

OFFICE OF MANAGEMENT & FINANCE

The Financial Outlook

for the City of Portland General Fund



Accounting Period #11 (AP-11)

April 3 to April 30, 2008

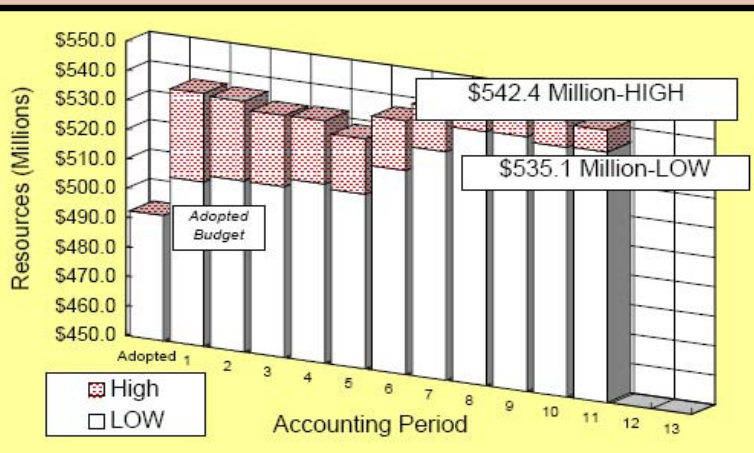
ESTIMATED YEAR-END GENERAL FUND RESOURCES

Estimated year-end General Fund resources as of AP-11 are forecast to range from \$535.1 million (Low) to \$542.4 million (High). General Fund budgeted resources are estimated at \$525.4 million, unchanged from AP-10. Council's July 1 Adopted Budget for FY 2007-08 was \$492.5 million.

General Fund revenues at AP-11 total \$373.2 million versus \$372.2 million last year at AP-11. Revenues are up 0.3% compared to last year at AP-11. The year-over-year comparison has some anomalies on both the discretionary and nondiscretionary sides of the ledger. On the nondiscretionary side, bureau service reimbursement revenues, grant revenues, and contract revenues are all below year-ago levels. Grant revenues came up some during AP-11 but remain almost 8% behind last year. Similarly, contract revenues (not Multnomah County) are also about \$1 million behind last year.

Continued on page 2

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



RESOURCE RECAP

*Budgeted Resources	\$525,335,789
*Resource Range, (High)	\$542,440,733
(Low)	\$535,102,764
Revenues At AP-11(*)	\$373,238,601
Versus Year-Ago...UP	0.27%

NOTEWORTHY AT AP-11

- * Hotel/Motel UP 14.1% vs. a year-ago
- * Property Taxes UP 5.0% vs. a year-ago
- * Utility License Fees UP 5.0% vs. a year-ago

The Bottom Line:

- **Resources, year end**, are estimated to range from \$535.1 million (Low) to \$542.4 million (High).
- **Budgeted Resources** were \$525.2 million during AP-11.
- **Year-end expenditure** estimates range from \$496.3 million (Low) to \$501.2 million (High).
- **Forecast year end balance**, beginning FY 2008-09 balance, is forecast at somewhere between \$33.9 million (Low) to \$46.2 million (High).

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

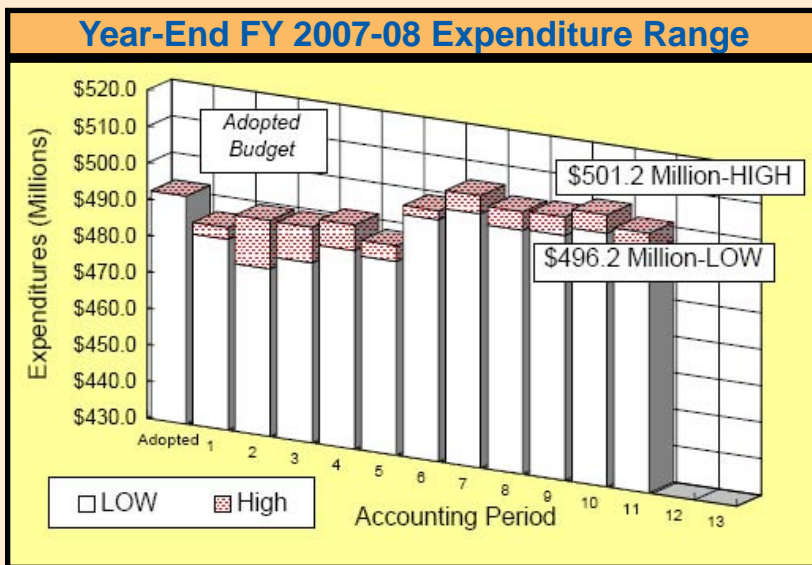
On the discretionary side of the ledger, business license revenues have come in differently this year in relation to accounting period ending dates. Through AP-11 business license revenues (net of audit recovery) at \$62.5 million are 9.5% behind last year. However, daily revenue tallies through May 23 show revenues about even with last year, so the reduction reported at AP-11 appears to just be a matter of timing in posting the figures. Other discretionary revenues continue to show good growth, particularly property taxes and utility license and franchise fees which are up almost 5% over last year. Transient lodging tax revenues continue to run 14% to 15% ahead of last year. State cigarette and liquor tax distributions are running about 4.5% behind last year. ■

