Safety and Parks		\$172,877,965	\$292,873,343	\$297,518,787	58.1%
Commissioner #2 (Sten)	190	\$488,626		\$820,877	59.5%
Commissioner #4 (Leonard)	191	\$520,411		\$803,465	64.8%
Commissioner #3 (Saltzman)	192	\$415,979		\$723,532	57.5%
Commissioner #1 (Adams)	193	\$531,618		\$830,356	64.0%
Office of the Mayor	195	\$1,550,196		\$3,357,735	46.2%
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	\$34,055,883	\$55,865,415	\$56,821,844	59.9%
Office of Cable Com	300	\$1,584,130		\$2,246,060	70.5%
P.O.E.M	110	\$4,977,030		\$7,023,440	70.9%
Office-Sus. Development	302	\$1,826,795		\$5,009,806	36.5%
Government Relations	303	\$590,228		\$1,127,432	52.4%
Office of Manage & Finance	307	\$15,048,355		\$27,365,657	55.0%
Office of City Attorney	312	\$4,397,147		\$7,766,127	56.6%
Business Licenses	316	\$0		\$0	#N/A
City Auditor	336	\$4,113,346		\$7,020,076	58.6%
Office Neigh. Involve	342	\$4,321,451		\$7,389,577	58.5%
OMF Citywide Projects	381	\$11,553,623		\$19,989,983	57.8%
OMF Revenue Bureau	390	\$6,048,516		\$11,102,339	54.5%
Special Appropriations	401	\$6,392,530		\$13,770,033	46.4%
Bureau of Planning	510	\$6,453,258		\$12,376,204	52.1%
Bureau Com. Develop	540	\$11,001,845		\$27,054,460	40.7%
Subtotal-All Other AUs		\$115,870,966	\$208,409,132	\$227,480,040	50.9%
General Fund Total-All AUs		\$288,748,931	\$501,282,475	\$524,998,827	55.0%
Grant Backed Encumbrances Adjustment		-\$875,690	-\$1,144,366	\$0	
General Fund Total-All AUs		\$287,873,242	\$500,138,109	\$524,998,827	54.8%

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."			
Indicator	FY2007-08 1st Quarter	FY2007-08 2nd Quarter	Concern Level
Basic Revenue Growth	8.0%	3.3%	Below 3%
Portland Unemployment Rate	4.6%	5.4%	Above 6.5%
Business License Revenue Growth	24.3%	17.2%	Below 5.5%
Property Tax Delinquency Rate	5.1%	4.8%	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 a 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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