

OFFICE OF MANAGEMENT & FINANCE

The Financial Outlook

for the City of Portland General Fund



Accounting Period #12 (AP-12)

May 1 to May 28, 2008

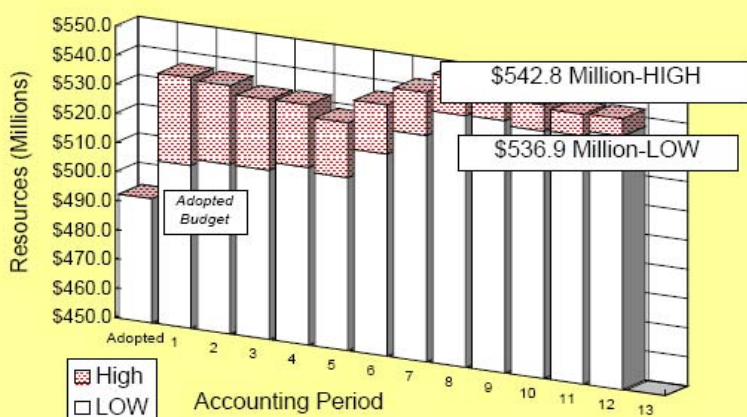
ESTIMATED YEAR-END GENERAL FUND RESOURCES

Estimated year-end General Fund resources at AP-12 are forecast to range from \$536.9 million (Low) to \$542.8 million (High). General Fund budgeted resources during AP-12 remained at \$525.3 million, unchanged from AP-11. Council's July 1 Adopted Budget for FY 2007-08 was \$492.5 million.

General Fund revenues at AP-12 total \$416.2 million versus \$406.3 million last year at AP-12. Revenues are up 2.4% compared to last year at AP-11. Discretionary revenues total an estimated \$330.1 million versus \$324.4 million last year and are up 1.8% compared to last year at AP-11. Given overall economic conditions, discretionary revenues continue to look pretty good. Property taxes are doing better this year than at anytime in the recent past with year-over-year growth at just shy of 5%. Similarly, utility license fees are up 6.3% over last year and are finally registering a year of pretty strong growth despite the NW Natural

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



RESOURCE RECAP

*Budgeted Resources	\$525,335,789
*Resource Range, (High)	\$542,831,774
(Low)	\$536,912,357
Revenues At AP-12(*)	\$416,194,414
Versus Year-Ago...UP	2.43%

NOTEWORTHY AT AP-12

- *Hotel/Motel UP 12.3% vs. a year-ago
- *Property Taxes UP 5.0% vs. a year-ago
- *Utility License Fees UP 6.3% vs. a year-ago

The Bottom Line:

- **Resources, year end**, are estimated to range from \$536.9 million (Low) to \$542.8 million (High).
- **Budgeted Resources** were \$525.3 million during AP-12.
- **Year-end expenditure** estimates range from \$495.7 million (Low) to \$500.7 million (High).
- **Forecast year end balance**, beginning FY 2008-09 balance, is forecast at somewhere between \$36.3 million (Low) to \$47.2 million (High).

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

rate decrease, flat lined Water and BES utility license fees, and declining Qwest franchise fees. Other telecom, cable related, and electric energy related revenues are very strong. Business license revenues (net of audit recovery) stand at \$73.1 million, about dead even with last year.

On the nondiscretionary side, grant revenues came up to about even with last year during AP-12. Contract revenues from Multnomah County and other local area government agencies are still well behind levels a year ago at 37.1% and 25.1% below last year respectively. Bureau service reimbursement revenue are 5.3% ahead of last year and have been pretty steady all year long.

