

City of Portland
Office of Management & Finance
THE FINANCIAL OUTLOOK

Accounting Period 6
(Nov. 18, 2004 to Dec. 15, 2004)

General Fund Financial Outlook
(Issue Date: Feb. 3, 2005)

Estimated Year-End General Fund Resources At AP-6 are forecast to range from \$399.7 million (LOW) to \$417.8 million (HIGH). Council's revised budget, period 6, is increased \$36.8 million compared to period 5 and now stands about \$36.9 million above Council's July 1 Adopted Budget. This, much higher Revised Budget, reflects adjustments made in the "Fall Bump." Virtually all of the increase in the General Fund's budget is located in two resource categories. First, budgeted grant revenues were increased to about \$36.9 million from \$8.1 million. Second, additional beginning balance of \$6.4 million was appropriated in the Fall Bump.

RESOURCE RECAP	
* IBIS Budgeted Resources.....	\$424,317,822
* Resource Range....(High).....	\$417,820,034
.....(Low).....	\$399,728,127
* Revenues At AP-6	\$206,642,973
Versus Year-Ago...UP.....	1.88%
(*) Net of Short-Term Borrowing	
NOTEWORTHY AT AP-6	
* Hotel/Motel Up 6.6 % vs. year-ago	
* Utility License Up 2.3 % vs. year-ago	
* Property Taxes Up 4.2% vs. year-ago	

