

**City of Portland
Office of Finance & Administration**

THE FINANCIAL OUTLOOK

**As Of Accounting Period 13 Run 4
(As of September 28th-Unaudited)**

**General Fund Financial Outlook
(Issue Date: Oct. 18, 1999)**

Estimated Year-End General Fund Resources At AP-13 are forecast to range from \$ 347.6 million (LOW) to \$347.8 million (HIGH). AP-13 revised budget resources total \$355.4 million, up about \$21.8 million from Council's Adopted, FY1998-99 Budget and not much changed compared to period 12. At period 13 revenues total \$313.8 million. Year-end revenues at audit are projected to total \$318.8 million (net of intra-fund revenue). Revenue growth year-to-date is 6.1 percent with most of the year-to-year revenue growth concentrated in grant, inter-agency, and contract revenues. Council allocated discretionary revenue growth appears to be about 3.6% with revenue coming in about 1.7%

RESOURCE RECAP	
* IBIS Budgeted Resources...	\$355,379,674
* Resource Range....(High)....	\$347,811,453
.....(Low).....	\$347,637,590
* Revenues At AP-13(*).....	\$314,894,292
Versus Year-Ago...UP....	6.14%
(*) Net of Short-Term Borrowing	
NOTEWORTHY AT AP-13	
* Hotel/Motel up 3.97% vs. year-ago.	
* Utility license up 6.21% vs. year-ago.	
* Property taxes up 4.50% vs. year-ago.	