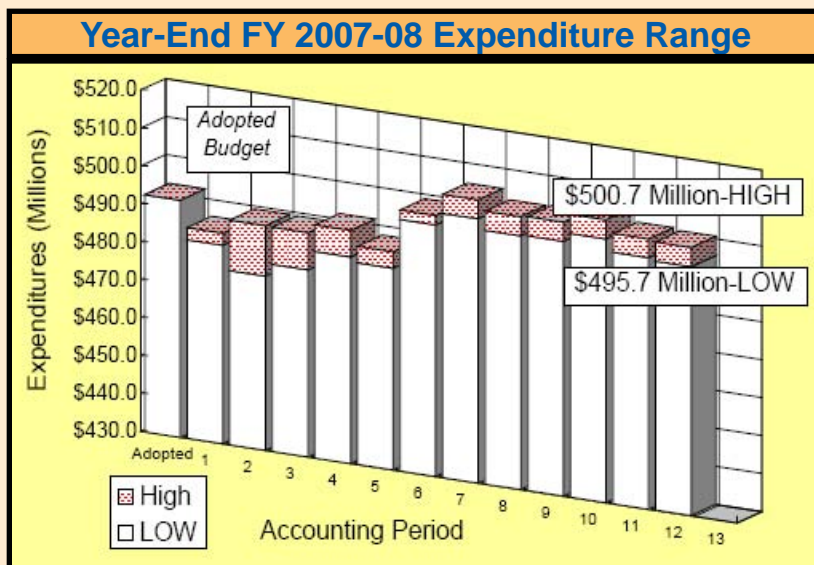
Parks' main fee revenue category fell to 5.8% ahead of last year during AP-12. Miscellaneous fee revenues are up 5.8% while miscellaneous revenues are now running only 2.1% behind last year. ■

GENERAL FUND EXPENDITURES

General Fund expenditures at AP-12 total about \$432.1 million inclusive of all current encumbrances. Netting out grant backed encumbrances yields an estimated \$430.5 million. Year-over-year expenditure growth decelerated again this period to 8.7% above a year-ago versus a 9.6% difference at AP-11.

Personal services expenditures continued to accelerate, rising to about 2.8% ahead of last year. Wage and salary expenses are 1.9% ahead of last year while overtime expenses are 11.3% ahead of last year. Benefits are up slightly to 3.6% ahead of last year.

EXPENSE RECAP	
*IBIS Budgeted Expenses	\$525,335,789
*Expense Range, (High)	\$500,661,192
(Low)	\$495,679,489
Expenses At AP-12()	\$432,087,271
Versus Year-Ago...Up	8.67%
NOTEWORTHY AT AP-12	
*Personal Services UP 2.8% vs. a year-ago	
*Materials & Services UP 15.7% vs. a year-ago	
*Capital Outlays UP 5.3% vs. a year-ago	

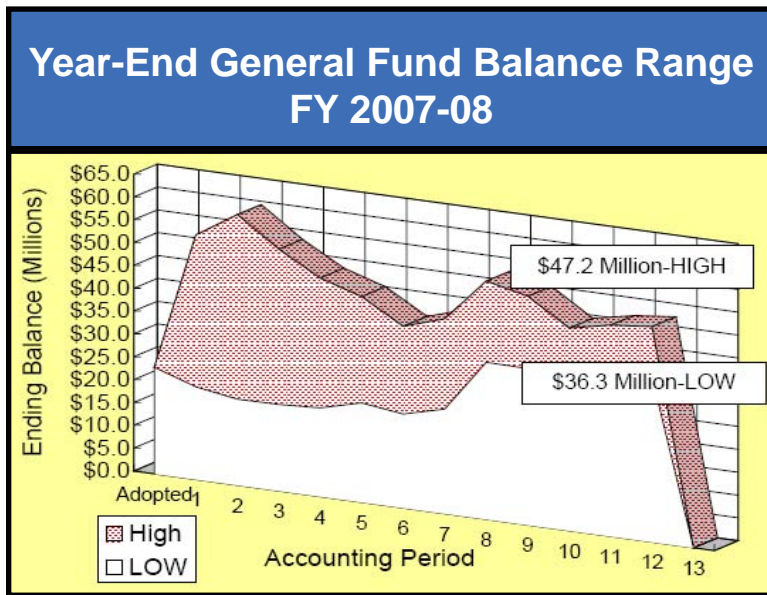


External materials and services remain on a tear at almost 23% ahead of a year-ago. Internal materials and services continue to show year-over-year growth of about 5.8% as of AP-12. ■

