# City of Portland Office of Management & Finance

### THE FINANCIAL OUTLOOK

Accounting Period 3 (Aug. 26, 2004 to Sept. 22, 2004) **General Fund Financial Outlook** (Issue Date: Nov. 1, 2004)

Estimated Year-End General Fund Resources At AP-3 are forecast to range from \$386.1 million (LOW) to \$402.3 million (HIGH). Estimated revised budget, period 3. is \$387.5 million versus Council's Adopted Budget of \$387.4 million. The fall budget monitoring and update (the "Bump") process is underway. Council's revised budget will be increased to reflect increased beginning fund balance. This adjustment alone will add about \$7.3 million to current budget. Revenues so far this year are running about even with last year. This is due to weaker \* Utility License Up 4.6 % vs. year-ago grant, inter-agency, and contract revenue flows early this \* Property Taxes Up 14.5% vs. year-ago year as opposed to last year's stronger start.

* IBIS Budgeted Resources	\$387,481,848
* Resource Range(High)	\$402,295,771
(Low)	\$386,064,198
* Revenues At AP-3	\$32,110,247
Versus Year-AgoUP	0.68%
(*) Net of Short-Term Borrow	ving
NOTEWORTHY AT	Г АР-3
* Hotel/Motel Up 5.4 % vs. year-	9 <b>0</b> 0

#### Estimated Year-End Resource Range FY2003-04 **General Fund Financial Model**

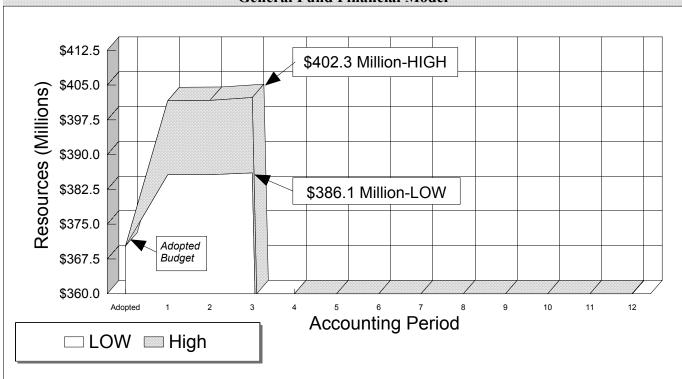


Figure 1-General Fund Resources, Year-End FY2003-04

The Bottom Line: Resources, year-end, are estimated to range from \$386.1 million (Low) to \$402.3 million (High). Budgeted resources are \$387.48 million. Year-end expenditure estimates range from \$372.3 million (Low) to \$379.7 million (High). Forecast year-end balance, beginning FY2005-06 balance, is forecast at somewhere between \$6.4 million (Low) to as much as \$29.9 million (High). This ending balance range is typical early in the year.

Discretionary revenues, outside of property taxes and utility license fees have gotten off to a good start. Transsient lodging taxes have now registered two strong guarters in a row. First guarter revenues total about \$2.9 million versus \$2.5 million for the first three months of last year. Year-over-year growth is about 5.5%. This is still well below the "go-go" days of the late 1990s, but a welcome change from the recent past. Separately, industry data shows increasing occupancy rates in the downtown area as well as firming room rates.

* IBIS Budgeted Expenses	\$387,481,848
* Expense Range(High)	
*(Low)	, ,
* Expenses At AP-3(*)	\$90,345,907
Versus Year-AgoUp	11.5%
(*) Net of Short T	Term Borrowing
NOTEWORTHY AT	Г АР-3
* Personal Services UP 19.0% vs. ye	ear-ago
* A HAM O CID ONNAL OO/	ar-ago

\* All M&S DOWN -8% vs. year-ago

\* Capital Outlays UP 37.2% vs. year-ago

Business license revenues present a mixed picture. Gross revenues to-date total about \$3.03 million versus \$4.0 million last year at period 3. Refunds however, total only about \$330,800 versus a much higher \$1.55 million last year. The result is net revenues of \$2.7 million versus about \$2.4 million last year. Utility license fees are about 4.6 percent ahead of last year with Water, Environmental Services, and telecom related fees well above year-ago levels. Energy sector (gas and electric) related revenues are 5.5 percent behind last year due in part to refunds issued in August.

