



City of Portland  
**Quarterly General Fund Budget  
and Economic Tracking Report**  
FY 2013-14, 3<sup>rd</sup> Quarter  
City Budget Office

## **INTRODUCTION**

This document summarizes the City's current General Fund financial position and the current economic environment. The first section discusses the circumstances influencing the City's General Fund ending balance. The second looks at the City's various General Fund revenue streams and expense categories. The figures shown here are not an official forecast and, as such, represent a midpoint estimate of where the City may end the current year. The tables in this document compare the current expectations with the revised FY 2013-14 budget. Because a significant portion of the fiscal year remains, the following estimates of revenue or expense categories may be subject to significant variation between now and the end of the fiscal year.

## **PROJECTED FY 2013-14 ENDING BALANCE/RISKS**

Using data through March 2014, it appears unlikely that the City would overspend its General Fund appropriation. In addition, the City will also likely receive revenue slightly above budgeted levels, in spite of the fact that business license taxes will likely come in weaker than forecast. Consistent with prior quarterly reports, it appears that the City will slightly underspend its General Fund appropriation. Still, many factors could significantly impact, either positively or negatively, the FY 2013-14 ending balance:

- Council will consider a number of carryover requests as part of the Spring Budget Monitoring Process. To the extent that these requests are funded with money that would have otherwise fallen to balance, it will serve to reduce the ending balance.
- In the Spring Budget Monitoring Process, bureaus did not ask for all of the compensation set-aside that was available. As a result, as long as it is not needed in the over-expenditure ordinance in June, more than \$1.2 million will fall to balance.

## **FY 2013-14 GENERAL FUND REVENUE**

Clearer year-end estimates for most General Fund revenue sources are quickly coming into focus. The

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month of April typically accounts for more than 40% of the total amount of business license taxes collected in a given year. The current April collection period has been disappointing, though not unexpected given data up to this point. Fortunately, other revenue streams are more closely reflecting the current economic growth, which will likely serve to more than offset the business license tax decline. However, utility license taxes/franchise fees are largely collected on a quarterly basis 45 days after the calendar quarter has ended. As a result, only two quarters of revenue have been collected, with the next payments due May 15<sup>th</sup>. Therefore, the figures presented in Table 1 remain subject to significant variability.

**TABLE 1. FY 2013-14 Selected General Fund Revenue Source Tracking (\$millions)**

Resource Category	Current Budget	Estimated Year-End	Difference
Property Taxes	\$193.7	\$197.6	\$3.9
Business License Taxes	\$79.1	\$77.0	(\$2.1)
Utility License Taxes/Franchise Fees	\$77.4	\$79.8	\$2.4
Transient Lodging Taxes	\$19.1	\$20.0	\$0.9
State Shared Revenue	\$13.9	\$14.3	\$0.4

### FY 2013-14 General Fund Expenses

Low cost-of-living adjustments (0.9%) for most City employees has contributed to very low growth in General Fund spending. Additionally, the City provided a retirement incentive at the end of FY 2012-13 for qualified employees. To the extent those positions remained in the budget, but were vacant for a period of time or new hires were brought in at lower salary levels than the retirees, personnel spending is lower than a year ago. Table 2 summarizes the current budget and estimated year-end totals based on the first nine months of FY 2013-14.

**TABLE 2. FY 2013-14 General Fund Expense Tracking (\$millions)**

Expense Category	Current Budget	Estimated Year-End	Difference
Personnel Services	\$324.0	\$318.6	(\$5.4)
External Materials and Services	\$81.8	\$76.2	(\$5.6)
Internal Materials and Services	\$50.9	\$50.1	(\$0.8)
Other <sup>1</sup>	\$57.6	\$55.6	(\$2.0)
<b>Total Expenses</b>	<b>\$514.3</b>	<b>\$500.5</b>	<b>(\$13.8)</b>

<sup>1</sup> Includes Capital Outlay, Bond Expenses, Fund Transfers, and Contingency. Compensation Set-aside totaling \$5.1 million is included in personal services.

Total personnel services spending through March was 0.6% above a year ago, which is largely the result of salary spending decreasing by 0.5% relative to FY 2012-13 figures. Overall year-end personnel services spending is estimated at around \$318.6 million, or slightly below the current appropriation, including the compensation set-aside. External materials and services (EM&S) spending, not including advances or encumbrances, is more than 15% below FY 2012-13 figures. However, typically nearly one-third of EM&S spending occurs over the remainder of the fiscal year. As a result, EM&S spending, including encumbrances and advances, is expected to end the year at \$76.2 million, only slightly below last year's total. Meanwhile, internal material and services are estimated to end the year slightly below the budgeted amount of \$50.9 million. Ultimately, underspending will likely exceed \$10 million, or about 2% of appropriations. For context, the April 2014 General Fund Forecast projects a discretionary ending balance of \$15 million, which includes both underspending and revenue above budgeted levels.

### **CURRENT ECONOMIC CONDITIONS**

Please see the [April 2014 Five-Year General Fund Forecast](#) for a discussion of the current economic conditions.