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

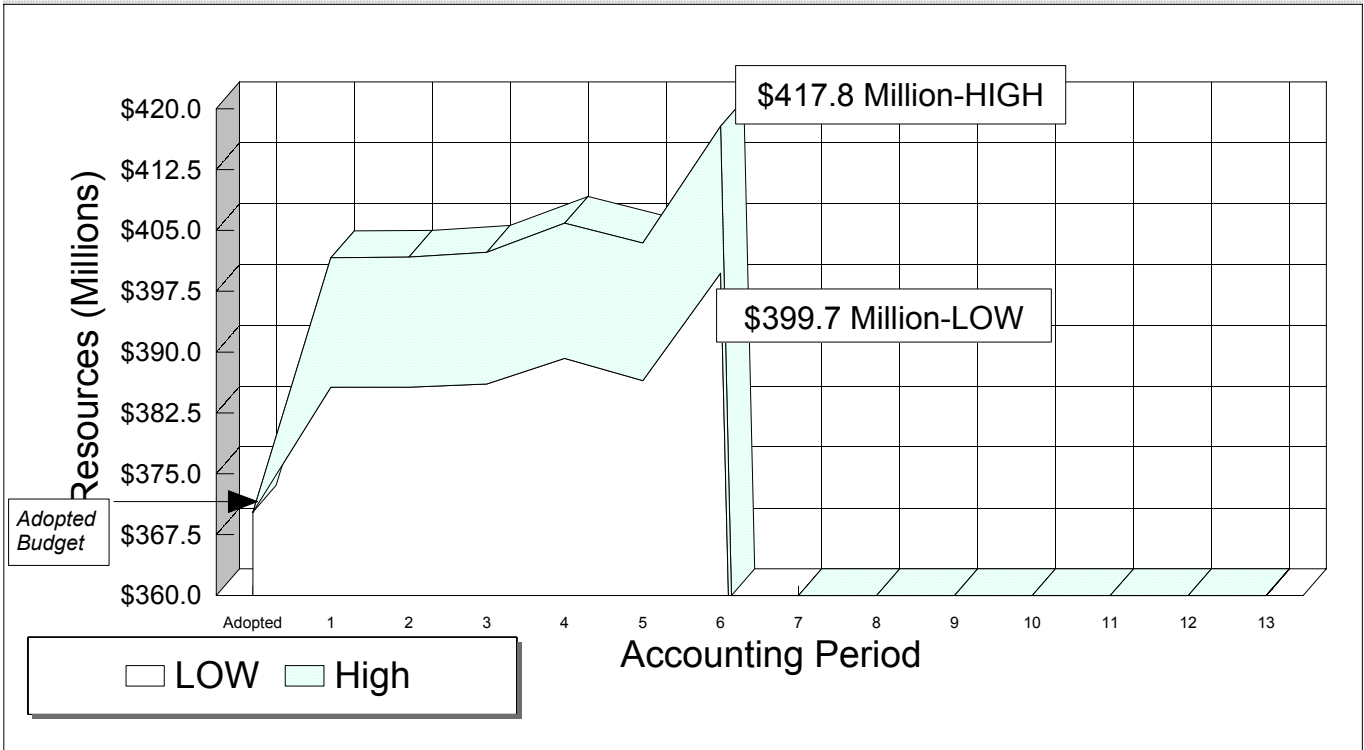


Figure 1-General Fund Resources, Year-End FY2003-04

The Bottom Line: Resources, year-end, are estimated to range from \$399.7 million (Low) to \$417.8 million (High). Budgeted resources are \$424.3 million. Year-end expenditure estimates range from \$379.2 million (Low) to \$389.3 million (High). Forecast year-end balance, beginning FY2005-06 balance, is forecast at somewhere between \$10.4 million (Low) to as much as \$38.6 million (High). This ending balance range is still atypically wide.

General Fund revenues continue to show positive year over year growth comparisons. At period 6, transient lodging taxes are 6.6% ahead of last year. Property taxes are currently running 4.2% ahead of last year and should end the year about 3.5% ahead of last year. Utility license fees continue to be a drag on revenue growth. The small cold snap that occurred in mid-January is likely to be offset by the unseasonably warm weather that ended a few good days of cold weather. This will further reduce year-ago third quarter energy related franchise fee comparisons. Recall that last year, January was very cold relative to normal. This produced a surge in third quarter (January-March) franchise fee revenues that is likely to be absent from this year's third quarter numbers. Business license revenues cooled off during period 6. Over the last two periods refunds have increased from about \$451,000 to about \$1.57 million. Refunds are an offset to net revenues, hence the run-up in refunds holds back net revenues. Refunds however, now appear more consistent with recent historical patterns. Regional job growth remains weak and the area's unemployment rate continues to be about 6.4% to 6.5%.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	\$424,317,822
* Expense Range.....(High).....	\$389,334,743
*(Low).....	\$379,196,722
* Expenses At AP-6(*).....	\$173,880,268
Versus Year-Ago..Up.....	9.9%
(*) Net of Short Term Borrowing	
NOTEWORTHY AT AP-6	
* Personal Services UP 5.6% vs. year-ago	
* All M&S UP 36% vs. year-ago	
* Capital Outlays UP 99.9% vs. year-ago	

Bureau fee and permit revenues are mixed at period 6. Miscellaneous revenues and miscellaneous fees are 34% and 25% behind last year respectively. Grants revenues are now well ahead of last year and with \$37 million budgeted this should be the case. Parks' fee revenues continue well ahead of year-ago.

General Fund expenditures at AP-6 total about \$173.9 million vs. last year's \$158.2 million. Expenditure growth, at a year over year increase of 9.9 percent, remains very strong. Personal services expenditures accelerated slightly during period 6 to about 5.6% ahead of last year. The year over year increases are concentrated in the public safety service area. The year-end personal services estimate remains centered on about a \$232 to \$233 million year-end.