GENERAL FUND EXPENDITURES

General Fund expenditures at AP-11 total about \$391.7 million inclusive of all current encumbrances. Netting out grant-backed encumbrances yields an estimated \$390.5 million. Year-over-year expenditure growth decelerated to just under 10% during AP-11. Expenses are up 9.6% over a year ago.

Personal services expenditures rose to about 2.4% ahead of last year. Wage and salary growth rose to 1.7%, while overtime remained about 10% ahead of year ago. Premium pay remained flat with expenses up barely 0.3% over last year. With the settlement of the PFFA contract, this will change prior to audit. Benefits were up slightly to 3.3% ahead of last year.

EXPENSE RECAP	
*IBIS Budgeted Expenses	\$525,335,789
*Expense Range, (High)	\$501,233,920
(Low)	\$496,246,517
Expenses At AP-11()	\$391,736,506
Versus Year-Ago...Up	9.63%
NOTEWORTHY AT AP-11	
* Personal Services UP 0.0% vs. a year-ago	
* Materials & Services UP 12.9% vs. a year-ago	
* Capital Outlays UP 12.5% vs. a year-ago	

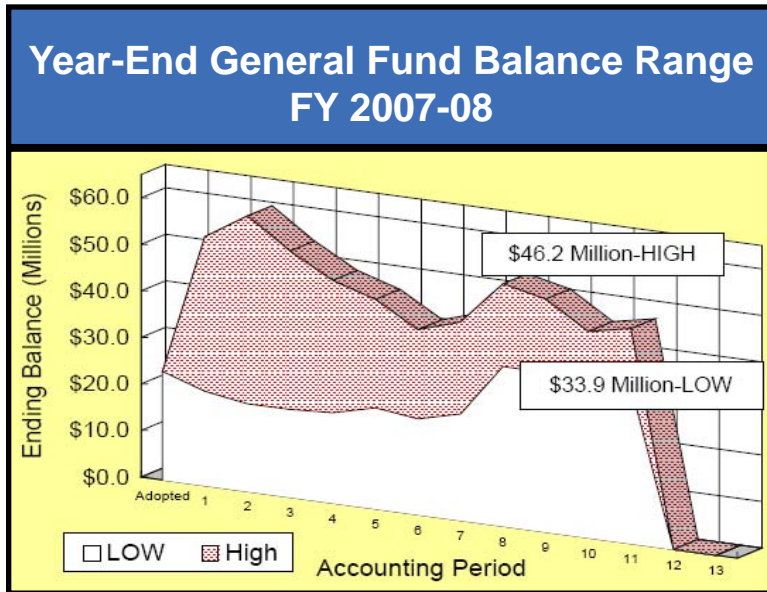


External materials and services are almost 18% ahead of last year while internal materials and services were 5.7% ahead of last year at AP-11. ■

ESTIMATED YEAR-END GENERAL FUND BALANCE

Estimated year-end General Fund balance ranges from \$33.9 million (Low) to about \$46.2 million (High) with the point estimate increasing to about \$39.1 million versus a Mayor’s Proposed budget of \$28.0 million. The spring BuMP process is underway and preliminary results show a recommended estimated carryover requirement of \$7.4