ESTIMATED YEAR-END GENERAL FUND BALANCE

Estimated year-end General Fund balance ranges from \$36.3 million (Low) to about \$47.2 million (High) with the point estimate now centered on about \$41 million. Council's Approved Budget beginning fund balance is about \$32 million. As noted in the previous *Outlook*, about \$7 million will be needed in the fall to fund bureau carryover requirements as identified in this spring's BuMP process. So

Estimated Year-End Balance Range		
Item	Low	High
Resources	\$536,912,357	\$542,831,774
Expenses	\$500,661,192	\$495,679,489
End Balance	\$36,251,165	\$47,152,285



a beginning balance of about \$40 million will be needed to fund Council's FY 2008-09 Adopted Budget (including the "Rainy Day" reserve) and cover bureau carryover requirements next fall. At present it looks like there may be \$1 to \$2 million available to Council in the fall BuMP, but there is a long way to go to get to audited year-end results. In addition, this year's numbers have thrown up a new wrinkle. AP-12 encumbrances total \$18.2 million. At this level, encumbrances are in uncharted territory. Financial data going all the way back to FY 1982-83 reveal that this high of an encumbrance total to be without historical precedent. It is not clear what this means to balance estimates. ■

Home Prices Continue Their Decline

Standard & Poors' Case-Shiller index for housing prices was published the week of June 22 for the top 20 markets. Portland area April home prices declined 4.7% on a year-over-year basis but prices increased slightly compared to March levels. There are no longer any housing markets in the top 20 that are not registering year-over-year declines. Even Charlotte finally registered a small year-over-year decrease in housing prices. Portland home prices have registered year-over-year declines every month since last August. The decline however is much slower and less pronounced here as compared to national data as well as specific markets (like California down 22.5% and Florida down 23.5%). The year-over-year decline in Portland was the third smallest of the 20 markets surveyed. Nationally, the April Case-Shiller index estimated the overall 20 market year-over-year decline at just over 15%. ■

FY 2007-08 General Fund Resources: To-Date, Estimated Year-End & Current Revised Budget				
GENERAL FUND RESOURCE CATEGORY		Through AP-12	Estimated Year-End	Revised Budget
INTERNAL REVENUES	41000			
Service Reimbursements		\$31,423,346	\$39,261,980	\$43,624,422
Other Internal, Overhead & Transfers-IN		\$28,135,972	\$43,556,525	\$44,935,457
PROPERTY & LODGING TAXES	42100			
Property Taxes		\$167,685,101	\$176,839,172	\$171,508,684
Lodging Taxes		\$16,269,576	\$16,510,650	\$14,659,186
BUSINESS LICENSES, PERMITS	43000			
Business Licenses		\$74,138,717	\$74,567,075	\$64,531,784
Utility License/Franchise		\$55,344,704	\$67,747,695	\$64,081,616
Other Permits		\$3,481,643	\$4,297,310	\$3,958,285
SERVICE CHARGES & FEES	44000	\$16,473,754	\$17,464,021	\$16,852,402
STATE (Cigarette & Liquor)	46000	\$8,152,328	\$11,700,923	\$10,779,684
LOCAL SOURCES (Contracts)	47000	\$10,068,125	\$14,291,132	\$15,742,529
MISC. REVENUES & INTEREST	49400	\$6,502,447	\$7,641,532	\$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		\$483,408,107	\$539,610,409	\$525,335,789
Estimated Percent Of Budget Resources Realized		92.0%	102.7%	