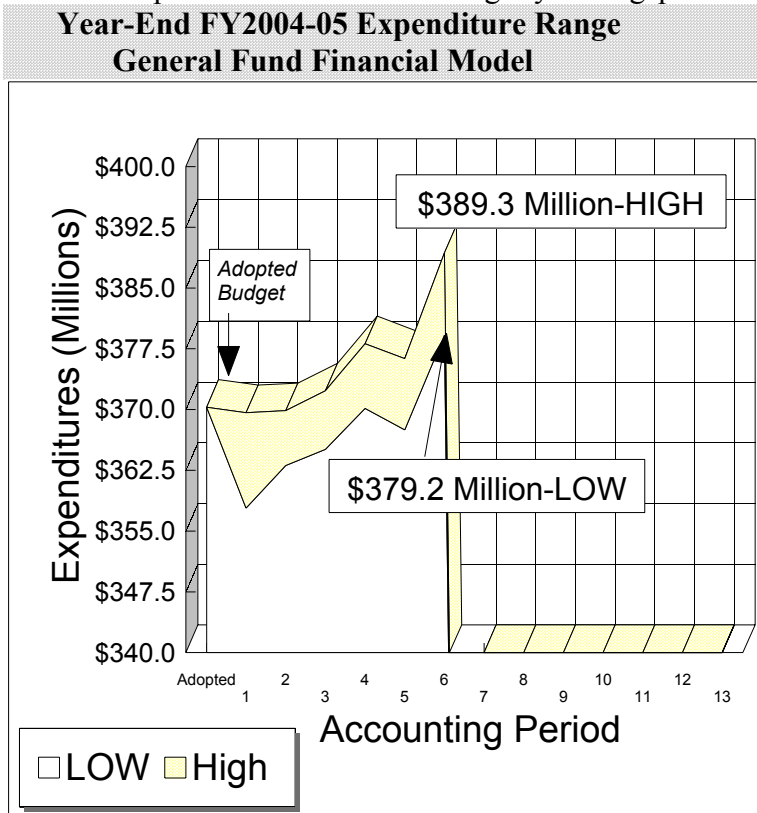


Figure 2-General Fund Expenditures, FY2004-05

Estimated year-end external materials and services expenditures are now projected at \$70.3 million. At present \$7.5 million of year to date expenditures are encumbrances. This is an abnormally high number. A review of data back through FY1982-83 shows no similar situation. External materials and services expenditures are also 52% ahead of last year. The basic presumption has to be that grant revenues will catch-up and offset a major portion of the increase in expenses.

A slug of internal materials and services billings came through pushing expenditures up to 16.1% above last year at period 6. The "Fall Bump" increased the capital budget to just over \$7 million. Expenses currently stand at about \$3.5 million.

The Estimated Year-End General Fund Balance at AP-6 ranges from \$10.4 (Low) to \$38.6 million (High). The "point estimate" this period continues to be centered on \$14 million. The December financial forecast uses an FY2005-06 beginning balance forecast of \$14.9 million (done off of period 4 financial data). Council's period 6 revised budget reflects "Fall Bump" adjustments that have sharply increased spending authority. The bulk of this increase has been appropriated in the form of additional grant revenues. As of period 6, accounting summaries show that about \$37 million of budgeted grant revenues are scattered over about 96 different grants. With the exception of about \$13.7 million concentrated in about 10 Fire and Emergency Management grants, the remaining \$23.3 million is spread over the other 86 grants in amounts that are as small as \$4,962. If past years are any indication, as much as 30% of whatever year-end revenues turn out to be, will come in between June 30th and mid-August. This situation complicates the task of reliably forecasting an ending balance.

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$399,728,127	\$417,820,034
Expenses.....	\$389,334,743	\$379,196,722
End Balance	\$10,393,384	\$38,623,313

