City of Portland Office of Management & Finance

THE FINANCIAL OUTLOOK

Accounting Period 4 (Sept. 23, 2004 to Oct. 20, 2004) General Fund Financial Outlook (Issue Date: Nov. 30, 2004)

Estimated Year-End General Fund Resources At AP-4 are forecast to range from \$389.2 million (LOW) to \$405.9 million (HIGH). Council's revised budget, period 4. remains at \$387.4 million. Council's current revised budget is about \$125,500 above the July 1, Adopted Budget. Revenues as of period 4 are well behind year-ago. This is due entirely to a slight shift in the first big surge in property tax receipts. Last year a large "slug" of property taxes came in right at the end of period 4. This year the first large turnovers from Multnomah County came in a few days later than last year with the effect that initial property | * Property Taxes Down -97.5% vs. year-ago tax revenues will be booked in period 5, not period 4.

RESOURCE REC	CAP
* IBIS Budgeted Resources	\$387,481,848
* Resource Range(High)	\$405,889,204
(Low)	\$389,221,237
* Revenues At AP-4	\$39,673,274
Versus Year-AgoUP	-20.57%
(*) Net of Short-Term Borrov	ving
NOTEWORTHY AT	Г АР-4
* Hotel/Motel Down -8.6 % vs. ye	ar-ago
* Utility License Up 4.2 % vs. yea	r-ago

Estimated Year-End Resource Range FY2004-05 General Fund Financial Model

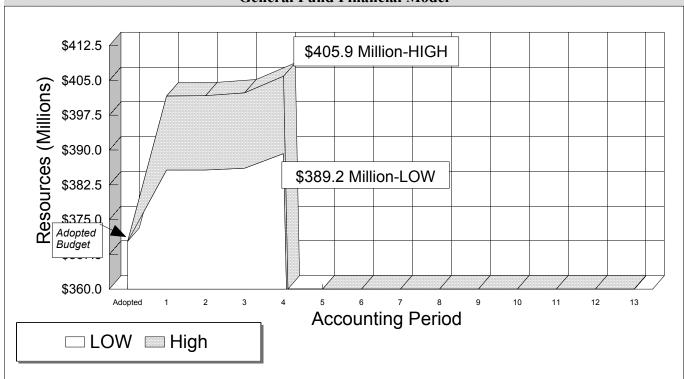


Figure 1-General Fund Resources, Year-End FY2003-04

The Bottom Line: Resources, year-end, are estimated to range from \$389.2 million (Low) to \$405.9 million (High). Budgeted resources are \$387.48 million. Year-end expenditure estimates range from \$370.1 million (Low) to \$378.1 million (High). Forecast year-end balance, beginning FY2004-05 balance, is forecast at somewhere between \$11.1 million (Low) to as much as \$35.7 million (High). This ending balance range is typical early in the year.

The decline in Qwest franchise fees earned on dial tone revenues continues unabated. Second quarter Qwest revenues came in at \$959,757 versus \$1,284,949 last year second quarter. The year over year difference amounts to a 25 percent (\$315,191) decline in just the second quarter of this year. While some of this decline is no doubt due to expanded wireless penetration in the local market, market data that is available does not completely explain such a precipitous drop in quarterly revenues.

Similarly, energy related utility license and franchise fees	,
are also weak. Revenues from PGE, Pacific, and Northwest	:

* IBIS Budgeted Expenses	\$387,481,848
* Expense Range(High)	\$378,125,385
*(Low)	\$370,144,608
* Expenses At AP-4(*)	\$108,927,498
Versus Year-AgoUp	3.5%
(*) Net of Short	Term Borrowing
NOTEWORTHY AT	Г АР-4

* All M&S DOWN -2% vs. year-ago S * Capital Outlays UP 98.5% vs. year-ago

Natural are 4.4% behind last year due, in part, to refunds issued to customers during August and September. Overall, utility license/franchise fees are up 4% on the strength in Water, Sewer and some telecom. Transient lodging taxes fell behind year-ago at period 4, but this may just be a timing issue relative to the end date for period 4 verus last year. Business licenses are running well ahead of year-ago but this is due mostly to the fact that refunds are over \$1 million below last year at period 4.

Bureau fee and permit revenues are mixed as of period 4. Miscellaneous revenues and miscellaneous fees are 46% and 38% behind last year respectively. Grants and contract revenues remain well ahead of year-ago. Parks' main fee category is 12.9% ahead of last year at period 4.