With the exception of Parks, bureau fee and permit revenues are well below year-ago levels as of period 3. Parks' main fee category is 15.3 percent ahead of last year, period 3.

General Fund expenditures at AP-3 total about \$90.3 million vs. last year's \$81.1 million. Expenditure growth, using year-ago looks quite strong. This comparison however, represents a comparison of an apple with an orange. Period 3 expenses, last year, do not reflect the Portland Police

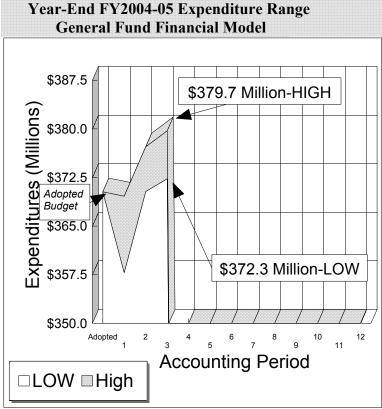


Figure 2-General Fund Expenditures, FY2004-05

Association's new labor contract, while this year's expenditures reflect the full impact of increased personal services costs that result from the new contract. This makes expenditure comparisons difficult. In addition, there is a problem with period 3 numbers: Police's retro personal services costs have not been corrently reversed out of the numbers.

External materials and services spending has gotten off to a slow start. Spending as of period 3 totals about \$11.1 million this year compared to \$11.9 million last year. Expenses appear to be about 6.8 percent behind last year. Most of the difference is concentrated in the "miscellaneous services" expense category which appears to be running about \$1 million behind last year. Internal materials and services are about 8 percent above yearago.

Capital outlays now total about \$1.52 million versus a budget of \$1.2 million and expenses of \$1.10 million last year at period 3.

The Estimated Year-End General Fund Balance at AP-3 ranges from \$6.4 (Low) to \$29.9 million (High). The "point estimate" this period is \$10.2 million. The resource figures in Table 1 show a beginning fund balance of about \$26 million. The "Fall Bump" will adjust the General Fund's budgeted beginning fund balance by about \$7.3 million. Of this amount, about \$4.395 million is discretionary. The remainder represents an increase in non-discretionary resources that will fund bureau carryover requirements (\$1,853,912), Fire and Police FY2003-04 bureau revenues in excess of budget (at 50% of excess -- \$614,680), and about \$470,000 of expenditures that were legally obligated at the tail end of

FY2003-04 but did not get encumbered. Most of the increase in discretionary fund balance is slated, subject to Council approval, to fund a General Fund payment to the Health Fund (\$3.18 million). In addition, the Revenue Policy requires that 50 percent of Police and Fire bureau

Year-End Bala	mee Kange
Low	High
\$386,064,198	\$402,295,771
\$379,690,480	\$372,315,405
\$6,373,718	\$29,980,366
	Low \$386,064,198 \$379,690,480

revenues in excess of budget be given back to these two **Ending Fund Balance Range** bureaus in the Fall Bump.