Ending Fund Balance Range

**Estimated Year-End General Fund Balance Range FY2004-05
General Fund Financial Model**

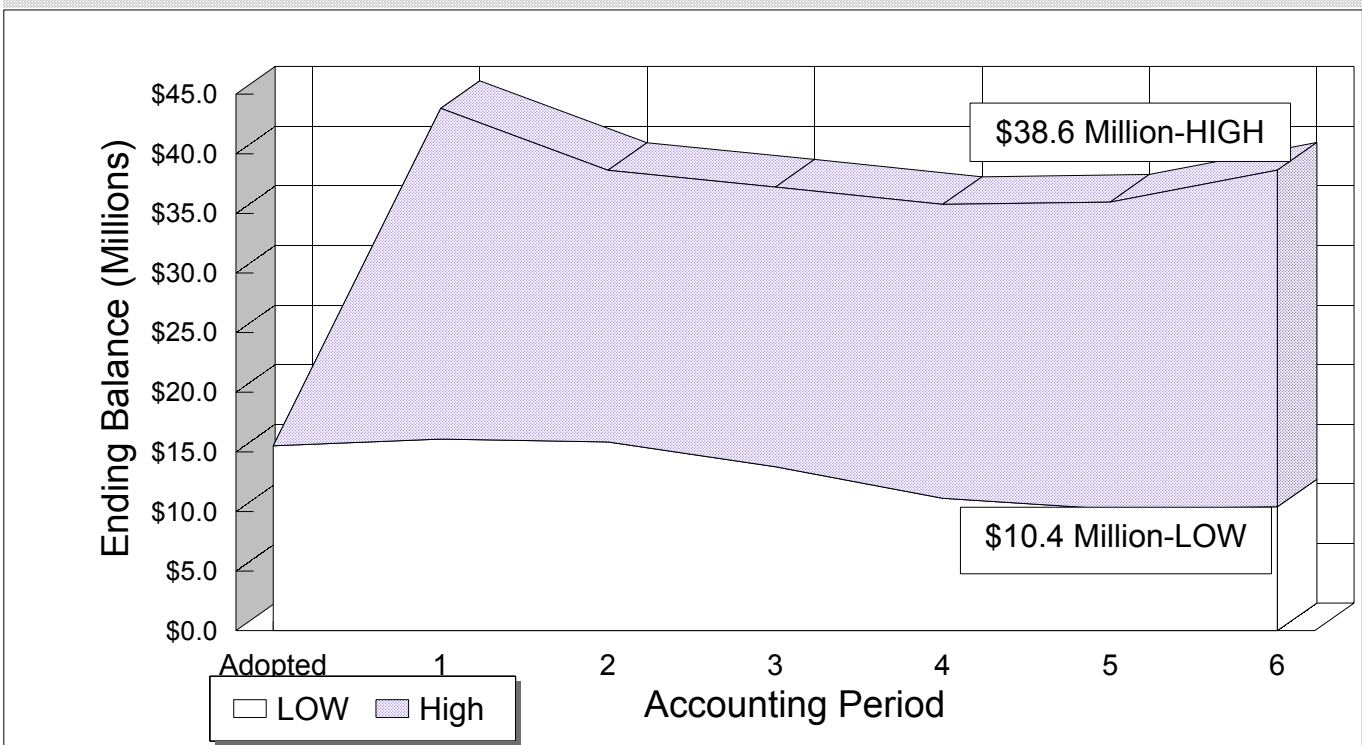


Figure 3-Estimated General Fund Balance, Year-End FY2004-05

Year-End National CPI Data Show Inflation Up-Tick

National consumer price index (CPI) data for calendar 2004 showed an up-tick in inflation. The main CPI for all items was up about 2.7% during 2004 versus a 2.3% increase for calendar 2003. Medical care inflation came in at 4.4% for the year. Energy inflation, electricity and natural gas, was mixed. The price index for natural gas used for heating and cooking was up 8.3%. Electricity however, was up only 1.9%. Unleaded regular gas was up nationwide by 18.6% in 2004 and this was on the heels of 17.1% increase in 2003. The two-year increase works out to just about 39%. Economists often look at the consumer price index net of food and energy. This measure shows underlying inflation net of volatile commodity price increases for food and energy. For calendar 2004, the main CPI net of food and energy increased a modest 1.8%.

Table 1-General Fund Resources, FY2004-05				
GENERAL FUND RESOURCE CATEGORY		Through	Estimated	Revised
		AP-6	Year-End	Budget
INTERNAL REVENUES.....	41000			
Service Reimbursements.....		\$6,683,148	\$27,169,955	\$28,370,150
Other Internal & Transfers-IN.....		\$15,156,638	\$39,139,673	\$60,212,542
PROPERTY & LODGING TAXES	42100			
Property Taxes.....		\$133,952,135	\$155,089,082	\$153,173,082
Lodging Taxes.....		\$6,409,213	\$11,561,663	\$10,811,022
BUSINESS LICENSES, PERMITS....	43000			
Business Licenses.....		\$5,494,519	\$42,037,896	\$39,274,397
Utility License/Franchise.....		\$25,597,750	\$56,196,172	\$58,174,903
Other Permits.....		\$1,282,734	\$2,884,175	\$3,086,096
SERVICE CHARGES & FEES.....	44000	\$5,564,030	\$12,757,759	\$12,785,177
STATE, FEDERAL SOURCES.....	46000	\$3,076,863	\$10,191,820	\$9,742,997
LOCAL SOURCES (Contracts).....	47000	\$4,186,537	\$13,962,414	\$16,530,115
MISC. REVENUES & INTEREST.....	49400	\$2,158,906	\$4,863,766	\$6,274,894
TAX ANTICIPATION NOTES/Note Sales.....		\$0	\$0	\$0
BEGINNING FUND BALANCE.....		\$21,018,655	\$21,018,655	\$21,018,665
ENCUMBRANCE & CARRYOVER.....		\$4,863,782	\$4,863,782	\$4,863,782
GENERAL FUND RESOURCE TOTAL		\$235,444,910	\$401,736,811	\$424,317,822
Estimated Percent Of Budget Resources Realized		55.5%	94.7%	

