Office of Management & Finance

The Financial Outlook



for the City of Portland General Fund

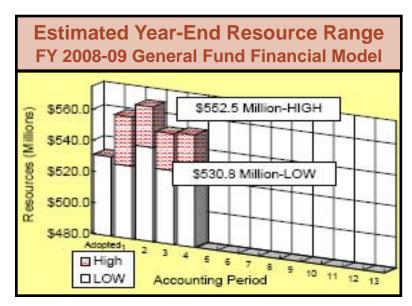
Accounting Period #4 (AP-4)

September 18 to October 15, 2008

ESTIMATED YEAR-END GENERAL FUND RESOURCES

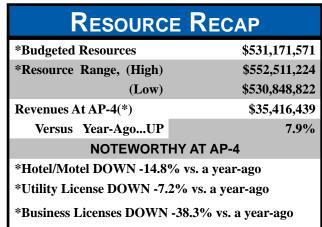
Estimated year-end General Fund resources at AP-4 are forecast to range from \$530.8 million (Low) to \$552.5 million (High). General Fund budgeted resources remain at \$531.2 million with no change compared to Council's July 1 Adopted Budget for FY 2008-09. The AP-5 Outlook should reflect Fall BuMP budget adjustments.

General Fund revenues at AP-4 total \$35.4 million versus \$23.6 million last year at AP-4. As of mid-October revenues are running about 8% ahead of last year on higher service reimbursement, overhead, and bureau fee and permit revenues. Discretionary revenues are estimated at \$12.8 million versus \$13.9 million last year. Revenues are about 8.6% behind last year at AP-4. Nondiscretionary revenue growth is being driven by overhead and bureau inter-agency service reimbursement revenues ("IAs"). In addition, some permit and fee revenue categories are also running well ahead of last year.



Discretionary resources are running behind last

Continued on page 2



The Bottom Line:

- Resources, year end, are estimated to range from \$530.8 million (Low) to \$552.5 million (High).
- Budgeted Resources remained at \$531.2 million during AP-4.
- Year-end expenditure range from \$511.9 million (Low) to \$519.0 million (High).
- Forecast year end balance, beginning FY 2009-10 balance, is forecast at somewhere
- between \$11.8 million (Low) to \$40.6 million (High).

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

year, but there is very little to look at so far. Transient lodging taxes total \$4.6 million against \$5.4 million last year, but AP-4 ended on the day taxes were due, unlike last year, so the \$4.6 million is not a good number for a year-over-year comparison. Property taxes have just started to roll in during the first few weeks of November. Early analysis of weekly "turnovers" from Multnomah County seem to show a "normal" revenue pattern. Business licenses are running well behind last year, but very little in net revenues are in the door. It is still much too early to learn anything from the revenue stream. Interest income is well behind last year as expected given the decline in interest rates. Cigarette and liquor tax revenues from the state are about even with last year.

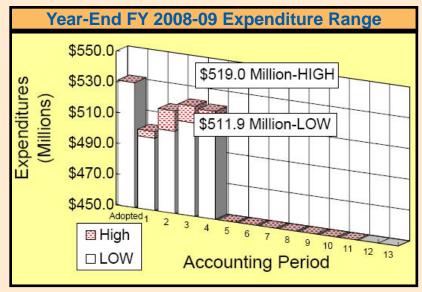
GENERAL FUND EXPENDITURES

General Fund expenditures at AP-4 total about \$160.8 million, net of about \$4.9 million of grant-backed encumbrances. Personal services expenses continue to be very strong with to-date expenses at \$87.1 million versus about \$82.5 million last year. Personal services expenses are up about 5.5% over last year. Growth continues to be concentrated in wage and salaries (up 6.5%) and benefits (up 8.5%), while both overtime and premium pay continue to lag behind last year's levels by 13.2% and 8.4% respectively.

External materials and services expenses are 39.2%

ahead of a year ago with the bulk of this increase coming in the form of increased encumbrances. Internal materials and services strengthened during AP-4 to 13.3% ahead of a year ago.