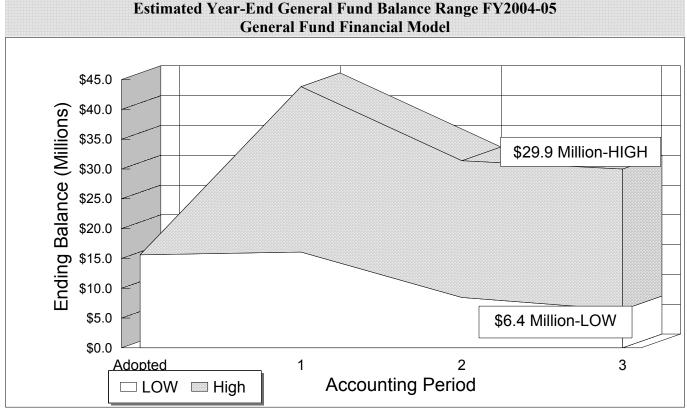


Figure 3-Estimated General Fund Balance, Year-End FY2004-05

## Out of the 25 Metro Areas Studied, Portland, Scored the Lowest in Hospital Care.

According to HealthGrades Study, released recently, Cleveland, Detroit and Minneapolis were ranked as having the best overall quality of hospital care; Portland consistently performed in bottom fifth on most of the 5 different serious medical conditions studied in 2003. Meanwhile, the study finds that, compared with the year 2000, in 2003 Portlanders have a 25% better chance of surviving a heart attack, 23% greater chance of surviving a bypass procedure, 5% better chance of surviving an angioplasty, 19% better chance of surviving a hospital admission for congestive heart failure, and 7% greater chance of surviving pneumonia. But despite these remarkable achievements, in 2003, a patient had more than twice the chance of dying from congestive heart failure and 36% higher chance of dying during an heart attack hospitalization in Portland area compared with Denver.

Table 1-General Fund Resources, FY2004-05			
	Through	Estimated	Revised
GENERAL FUND RESOURCE CATEGORY	AP-3	Year-End	Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$700,463	\$25,901,920	\$27,555,234
Other Internal & Transfers-IN	\$3,825,066	\$29,395,309	\$30,674,907
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$20,605	\$154,179,393	\$153,173,082
Lodging Taxes	\$2,943,891	\$11,386,210	\$10,811,022
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$3,812,938	\$40,649,851	\$39,274,397
Utility License/Franchise	\$12,796,379	\$55,875,633	\$58,174,903
Other Permits	\$537,596	\$2,821,719	\$3,056,096
SERVICE CHARGES & FEES 44000	\$3,026,902	\$12,775,532	\$12,780,218
STATE, FEDERAL SOURCES 46000	\$1,019,238	\$9,796,335	\$9,742,997
LOCAL SOURCES (Contracts) 47000	\$2,588,415	\$14,313,078	\$16,336,823
MISC. REVENUES & INTEREST 49400	\$848,230	\$5,029,159	\$6,436,875
TAX ANTICIPATION NOTES/Note Sales	\$0	\$0	\$0
BEGINNING FUND BALANCE	\$19,611,208	\$19,611,208	\$14,965,294
ENCUMBRANCE & CARRYOVER	\$6,268,873	\$6,268,873	\$4,500,000
GENERAL FUND RESOURCE TOTAL	\$57,999,804	\$388,004,219	\$387,481,848
<b>Estimated Percent Of Budget Resources Realized</b>	15.0%	100.1%	

Table 2-General Fund Expenditures, FY2004-05			
	Through	Estimated	Revised
GENERAL FUND EXPENDITURES	AP-3	Year-End	Budget
Salaries & Wages	\$45,829,020	\$174,843,723	\$176,063,308
Overtime	\$2,785,112	\$7,578,707	\$7,438,040
Benefits	\$9,477,555	\$35,832,512	\$39,433,852
Premium & Part-Time	\$5,717,163	\$16,091,081	\$17,393,351
TOTAL PERSONAL SERVICES	\$63,808,849	\$234,346,023	\$240,328,551
Estimated Percent Of Budget Spent	26.6%	97.5%	
EXTERNAL MATERIALS & SERVICES	\$11,127,293	\$54,682,743	\$59,467,528
Estimated Percent Of Budget Spent	18.7%	92.0%	
INTERNAL MATERIALS & SERVICES	\$8,686,378	\$46,059,477	\$47,137,328
Estimated Percent Of Budget Spent	18.4%	97.7%	
CAPITAL OUTLAY	\$1,517,619	\$1,227,802	\$1,227,802
Estimated Percent Of Budget Spent	123.6%	100.0%	
CONTINGENCY & UNFORESEEN	\$0	\$5,351,738	\$8,021,668
FUND CASH TRANSFERS	\$5,205,768	\$28,798,971	\$31,298,971
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$90,345,907	\$370,466,754	\$387,481,848
Estimated Percent Of Budget Spent	23.3%	95.6%	