Table 2-General Fund Expenditures, FY2004-05				
GENERAL FUND EXPENDITURES		Through	Estimated	Revised
		AP-6	Year-End	Budget
Salaries & Wages.....		\$75,811,732	\$168,009,192	\$176,905,393
Overtime.....		\$4,091,533	\$8,759,617	\$7,607,116
Benefits.....		\$18,803,776	\$39,679,974	\$39,679,974
Premium & Part-Time.....		\$8,719,168	\$16,182,469	\$16,867,468
TOTAL PERSONAL SERVICES.....		\$107,426,209	\$232,631,251	\$241,059,950
Estimated Percent Of Budget Spent.....		44.6%	96.5%	
EXTERNAL MATERIALS & SERVICES.....		\$30,449,955	\$70,342,459	\$88,100,366
Estimated Percent Of Budget Spent.....		34.6%	79.8%	
INTERNAL MATERIALS & SERVICES.....		\$20,983,483	\$48,364,334	\$48,465,362
Estimated Percent Of Budget Spent.....		43.3%	99.8%	
CAPITAL OUTLAY.....		\$3,534,253	\$5,017,741	\$7,024,383
Estimated Percent Of Budget Spent.....		50.3%	71.4%	
CONTINGENCY & UNFORESEEN.....		\$0	\$1,000,000	\$4,826,916
FUND CASH TRANSFERS.....		\$11,486,368	\$30,041,969	\$34,840,849
INVENTORY.....		\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL		\$173,880,268	\$387,397,754	\$424,317,826
Estimated Percent Of Budget Spent.....		41.0%	91.3%	

Table 3-General Fund Expenditures By Appropriation Unit, FY2004-05					
Percent Of Year Gone...	46.2%				
Percent Year Left.....	53.8%				
AU Description	AU#	Through AP-6	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	\$60,680,586	\$133,061,420	\$141,770,179	42.8%
Fire Bureau.....	124	\$34,928,752	\$71,372,544	\$76,635,897	45.6%
Bureau Of Parks.....	130	\$20,857,177	\$47,015,424	\$48,764,495	42.8%
Subtotal-Public Safety and Parks		\$116,466,515	\$251,449,389	\$266,418,320	43.7%
Commissioner #2 (Sten)	190	\$293,007	NA	\$644,337	45.5%
Commissioner #4 (Leonard)	191	\$272,393	NA	\$640,112	42.6%
Commissioner #3 (Saltzman)	192	\$270,832	NA	\$714,292	37.9%
Commissioner #1 (Adams)	193	\$301,475	NA	\$646,080	46.7%
Office Of The Mayor	195	\$626,702	NA	\$1,406,043	44.6%
Operating Contingency...	298	\$6	\$500,000	\$2,826,916	NA
Unforeseen Revenues..	298	\$0	\$500,000	\$2,000,000	NA
Other Cash Transfers.....	299	\$11,486,368	\$30,041,969	\$34,840,849	33.0%
Office of Cable Com.....	300	\$874,857	NA	\$1,882,644	46.5%
P.O.E.M.....	110	\$4,041,082	NA	\$10,889,584	37.1%
Office-Sus. Develop.....	302	\$727,414	NA	\$3,803,245	19.1%
Government Relations..	303	\$270,984	NA	\$774,555	35.0%
Office Of Man. & Fin.....	307	\$11,242,638	NA	\$24,748,872	45.4%
Office Of City Attorney....	312	\$2,402,859	NA	\$5,652,781	42.5%
Business Licenses.....	316	\$2,493,401	NA	\$9,394,390	26.5%
Unused Line.....		\$0	NA	\$0	NA
Stock Account.....	325	(\$16,673)	NA	\$25,000	-66.7%
City Auditor.....	336	\$3,058,183	NA	\$7,241,018	42.2%
Unused Line.....		\$0	NA	\$0	NA
Office Neigh. Involve.....	342	\$3,079,051	NA	\$7,185,812	42.8%
OMF Special Projects.....	381	\$1,396,074	NA	\$4,914,189	NA
Unused Line.....		\$0	NA	\$0	NA
Special Appropriations....	401	\$4,404,668	NA	\$12,251,747	36.0%
Bureau Of Planning.....	510	\$2,913,017	NA	\$6,680,970	43.6%
Bureau Com. Develop.....	540	\$7,101,001	NA	\$18,736,069	37.9%
Subtotal-All Other AUs.....		\$57,239,339	\$131,617,800	\$157,899,506	36.3%
General Fund Total-All AUs		\$173,705,854	\$383,067,189	\$424,317,826	40.9%

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%	2.5%	Below 3.0%
Portland Unemployment Rate	6.5%	8.4%	Above 6.5%
Business License Revenue Growth	3.0%	6.8%	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.