**Estimated Year-End Resource Range FY1998-99
General Fund Financial Model**

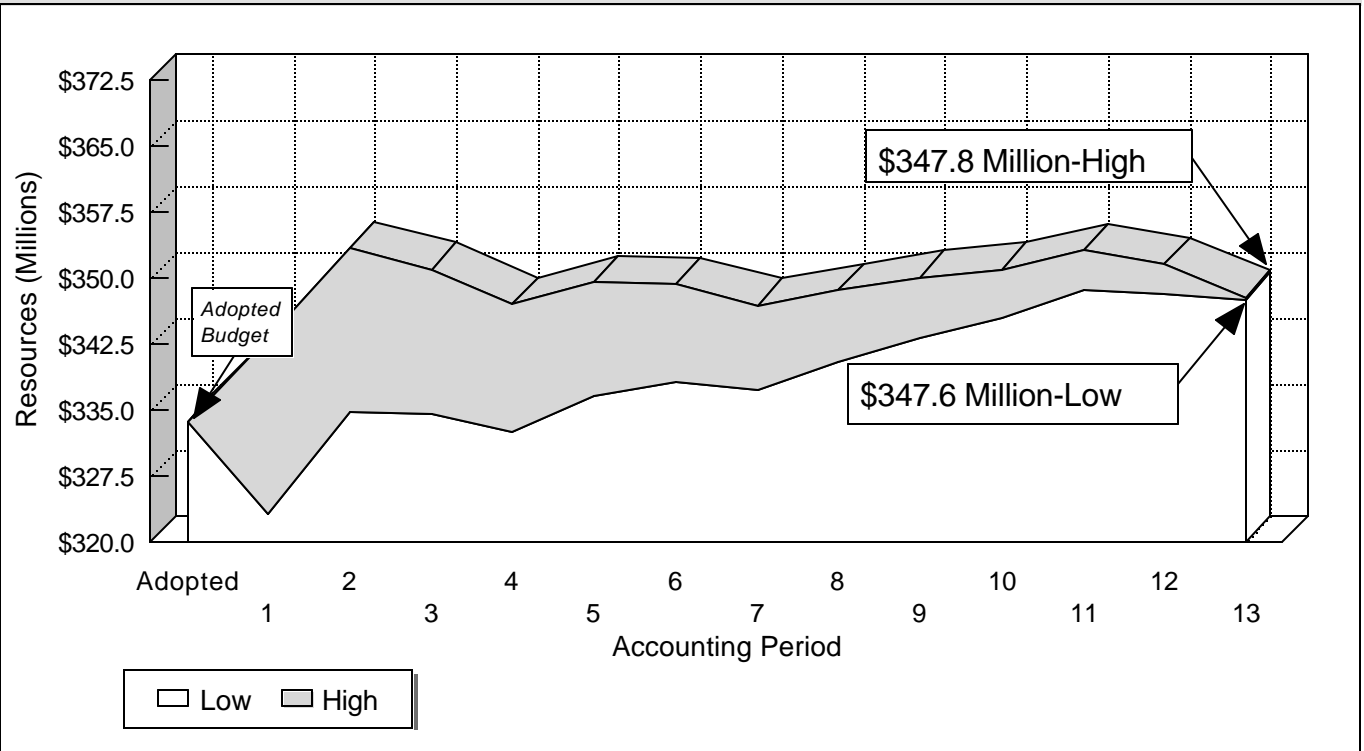


Figure 1-General Fund Resources, Year-End FY1998-99

The Bottom Line: Resources, year-end, are estimated to range from \$347.6 million (Low) to \$347.8 million (High). Budgeted resources are \$355.38 million. Year-end expenditure estimates range from \$333.9 million (Low) to \$334.1 million (High). Forecast year-end balance, beginning FY1999-00 balance, is forecast at somewhere between \$13.6 million (Low) to as much as \$13.8 million (High). Beginning fund FY1999-00 budgeted balance is \$13.6 million

over discretionary budgeted revenues.

FY1998-99 discretionary revenue growth at 3.6% was slower than at anytime in the recent past except for Measure 5 (FY1991-92) and Measure 50 (FY1997-98) years. Property tax revenues grew 4.5% but came in \$619,852 or 0.5 percent under budget. Transient lodging tax revenue growth totaled just under 4%. Business license revenue growth was a "dismal" 2.7%. Net out a \$1.6 million one-time extraordinary receipt and year-to-year growth was slightly negative. A slower regional economy and the headquarters income loss problem resulted in a situation not seen since the recession of the early 1980s. The only bright spot was investor owned utility license/franchise fees where year-to-year revenue growth was 6.2%. State shared cigarette and liquor tax revenues registered negative growth and are \$1.1 million below budget. General Fund interest income strengthened at year-end as interest rates rose, but revenues are 3 percent below year-ago.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	\$355,379,674
* Expense Range.....(High).....	\$334,097,127
*(Low).....	\$333,930,120
* Expenses At AP-13(*).....	\$335,707,552
Versus Year-Ago..Up.....	12.4%
(*) Net of Short Term Borrowing	
NOTEWORTHY AT AP-13	
* Personal Services UP 7.9% vs. year-ago	
* All M&S UP 7% vs. year-ago	
* Capital Outlays DOWN -4.4% vs. year-ago	

Police Bureau revenues are \$639,488 over budget as of early September, but discretionary expenses exceed budget by \$881,950 leaving a deficit of \$242,462 after application of excess bureau revenues to cover the deficit. Parks and Fire managed to bring in bureau revenues slightly over budget. Planning's revenues came in under budget, but discretionary expenses ended up very close to budget.

General Fund expenditures at AP-13 total about \$334.0 million vs. last year's \$298.8 million, up 11.7 percent from last year after netting out \$3.8 million of carryover. Personal services expenses ended the year at \$193,984,700 versus a year-end period 12 estimate of \$193,042,552. Year-to-year expense growth was about 8 percent overall.