Estimated Year-End Balance Range		
Item	Low	High
Resources	\$535,102,764	\$542,440,733
Expenses	\$501,233,920	\$496,246,517
End Balance	\$33,868,845	\$46,194,216



million. It appears that about \$3.7 million of the \$5.4 million compensation set-aside for FY 2007-08 will be needed for bureau personal services requirements to year-end. In addition, about \$3.6 million of the General Fund current contingency is not needed for the BuMP. This includes \$1.8 million for Police, \$325,000 for a Parks project, and a \$1.5 million loan to the Business License Surcharge Fund. Given these assumptions, the point estimate for required discretionary ending balance rises to \$35.3 million leaving about \$3.7 million available to Council’s ongoing budget process for FY 2008-09. OMF recommends that \$2.6 million of the \$3.7 million be used to help fund Council’s request for a budgeted FY 2008-09 “rainy day” fund. ■

Economic News Continues Mixed

The economic news continues to be a mix of good and not so good news. Consumer confidence (as measured by the New York-based Conference Board) sank to a level not seen since October 1992. This bodes ill for consumer spending which comprises about two-thirds of all economic activity. With the price of gasoline at about \$4 per gallon, it is not hard to figure out why consumers are so gloomy. On the other hand, the Commerce Department recently reported that gross domestic product grew by 0.9% during the first quarter of calendar 2008. Thus, although growth is very anemic there is, technically speaking, no recession yet. Recent employment data for the Portland area also show that the regional economy is holding up. The area’s April unemployment rate was only 5.0% versus 4.7% last April. Similarly, Portland area nonfarm payrolls increased by about 13,800 jobs year-over-year. ■

FY 2007-08 General Fund Resources: To-Date, Estimated Year-End & Current Revised Budget				
☐ =General Fund Discretionary Resource		Through AP-11	Estimated Year-End	Revised Budget
GENERAL FUND RESOURCE CATEGORY				
INTERNAL REVENUES	41000			
Service Reimbursements		\$26,875,641	\$39,261,980	\$43,624,422
Other Internal, Overhead & Transfers-IN		\$25,741,365	\$41,767,197	\$44,935,457
PROPERTY & LODGING TAXES	42100			
Property Taxes		\$166,644,032	\$176,959,927	\$171,508,684
Lodging Taxes		\$15,603,773	\$16,693,063	\$14,659,186
BUSINESS LICENSES, PERMITS	43000			
Business Licenses		\$63,454,501	\$75,551,856	\$64,531,784
Utility License/Franchise		\$35,626,607	\$67,376,834	\$64,081,616
Other Permits		\$3,308,436	\$4,575,626	\$3,958,285
SERVICE CHARGES & FEES	44000	\$15,171,386	\$17,220,368	\$16,852,402
STATE (Cigarette & Liquor)	46000	\$7,329,499	\$11,713,971	\$10,779,684
LOCAL SOURCES (Contracts)	47000	\$9,214,297	\$14,101,239	\$15,742,529
MISC. REVENUES & INTEREST	49400	\$5,681,978	\$6,837,268	\$9,518,341
Bond Proceeds		\$0	\$0	\$0
BEGINNING FUND BALANCE		\$59,090,717	\$59,090,717	\$60,431,354
ENCUMBRANCE & CARRYOVER		\$6,641,677	\$6,641,677	\$4,712,045
GENERAL FUND RESOURCE TOTAL		\$440,383,909	\$537,791,723	\$525,335,789
Estimated Percent Of Budget Resources Realized		83.8%	102.4%	

FY 2007-08 General Fund Expenses: To Date, Estimated Year-End & Current Revised Budget				
GENERAL FUND EXPENSE CATEGORY		Through AP-11	Estimated Year-End	Revised Budget
Salaries & Wages				
Overtime		\$9,795,628	\$12,239,608	\$9,374,917
Premium & Part-Time		\$44,798,005	\$52,971,101	\$53,657,722
Benefits		\$16,417,589	\$19,988,321	\$18,355,438
TOTAL PERSONAL SERVICES		\$225,488,783	\$271,908,281	\$277,101,826
Estimated Percent Of Budget Spent		81.4%	98.1%	
EXTERNAL MATERIALS & SERVICES		\$72,574,026	\$106,948,591	\$108,363,334
Estimated Percent Of Budget Spent		67.0%	98.7%	
INTERNAL MATERIALS & SERVICES		\$46,036,912	\$56,422,837	\$56,570,479
Estimated Percent Of Budget Spent		81.4%	99.7%	
CAPITAL OUTLAY		\$5,046,451	\$6,052,921	\$6,052,921
Estimated Percent Of Budget Spent		83.4%	100.0%	
CONTINGENCY & UNFORESEEN		\$0	\$2,683,064	\$20,558,838
FUND CASH TRANSFERS		\$42,590,334	\$55,641,916	\$56,688,391
INVENTORY		\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL		\$391,736,506	\$499,657,610	\$525,335,789
Grant Backed Encumbrances Adjustment		-\$1,210,639	-\$917,392	
GENERAL FUND EXPENSE TOTAL-NET		\$390,525,867	\$498,740,218	\$525,335,789
Estimated Percent Of Budget Spent		74.3%	94.9%	