Expense Recap				
*IBIS Budgeted Ex	\$531,171,571			
*Expense Range,	*Expense Range, (High)			
	(Low)	\$511,931,780		
*Expenses At AP-4	\$160,755,343			
Versus Year-AgoUp		26.8%		
NOTEWORTHY AT AP-4				
*Personal Services UP 5.5% vs. a year-ago				
*Materials & Services UP 30.7% vs. a year-ago				
*Capital Outlays DOWN -96.4% vs. a year-ago				



ESTIMATED YEAR-END GENERAL FUND BALANCE

Estimated year-end General Fund Balance ranges from \$11.8 million (Low) to about \$40.6 million (High). The point estimate as of AP-4 is \$17.1 million. This ending balance estimate is traditionally used in the December financial forecast as the initial beginning balance estimate for upcoming FY 2010-11, and that is the case this year. This estimate is a low but safe nominal ending

Ye	ar-End General Fund Balance Rang FY 2008-09	е
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Estimated Year-End Balance Range				
Item	Low	High		
Resources	\$530,848,822	\$552,511,224		
Expenses	\$519,006,782	\$511,931,780		
End Balance	\$11,842,040	\$40,579,444		

balance estimate. The financial and economic environment uncertainties facing the City make it very difficult to guess at an ending balance estimate. The City will not have a good idea about the General Fund's potential balance until much later this year. Business license revenues are concentrated around the April 15 tax deadline. Business licenses could easily tally a lot less than the current year-end estimate of about \$67.1 million, in which case the ending balance estimate could easily go lower. For now, given current data, a \$17.1 million ending balance looks doable.

Oregon's Economy In Recession

Oregon's economy has entered into recession as have 30 other states' according to Moody's Economy. com. Oregon payroll employment peaked last summer and has declined markedly. The state's economist, Tom Potiowsky, notes that, "the speed at which the economy is going down is just very surprising." The October unemployment rate jumped up to 7.3% and will likely exceed 8% by year-end. The Oregon economy, still heavily dependent on the forest sector, has been badly hurt by the precipitous decline in housing markets across the country. The high technology sector has been hit by several well publicized retrenchments (layoffs at Hynix Semiconductor, Hewlett Packard, and Tektronix). Construction employment is also well below summer highs. The State is facing a deteriorating fiscal situation as a result of the drop-off in economic activity. The State's economist is now estimating a \$1 billion gap between resources and requirements for the upcoming biennium. This gap may go higher as the economy slows.

FY 2008-09 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		\$6,193,681	\$43,489,945	\$48,115,536
Other Internal, Overhead & Transfers-IN		\$7,437,538	\$37,891,549	\$37,970,190
PROPERTY & LODGING TAXES	42100			
Property Taxes		\$994,204	\$183,081,125	\$179,974,860
Lodging Taxes		\$4,552,268	\$15,489,211	\$16,079,911
BUSINESS LICENSES, PERMITS	43000			
Business Licenses		\$2,098,285	\$67,105,997	\$75,705,012
Utility License/Franchise		\$1,289,585	\$68,238,091	\$65,810,675
Other Permits		\$1,228,673	\$4,606,754	\$3,309,800
SERVICE CHARGES & FEES	44000	\$6,189,613	\$19,251,783	\$18,762,182
STATE (Cigarette & Liquor)	46000	\$2,018,540	\$12,085,110	\$12,083,510
LOCAL SOURCES (Contracts)	47000	\$1,700,791	\$11,389,539	\$15,288,863
MISC. REVENUES & INTEREST	49400	\$0	\$4,915,953	\$7,600,000
Bond Proceeds		\$1,713,261	\$7,600,000	\$7,839,027
BEGINNING FUND BALANCE		\$50,734,010	\$42,324,272	\$31,632,005
ENCUMBRANCE & CARRYOVER		\$7,637,339	\$16,047,077	\$11,000,000
GENERAL FUND RESOURCE TOTAL		\$93,787,788	\$533,516,404	\$531,171,571
Estimated Percent Of Budget Resources Realized		17.7%	100.4%	