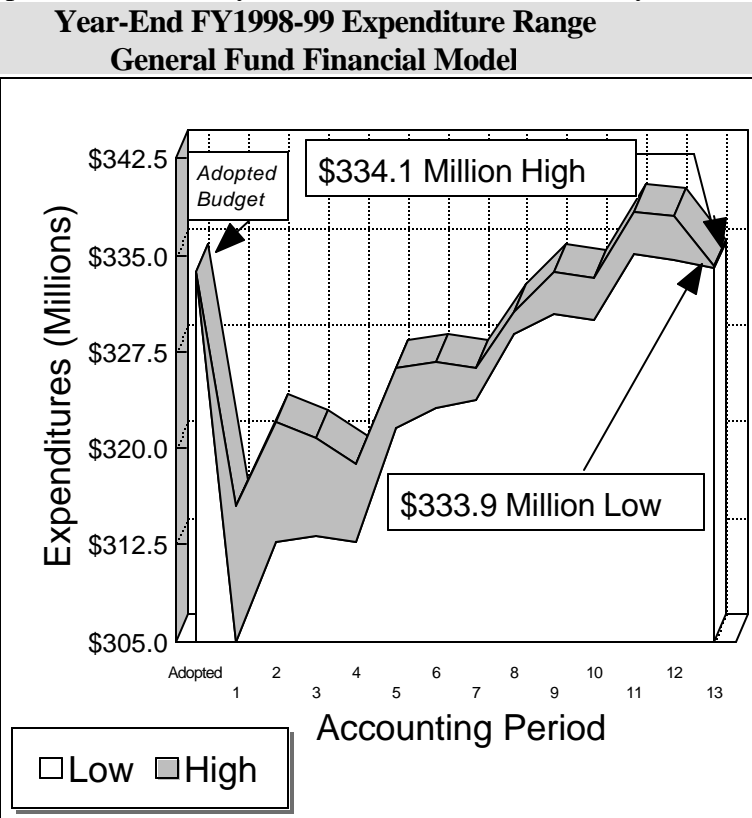


Figure 2-General Fund Expenditures, FY1998-99

External materials and services expenditures (as of September 21st) total about \$55.8 million and are about 16.9% ahead of last year, reflecting large one-time outlays for schools and other special projects.

Internal material and services expenditures surged at year-end; a larger than "normal" amount of billings occurred during the July through August accrual period. Expenses came in at \$2 million over the period 12 year-end estimate. Overall materials and services expense growth appears to have been about 7.2 percent.

Year-end capital outlays total \$9.6 million versus last year's \$10.0 million. Not much difference. Revised budget ended up at \$9.96 million; the bulk of the revised budget appropriation is spent.

The Estimated Year-End General Fund Balance at AP-13 ranges from \$13.6 (Low) to about \$13.8 million (High). The ending balance as of September 21st appears to be about \$13.71 million versus an Adopted Budget beginning fund balance of \$13.58 million. Accounting data through September 28th shows the General Fund is about \$126,128, 0.9 percent, above Council's Adopted FY1999-00 Budget beginning fund balance. It is unlikely that adjustments to audit will materially change ending balance much. Thus, it is unlikely that any additional unbudgeted resources will be available to Council this fall beyond what is included in Council's Adopted Budget.

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$347,637,590	\$347,811,453
Expenses.....	\$334,097,127	\$333,930,120
End Balance	\$13,540,464	\$13,881,333

Last year's revenue growth experience (discussed on pages one and two) shows that revenue growth slowed considerably due to "special problems" affecting business licenses and transient lodging taxes. Increased urban renewal district formation and resulting frozen property values may put pressure on property tax revenues and further slow revenue growth in FY1999-00 and beyond.