FY 2007-08 General Fund Expenses by Bureau: To Date, Estimated Year-End & Current Revised Budgets											
Percent Of Year Elapsed.....		84.6%		Percent Year Remaining.....		15.4%					
AU Description		Through AP-11		Estimated Year-End		Revised Budget		Percent Spent			
Police Bureau		100		\$123,317,189		\$150,727,740		\$151,036,964		73.8%	
Fire Bureau		124		\$70,708,002		\$89,432,996		\$90,549,123		72.6%	
Parks Bureau		133		\$44,119,507		\$55,463,885		\$55,441,158		70.4%	
Subtotal-Public Safety and Parks				\$238,144,698		\$295,624,621		\$297,027,245		72.8%	
Commissioner #2 (Sten)		190		\$658,822				\$807,551		72.8%	
Commissioner #4 (Leonard)		191		\$679,107				\$827,236		77.9%	
Commissioner #3 (Saltzman)		192		\$571,694				\$712,082		78.0%	
Commissioner #1 (Adams)		193		\$724,153				\$816,976		80.1%	
Office of the Mayor		195		\$2,283,215				\$2,904,060		56.0%	
Operating Contingency		298		\$0		\$2,683,064		\$18,372,400		#N/A	
Unforeseen Revenues		298		\$0		\$0		\$2,000,000		#N/A	
Other Cash Transfers		299		\$42,590,334		\$55,641,916		\$56,688,391		68.4%	
Office of Cable Com		300		\$2,115,545				\$2,234,153		75.7%	
P.O.E.M		110		\$6,000,032				\$6,986,751		76.9%	
Office-Sus. Development		302		\$2,522,923				\$4,500,315		45.6%	
Government Relations		303		\$852,095				\$1,127,061		69.8%	
Office of Manage & Finance		307		\$20,380,705				\$27,031,579		67.7%	
Office of City Attorney		312		\$6,148,426				\$7,586,248		71.8%	
Business Licenses		316		\$0				\$0		#N/A	
City Auditor		336		\$5,303,114				\$6,863,430		69.5%	
Office Neigh. Involve		342		\$5,713,458				\$7,092,099		71.0%	
OMF Citywide Projects		381		\$15,604,225				\$17,026,100		76.7%	
OMF Revenue Bureau		390		\$8,365,969				\$10,870,437		69.2%	
Special Appropriations		401		\$8,448,103				\$13,798,845		51.5%	
Bureau of Planning		510		\$8,932,925				\$12,084,477		66.2%	
Bureau Com. Develop		540		\$15,696,965				\$27,978,353		49.9%	
Subtotal-All Other AUs				\$153,591,810		\$200,917,644		\$228,308,544		61.7%	
General Fund Total-All AUs				\$391,736,508		\$496,542,264		\$525,335,789		68.0%	
Grant Backed Encumbrances Adjustment				-\$1,210,639		-\$917,392		\$0			
General Fund Total-All AUs				\$390,525,869		\$495,624,873		\$525,335,789		67.7%	

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	2nd Quarter	3rd Quarter	
Basic Revenue Growth	8.0%	19.7%	Below 3%
Portland Unemployment Rate	4.6%	5.4%	Above 6.5%
Business License Revenue Growth	24.3%	11.8%	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 year-ago.			

The OMF *Financial Outlook* is written and produced by City Economist D.S. Barden and Economist Kourosch Ghaemmaghami of the Bureau of Financial Services. Find the *Outlook* online at www.portlandonline.com/omf in the Financials section.

(FOFY 1108)