FY 2008-09 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	\$58,029,788	\$197,513,640	\$205,797,287		
Part-Time	\$4,132,408	\$11,356,519	\$9,890,924		
Overtime	\$3,258,841	\$10,379,865	\$9,220,737		
Premium Pay	\$3,617,419	\$10,754,874	\$8,784,719		
Wage & Salary Indirects & Health Benefits	\$18,037,911	\$55,792,138	\$58,665,569		
TOTAL PERSONAL SERVICES	\$87,076,367	\$285,797,036	\$292,359,237		
Estimated Percent Of Budget Spent	29.8%	97.8%			
EXTERNAL MATERIALS & SERVICES	\$44,889,367	\$92,260,994	\$102,430,020		
Estimated Percent Of Budget Spent	43.8%	90.1%			
INTERNAL MATERIALS & SERVICES	\$17,789,045	\$59,130,361	\$59,999,323		
Estimated Percent Of Budget Spent	29.6%	98.6%			
CAPITAL OUTLAY	\$165,859	\$6,968,752	\$6,968,752		
Estimated Percent Of Budget Spent	59.3%	100.0%			
CONTINGENCY & UNFORESEEN	\$0	\$18,257,077	\$17,253,800		
FUND CASH TRANSFERS	\$10,834,705	\$54,010,439	\$52,160,439		
INVENTORY	\$0	\$0	\$0		
GENERAL FUND EXPENSE TOTAL	\$160,755,343	\$516,424,659	\$531,171,571		
Estimated Percent Of Budget Spent	30.3%	97.2%			

FY 2008-09 General Fund Expenses by Bureau: To Date, Estimated Year-End & Current Revised Budgets					
Percent Of Year Elapsed		84.6%	Percent Year Remaining		15.4%
		Through	Estimated	Revised	Percent
AU Description	AU#	AP-11	Year-End	Budget	Spent
Police Bureau	100	\$44,878,300		\$156,543,634	28.7%
Fire Bureau	124	\$26,976,705		\$89,986,163	30.0%
Parks Bureau	133	\$18,305,688		\$59,253,307	30.9%
Subtotal-Public Safety and Parks		\$90,160,693	\$306,083,697	\$305,783,104	29.5%
Commissioner #2 (Sten)	190	\$235,951		\$789,746	29.9%
Commissioner #4 (Leonard)	191	\$211,540		\$734,189	28.8%
Commissioner #3 (Saltzman)	192	\$218,763		\$2,964,396	7.4%
Commissioner #1 (Adams)	193	\$253,742		\$873,819	29.0%
Office of the Mayor	195	\$625,093		\$2,962,009	21.1%
Operating Contingency	298	\$678	\$18,257,077	\$17,253,800	0.0%
Unforeseen Revenues	298	\$0	\$0	\$0	#N/A
Other Cash Transfers	299	\$10,834,705	\$54,010,439	\$52,160,439	20.8%
Office of Cable Com	300	\$525,682		\$2,042,425	25.7%
P.O.E.M	110	\$3,154,761		\$8,297,456	38.0%
Office-Sus. Development	302	\$1,088,605		\$2,959,987	36.8%
Government Relations	303	\$328,965		\$1,178,628	27.9%
Office of Manage & Finance	307	\$8,498,834		\$29,686,528	28.6%
Office of City Attorney	312	\$2,445,182		\$8,013,563	30.5%
Business Licenses	316	\$67,470		\$659,715	#N/A
City Auditor	336	\$2,126,116		\$8,216,997	25.9%
Office Neigh. Involve	342	\$2,321,106		\$7,390,883	31.4%
OMF Citywide Projects	381	\$16,760,358		\$25,899,696	64.7%
OMF Revenue Bureau	390	\$3,095,035		\$10,149,389	30.5%
Special Appropriations	401	\$3,939,668		\$14,706,272	26.8%
Bureau of Planning	510	\$4,183,275		\$12,022,842	34.8%
Bureau Com. Develop	540	\$14,744,191		\$16,425,689	89.8%
Subtotal-All Other AUs		\$75,659,720	\$224,380,034	\$225,388,467	33.6%
General Fund Total-All AUs		\$165,820,413		\$531,171,571	31.2%
Adjust-Grant Backed Encumbrances		(\$4,894,150)		\$0	
General Fund Total-All AUs		\$160,926,263		\$531,171,571	30.3%

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 or fall below the applicable "Concern Level."

	FY 2008-09	FY 2008-09	Concern
Reserve Fund Usage Condition	3rd Quarter	4th Quarter	Level
Basic Revenue Growth	8.8%	3.9%	Below 3%
Portland Unemployment Rate	4.5%	5.2%	Above 6.5%
Business License Revenue Growth	27.6%	1.5%	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 Kourosh Ghaemmaghami of the Bureau of Financial Services. Find the Outlook online at www.portlandonline.com/omf in the Financials section.

(FOFY 0904)