**Estimated Year-End General Fund Balance Range FY1998-99
General Fund Financial Model**

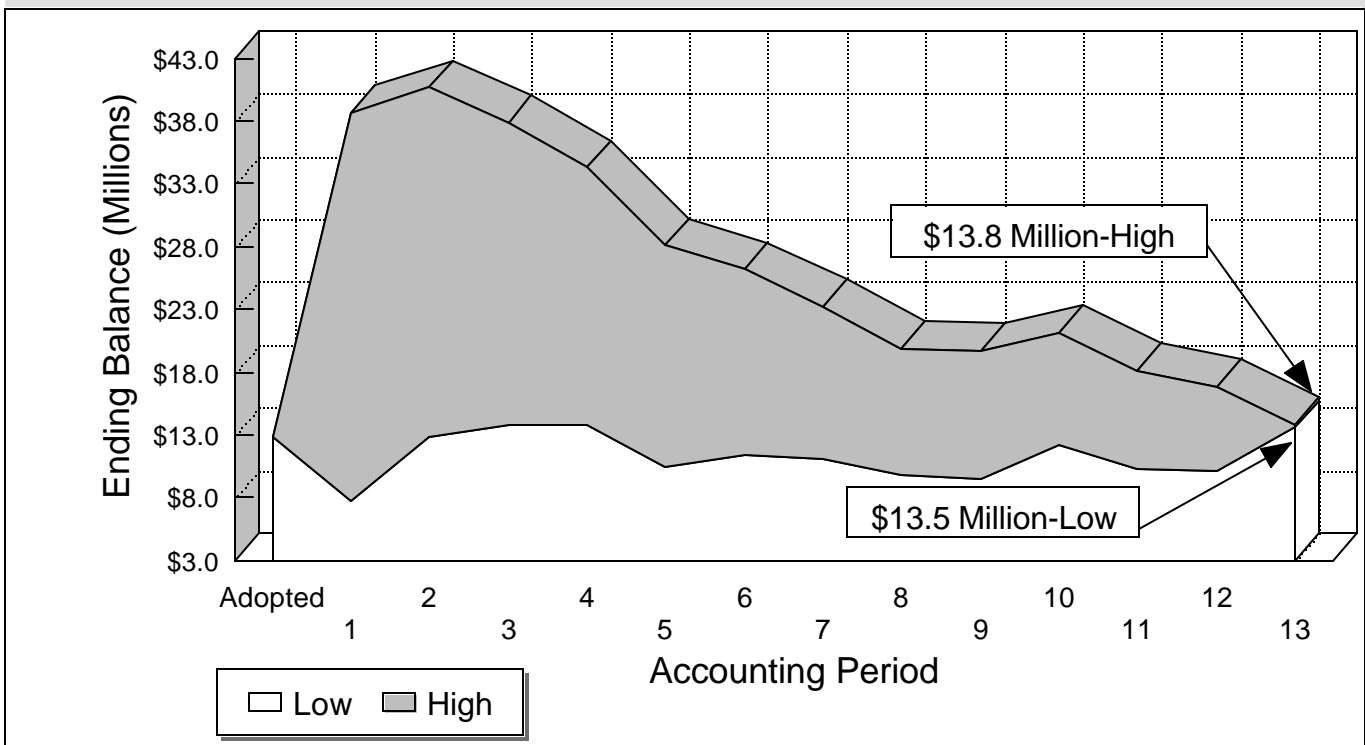


Figure 3-Estimated General Fund Balance, Year-End FY1998-99

Oregonian Cautious About Hotel Competition In Downtown

The August 18th Oregonian reported that the hotel industry is concerned about future hotel occupancy rates in Portland because of the flood of 600 new rooms coming on the market. This is only the beginning. Over the next 12 months a total of 1,000 to 1,200 new rooms will come on the market. This threatens the Portland market over the next few years with over supply. This increase in rooms does not include the Hilton's expansion (on the site of the old Greyhound Station). For consumers, new hotel space may result in lower room rates. The added rooms may also boost tourists and business conference business. A managing partner of Portland Hotel L.L.C., said the strong Portland economy with an influx of business and leisure travelers, was behind the decision to build a hotel in Portland. Despite new competition, occupancy at the newly built Marriott is already 75%.

Table 1-General Fund Resources, FY1998-99			
GENERAL FUND RESOURCES BY CATEGORY	Through AP-13	Estimated Year-End	Revised Budget
INTERNAL REVENUES..... 41000			
Service Reimbursements.....	\$20,457,141	\$20,457,141	\$22,019,164
Other Internal & Transfers-IN.....	\$26,361,835	\$26,361,835	\$34,892,996
PROPERTY & LODGING TAXES 42100			
Property Taxes.....	\$125,924,212	\$125,924,212	\$126,544,061
Lodging Taxes.....	\$10,191,121	\$10,191,121	\$10,158,649
BUSINESS LICENSES, PERMITS.... 43000			
Business Licenses.....	\$51,967,380	\$51,967,380	\$48,840,073
Utility License/Franchise.....	\$44,331,111	\$44,331,111	\$42,957,613
Other Permits.....	\$1,749,223	\$1,749,223	\$1,778,813
SERVICE CHARGES & FEES..... 44000	\$10,804,067	\$10,804,067	\$11,337,830
STATE, FEDERAL SOURCES..... 46000	\$7,648,021	\$7,648,021	\$8,058,357
LOCAL SOURCES (Contracts)..... 47000	\$7,528,696	\$7,528,696	\$8,479,543
MISC. REVENUES & INTEREST..... 49400	\$6,817,899	\$6,817,898	\$6,178,763
TAX ANTICIPATION NOTES/Master Lease.....	\$0	\$0	\$0
BEGINNING FUND BALANCE.....	\$24,434,368	\$24,434,368	\$23,162,030
ENCUMBRANCE & CARRYOVER.....	\$9,509,448	\$9,509,448	\$9,698,426
GENERAL FUND RESOURCE TOTAL	\$347,724,521	\$347,724,521	\$354,106,318
Estimated Percent Of Budget Resources Realized	98.2%	98.2%	