General Fund expenditures at AP-4 total about \$108.9 million vs. last year's \$105.2 million. Expenditure growth remains strong and expenses to-date are over 3 percent ahead of last year. Personal services expenditures at period 4 are at 4.4 percent ahead of last year, \$72.4 million this

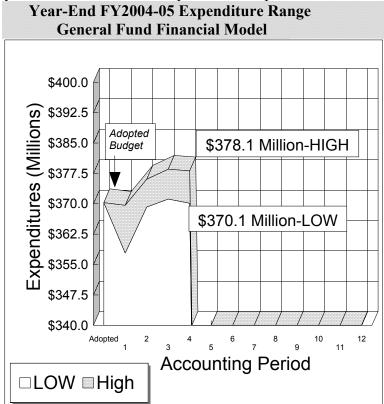


Figure 2-General Fund Expenditures, FY2004-05

year versus \$69.4 million last year at period 4. Year-end personal services expenditures are currently pegged at about \$230 million.

External materials and service expenditures total about \$16.1 million at period 4. This is about \$660,460 or 3.95% behind last year. There has been some slowdown in this basic spending category, due in part, to budget reductions. Internal materials and services are about even with last year at period 4. It is hard to tell whether expenditures are slowing down in this area or perhaps inter-agency billings are somewhat behind year-ago.

Overall expenditure growth remains reasonably strong, driven for the most part by strong Public Safety related wage and salary increases.

Capital outlays now total about \$2.2 million as of period 4 and exceed budgets that total \$1.23 million. It appears that budget will come up to expenses in the Fall Bump.

The Estimated Year-End General Fund Balance at AP-4 ranges from \$11.1 (Low) to \$35.7 million (High). The "point estimate" this period is at about \$14.932 million. This point estimate is traditionally used in the Fall resource forecast (for FY2005-06 beginning balance) as well as the December financial forecast, scheduled to be issued during the first week of December. This year is no different. The FY2005-06 beginning discretionary General Fund balance estimate is \$14.932 million. It is early in the year, little is known about carryover requirements. Spending patterns are not very well developed, so lots of uncertainty remains. A typical "on-going" beginning fund balance would be in the \$10 to \$11

Ending Fund Balance Range

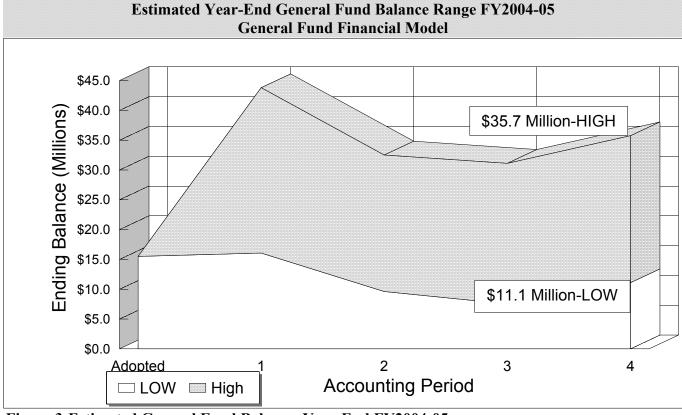


Figure 3-Estimated General Fund Balance, Year-End FY2004-05

Demand Up In Portland Area Office Market

According to a recent article in the Oregonian, Portland's commercial real estate market experienced considerable improvement in activity levels during the first three quarters of 2004 with tenants absorbing a net 1.1 million square feet of space. Reflecting this improvement in demand, the overall office vacancy rate fell from 16.9% in the first quarter of 2004 to 14.7% in the third quarter. But there is significant regional disparity.

In the Kruse Way area, the vacancy rate is particularly low at 8% and rents are on the rise. In contrast, Sunset Corridor, dominated by high-tech sector, vacancies stand at 29%. Downtown Portland's vacancy rate edged lower from 12.4% to 12% since January.

According to the article, controversy over the Multnomah County income tax and a business tax increase for schools in 2003 has weakened downtown's ability to compete for tenants.

Table 1-General Fund Resources, FY2004-05			
	Through	Estimated	Revised
GENERAL FUND RESOURCE CATEGORY	AP-4	Year-End	Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$1,047,304	\$25,901,920	\$27,555,234
Other Internal & Transfers-IN	\$6,401,207	\$29,801,494	\$30,674,907
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$369,721	\$155,399,358	\$153,173,082
Lodging Taxes	\$3,604,541	\$10,779,914	\$10,811,022
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$4,306,999	\$41,121,276	\$39,274,397
Utility License/Franchise	\$13,559,923	\$56,410,168	\$58,174,903
Other Permits	\$706,612	\$2,907,318	\$3,056,096
SERVICE CHARGES & FEES 44000	\$3,778,503	\$12,854,851	\$12,780,218
STATE, FEDERAL SOURCES 46000	\$1,504,463	\$10,189,770	\$9,742,997
LOCAL SOURCES (Contracts) 47000	\$2,904,893	\$14,971,367	\$16,336,823
MISC. REVENUES & INTEREST 49400	\$1,508,430	\$4,959,605	\$6,436,875
TAX ANTICIPATION NOTES/Note Sales	\$0	\$0	\$0
BEGINNING FUND BALANCE	\$21,016,299	\$21,016,299	\$14,965,294
ENCUMBRANCE & CARRYOVER	\$4,863,782	\$4,863,782	\$4,500,000
GENERAL FUND RESOURCE TOTAL	\$65,572,677	\$391,177,123	\$387,481,848
Estimated Percent Of Budget Resources Realized	16.9%	101.0%	