FY 2007-08 General Fund Expenses: To Date, Estimated Year-End & Current Revised Budget				
GENERAL FUND EXPENSE CATEGORY		Through AP-12	Estimated Year-End	Revised Budget
Salaries & Wages		\$168,781,265	\$186,829,740	\$195,955,925
Overtime		\$10,845,582	\$12,199,356	\$9,375,708
Premium & Part-Time		\$49,043,890	\$53,272,305	\$53,742,556
Benefits		\$17,787,079	\$20,070,212	\$18,367,761
TOTAL PERSONAL SERVICES		\$246,457,816	\$272,371,613	\$277,441,951
Estimated Percent Of Budget Spent		88.8%	98.2%	
EXTERNAL MATERIALS & SERVICES		\$81,822,703	\$106,201,878	\$108,023,209
Estimated Percent Of Budget Spent		75.7%	98.3%	
INTERNAL MATERIALS & SERVICES		\$50,699,873	\$56,297,970	\$56,570,479
Estimated Percent Of Budget Spent		89.6%	99.5%	
CAPITAL OUTLAY		\$5,115,956	\$6,052,921	\$6,052,921
Estimated Percent Of Budget Spent		84.5%	100.0%	
CONTINGENCY & UNFORESEEN		\$0	\$2,683,064	\$20,558,838
FUND CASH TRANSFERS		\$47,990,923	\$55,775,809	\$56,688,391
INVENTORY		\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL		\$432,087,271	\$499,383,256	\$525,335,789
Grant Backed Encumbrances Adjustment		-\$1,588,956	-\$1,212,915	
GENERAL FUND EXPENSE TOTAL-NET		\$430,498,315	\$498,170,340	\$525,335,789
Estimated Percent Of Budget Spent		81.9%	94.8%	

FY 2007-08 General Fund Expenses by Bureau: To Date, Estimated Year-End & Current Revised Budgets					
Percent Of Year Elapsed.....		92.3%	Percent Year Remaining.....		7.7%
AU Description		Through AP-12	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau	100	\$135,302,011	\$150,788,430	\$151,036,964	89.6%
Fire Bureau	124	\$76,893,559	\$88,312,699	\$90,549,123	84.9%
Parks Bureau	133	\$48,063,084	\$56,132,563	\$55,441,158	86.7%
Subtotal-Public Safety and Parks		\$260,258,654	\$295,233,691	\$297,027,245	87.6%
Commissioner #2 (Sten)	190	\$695,890		\$807,551	86.2%
Commissioner #4 (Leonard)	191	\$731,790		\$827,236	88.5%
Commissioner #3 (Saltzman)	192	\$623,434		\$712,082	87.6%
Commissioner #1 (Adams)	193	\$787,101		\$816,976	96.3%
Office of the Mayor	195	\$2,538,421		\$2,904,060	87.4%
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	\$47,990,923	\$55,775,809	\$56,688,391	84.7%
Office of Cable Com	300	\$2,192,223		\$2,234,153	98.1%
P.O.E.M	110	\$6,687,301		\$6,986,751	95.7%
Office-Sus. Development	302	\$2,749,457		\$4,500,315	61.1%
Government Relations	303	\$953,420		\$1,127,061	84.6%
Office of Manage & Finance	307	\$22,210,578		\$27,371,704	81.1%
Office of City Attorney	312	\$6,710,773		\$7,586,248	88.5%
Business Licenses	316	\$0		\$0	#N/A
City Auditor	336	\$5,751,201		\$6,863,430	83.8%
Office Neigh. Involve	342	\$6,157,060		\$7,092,099	86.8%
OMF Citywide Projects	381	\$16,359,230		\$17,026,100	96.1%
OMF Revenue Bureau	390	\$8,996,785		\$10,870,437	82.8%
Special Appropriations	401	\$8,971,699		\$13,458,720	66.7%
Bureau of Planning	510	\$9,869,310		\$12,084,477	81.7%
Bureau Com. Develop	540	\$20,852,021		\$27,978,353	74.5%
Subtotal-All Other AUs		\$171,828,617	\$200,372,798	\$228,308,544	75.3%
General Fund Total-All AUs		\$432,087,271	\$495,606,489	\$525,335,789	82.2%
Grant Backed Encumbrances Adjustment		-\$1,588,956	-\$1,212,915	\$0	
General Fund Total-All AUs		\$430,498,315	\$494,393,574	\$525,335,789	81.9%

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 2nd Quarter	FY2007-08 3rd Quarter	Concern Level
Reserve Fund Usage Condition			
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.

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