Table 2-General Fund Expenditures, FY1998-99			
GENERAL FUND EXPENDITURES	Through AP-13	Estimated Year-End	Revised Budget
Salaries & Wages.....	\$137,206,365	\$137,206,365	\$136,723,136
Overtime.....	\$9,909,459	\$9,909,459	\$8,460,483
Benefits.....	\$33,221,912	\$33,221,912	\$35,167,432
Premium & Part-Time.....	\$13,646,964	\$13,646,964	\$18,099,097
TOTAL PERSONAL SERVICES.....	\$193,984,700	\$193,984,700	\$198,450,148
Estimated Percent Of Budget Spent.....	97.7%	97.7%	
EXTERNAL MATERIALS & SERVICES.....	\$55,883,094	\$55,883,094	\$67,675,313
Estimated Percent Of Budget Spent.....	82.6%	82.6%	
INTERNAL MATERIALS & SERVICES.....	\$32,109,578	\$32,109,579	\$32,597,425
Estimated Percent Of Budget Spent.....	98.6%	98.6%	
CAPITAL OUTLAY.....	\$9,598,420	\$9,598,420	\$9,962,283
Estimated Percent Of Budget Spent.....	96.3%	96.3%	
CONTINGENCY & UNFORESEEN.....	\$3,756,190	\$3,756,190	\$6,336,995
FUND CASH TRANSFERS.....	\$38,681,641	\$38,681,641	\$39,243,923
INVENTORY.....	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$334,013,624	\$334,013,624	\$354,266,087
Estimated Percent Of Budget Spent.....	94.3%	94.3%	

Table 3-General Fund Expenditures By Appropriation Unit, FY1998-99					
Percent Of Year Gone		91.2%			
Percent Year Remaining		8.8%			
AU Description	AU#	Through AP-13	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	\$97,377,341	\$109,382,898	\$113,464,574	85.8%
Fire Bureau.....	124	\$53,327,608	\$60,136,082	\$60,465,522	88.2%
Bureau Of Parks.....	130	\$31,816,980	\$37,591,316	\$36,978,739	86.0%
Subtotal-Public Safety and Parks		\$182,521,929	\$207,110,296	\$210,908,835	86.5%
Commissioner #2 (Sten)	190	\$503,771	NA	\$607,664	82.9%
Commissioner #4 (Hales)	191	\$535,621	NA	\$614,931	87.1%
Commissioner #3 (Saltzman)	192	\$561,592	NA	\$615,289	91.3%
Commissioner #1 (Francesconi)	193	\$541,686	NA	\$623,097	86.9%
Office Of The Mayor	195	\$1,236,374	NA	\$1,366,505	90.5%
Operating Contingency...	298	\$0	\$5,336,531	\$8,619,518	NA
Unforeseen Revenues..	298	\$0	\$0	\$137,158	NA
Other Cash Transfers.....	299	\$24,807,138	\$38,236,659	\$38,265,309	64.8%
Office of Cable Com.....	300	\$1,211,040	NA	\$1,579,640	76.7%
Unused Line.....		\$0	NA	\$0	NA
Energy Office.....	302	\$728,640	NA	\$1,186,537	61.4%
Governmental Relations..	303	\$580,802	NA	\$670,243	86.7%
Office Of Fin. & Admin.....	307	\$20,054,705	NA	\$23,587,578	85.0%
Office Of City Attorney.....	312	\$3,773,247	NA	\$4,233,519	89.1%
Business Licenses.....	316	\$2,595,102	NA	\$3,024,286	85.8%
Purchases & Stores.....	319	\$2,341,473	NA	\$2,499,462	93.7%
Stock Account.....	325	(\$35,210)	NA	\$73,000	NA
City Auditor.....	336	\$3,978,138	NA	\$4,639,386	85.7%
Metro. Human Rights.....	341	\$0	NA	\$0	0.0%
Neighborhood Assoc.....	342	\$4,055,268	NA	\$4,430,870	91.5%
Bureau General Services.	346	\$1,256,052	NA	\$1,436,840	87.4%
Arts Commission.....	375	\$0	NA	\$0	0.0%
Special Appropriations.....	401	\$17,666,574	NA	\$28,202,814	62.6%
Bureau Of Planning.....	510	\$7,619,600	NA	\$9,327,789	81.7%
Bureau Com. Develop.....	540	\$5,419,755	NA	\$8,935,206	60.7%
Subtotal-All Other AUs.....		\$99,431,368	\$133,717,984	\$144,676,641	68.7%
General Fund Total-All AUs		\$281,953,297	\$340,828,280	\$355,585,476	79.3%

Table 4-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."			
	FY1998-99	FY1998-99	
Reserve Fund Usage Condition	4th Quarter	3rd Quarter	Concern Level
Basic Revenue Growth (*)	2.1%	3.0%	Below 5.5%
Portland Unemployment Rate	4.8%	4.1%	Above 6.5%
Business License Revenue Growth	0.4%	3.2%	Below 5.5%
Property Tax Delinquency Rate	5.1%	3.6%	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.