Table 2-General Fund Expenditures, FY2004-05			
	Through	Estimated	Revised
GENERAL FUND EXPENDITURES	AP-4	Year-End	Budget
Salaries & Wages	\$50,526,624	\$167,790,429	\$176,063,308
Overtime	\$2,621,193	\$8,638,245	\$7,443,141
Benefits	\$12,613,033	\$37,290,783	\$39,433,852
Premium & Part-Time	\$6,677,120	\$15,955,131	\$17,388,250
TOTAL PERSONAL SERVICES	\$72,437,970	\$229,674,587	\$240,328,551
Estimated Percent Of Budget Spent	30.1%	95.6%	
EXTERNAL MATERIALS & SERVICES	\$16,076,594	\$55,561,531	\$59,467,528
Estimated Percent Of Budget Spent	27.0%	93.4%	
INTERNAL MATERIALS & SERVICES	\$11,308,318	\$46,059,477	\$47,137,328
Estimated Percent Of Budget Spent	24.0%	97.7%	
CAPITAL OUTLAY	\$2,197,265	\$4,014,364	\$1,227,802
Estimated Percent Of Budget Spent	179.0%	327.0%	
CONTINGENCY & UNFORESEEN	\$0	\$5,351,738	\$8,021,668
FUND CASH TRANSFERS	\$6,907,351	\$29,398,971	\$31,298,971
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$108,927,498	\$370,060,668	\$387,481,848
Estimated Percent Of Budget Spent	28.1%	95.5%	

Table 3-General Fund Expenditu	ıres B	y Appropriati	ion Unit, FY2	004-05	
Percent Of Year Gone	30.8%				
Percent Year Left	9.2%	Through	Estimated	Revised	Percent
AU Description	AU#	AP-4	Year-End	Budget	Spent
Police Bureau	100	\$39,963,334	\$132,720,003	\$135,723,003	29.4%
Fire Bureau	124	\$23,148,943	\$69,541,378	\$70,738,628	32.7%
Bureau Of Parks	130	\$14,045,947	\$47,562,105	\$47,182,510	29.8%
Subtotal-Public Safety and Parl	(S	\$77,158,224	\$249,823,486	\$253,644,140	30.4%
Commissioner #2 (Sten)	190	\$192,742	NA	\$644,337	29.9%
Commissioner #4 (Leonard)	191	\$178,155	NA	\$640,112	27.8%
Commissioner #3 (Saltzman)	192	\$195,187	NA	\$1,087,248	18.0%
Commissioner #1 (Francesconi)	193	\$200,121	NA	\$646,080	31.0%
Office Of The Mayor	195	\$367,078	NA	\$1,406,043	26.1%
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	\$6,907,351	\$29,398,971	\$31,298,971	22.1%
Office of Cable Com	300	\$456,531	NA	\$1,749,301	26.1%
Emergency Management 1	10	\$967,152	NA	\$1,000,899	96.6%
Office-Sus. Develop	302	\$446,557	NA	\$3,226,678	13.8%
Government Relations	303	\$175,742	NA	\$774,555	22.7%
Office Of Man. & Fin	307	\$6,520,619	NA	\$24,274,603	26.9%
Office Of City Attorney	312	\$1,564,881	NA	\$5,563,577	28.1%
Business Licenses	316	\$1,613,704	NA	\$7,916,830	20.4%
Unused Line		\$0	NA	\$0	NA
Stock Account	325	(\$80,879)	NA	\$25,000	-323.5%
City Auditor	336	\$2,009,134	NA	\$7,220,916	27.8%
Unused Line		\$0	NA	\$0	NA
Office Neigh. Involve	342	\$2,036,571	NA	\$7,132,992	28.6%
Utility Billing System	.381	\$1,006,488	NA	\$4,686,789	NA
Unused Line		\$0	NA	\$0	NA
Special Appropriations	401	\$1,642,146	NA	\$12,001,747	13.7%
Bureau Of Planning	510	\$1,933,724	NA	\$6,233,600	31.0%
Bureau Com. Develop	540	\$3,436,268	NA	\$8,285,761	41.5%
Subtotal-All Other AUs		\$31,769,278	\$118,745,875	\$133,837,708	23.7%
General Fund Total-All AUs	5	\$108,927,502	\$368,569,361	\$387,481,848	28.1%

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."

	FY2004-05	FY2003-04	
Reserve Fund Usage Condition	1st Quarter	4th Quarter	Concern Level
Basic Revenue Growth (*)	2.5%	1.0%	Below 3.0%
Portland Unemployment Rate	6.5%	8.4%	Above 6.5%
Business License Revenue Growth	3.0%	3.0%	Below 5.5%
Property Tax Delinquency Rate	5.4%	5.4%	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.

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