Table 3-General Fund Expenditu		/ Appropriati	on Unit, FY2	004-05	
	3.1% ၙ				
	6.9%	Through	Estimated	Revised	Percent
AU Description A	AU#	AP-3	Year-End	Budget	Spent
Police Bureau	100	\$39,251,798	\$134,055,214	\$135,723,003	28.9%
Fire Bureau	124	\$17,273,670	\$70,397,981	\$70,738,628	24.4%
Bureau Of Parks	130	\$10,836,608	\$47,437,269	\$47,182,510	23.0%
Subtotal-Public Safety and Park	s	\$67,362,076	\$251,890,464	\$253,644,140	26.6%
Commissioner #2 (Sten)	190	\$146,209	NA	\$644,337	22.7%
Commissioner #4 (Leonard)	191	\$134,089	NA	\$640,112	20.9%
Commissioner #3 (Saltzman)	192	\$152,009	NA	\$1,087,248	14.0%
Commissioner #1 (Francesconi)	193	\$152,739	NA	\$646,080	23.6%
Office Of The Mayor	195	\$275,518	NA	\$1,406,043	19.6%
Operating Contingency	298	\$6	\$4,851,738	\$6,021,668	NA
Unforeseen Revenues	298	\$0	\$500,000	\$2,000,000	NA
Other Cash Transfers	299	\$5,205,768	\$28,798,971	\$31,298,971	16.6%
Office of Cable Com	300	\$398,325	NA	\$1,749,301	22.8%
Emergency Management 11	10	\$890,967	NA	\$1,000,899	89.0%
Office-Sus. Develop	302	\$313,240	NA	\$3,226,678	9.7%
Government Relations	303	\$143,024	NA	\$774,555	18.5%
Office Of Man. & Fin	307	\$5,115,512	NA	\$24,274,603	21.1%
Office Of City Attorney	312	\$1,183,916	NA	\$5,563,577	21.3%
Business Licenses	316	\$1,210,133	NA	\$7,916,830	15.3%
Unused Line		\$0	NA	\$0	NA
Stock Account	325	(\$134,111)	NA	\$25,000	-536.4%
City Auditor	336	\$1,466,071	NA	\$7,220,916	20.3%
Unused Line		\$0	NA	\$0	NA
Office Neigh. Involve	342	\$1,571,726	NA	\$7,132,992	22.0%
Utility Billing System	381	\$415,182	NA	\$4,686,789	8.9%
Unused Line		\$0	NA	\$0	NA
Special Appropriations	401	\$1,360,312	NA	\$12,001,747	11.3%
Bureau Of Planning	510	\$1,466,738	NA	\$6,233,600	23.5%
Bureau Com. Develop	540	\$1,516,459	NA	\$8,285,761	18.3%
Subtotal-All Other AUs		\$22,983,832	\$115,933,791	\$133,837,708	17.2%
General Fund Total-All AUs		\$90,345,908	\$367,824,255	\$387,481,848	23.3%

#### 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."

	FY2003-04	FY2003-04	
Reserve Fund Usage Condition	4th Quarter	3rd Quarter	Concern Level
Basic Revenue Growth (*)	2.3%	1.0%	Below 3.0%
Portland Unemployment Rate	6.5%	8.4%	Above 6.5%
Business License Revenue Growth	6.8%	3.0%	Below 5.5%
Property Tax Delinquency Rate	5.4%	5.4%	Above 8.0%

<sup>(\*)</sup> 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.

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