

City of Portland
Office of Management & Finance
THE FINANCIAL OUTLOOK

Accounting Period 12
(May 5, 2005 to June 1, 2005)

General Fund Financial Outlook
(Issue Date: July. 6, 2005)

Estimated Year-End General Fund Resources At AP-12 are forecast to range from \$416.6 million (LOW) to \$426.3 million (HIGH). Council's revised budget, period 12, totals about \$433.7 million, up about \$586,264 compared to period 11. Council's current revised budget is, prior to "Spring Bump" adjustments about \$46.4 million above the General Fund's July 1, Adopted Budget. Overall revenue growth as of period 12 tallies out to 6.2 percent on a year-over-year basis. Discretionary revenue growth continues to lag well behind at 3.8 percent. This is a welcome change from the slower or no growth characteristic of the past two fiscal years.

RESOURCE RECAP	
* IBIS Budgeted Resources.....	\$433,749,755
* Resource Range....(High).....	\$426,289,812
.....(Low).....	\$416,564,202
* Revenues At AP-12(*)	\$349,093,168
Versus Year-Ago...UP.....	6.15%
(*) Net of Short-Term Borrowing	
NOTEWORTHY AT AP-12	
* Hotel/Motel Up 6.4 % vs. year-ago	
* Utility License Up 1.6 % vs. year-ago	
* Property Taxes Up 3.3% vs. year-ago	

(*) And net of intrafund revenues

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

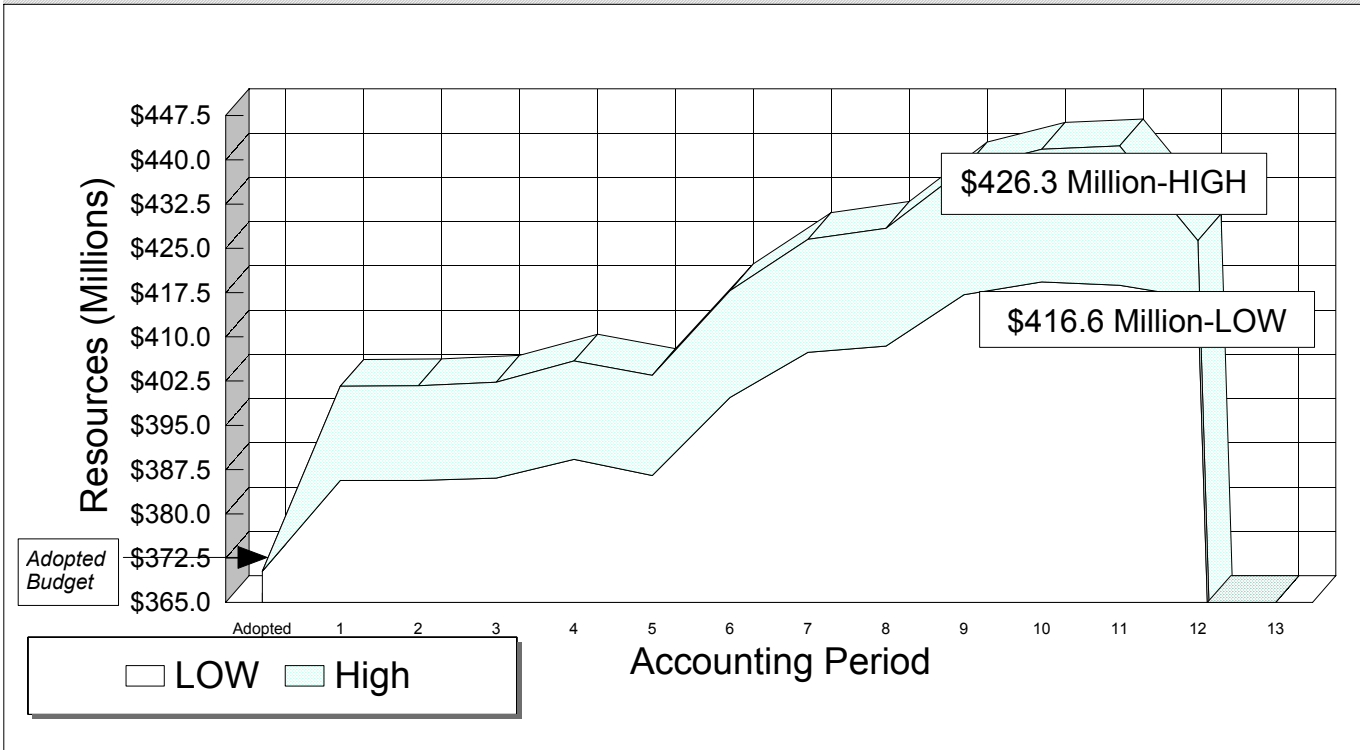


Figure 1-General Fund Resources, Year-End FY2003-04

The Bottom Line: Resources, year-end, are estimated to range from \$416.6 million (Low) to \$426.3 million (High). Budgeted resources are \$433.7 million. Year-end expenditure estimates range from \$379.0 million (Low) to \$400.3 million (High). Forecast year-end balance, beginning FY2005-06 balance, is forecast at somewhere between \$16.2 million (Low) to as much as \$47.3 million (High). This ending balance range continues to be very wide.

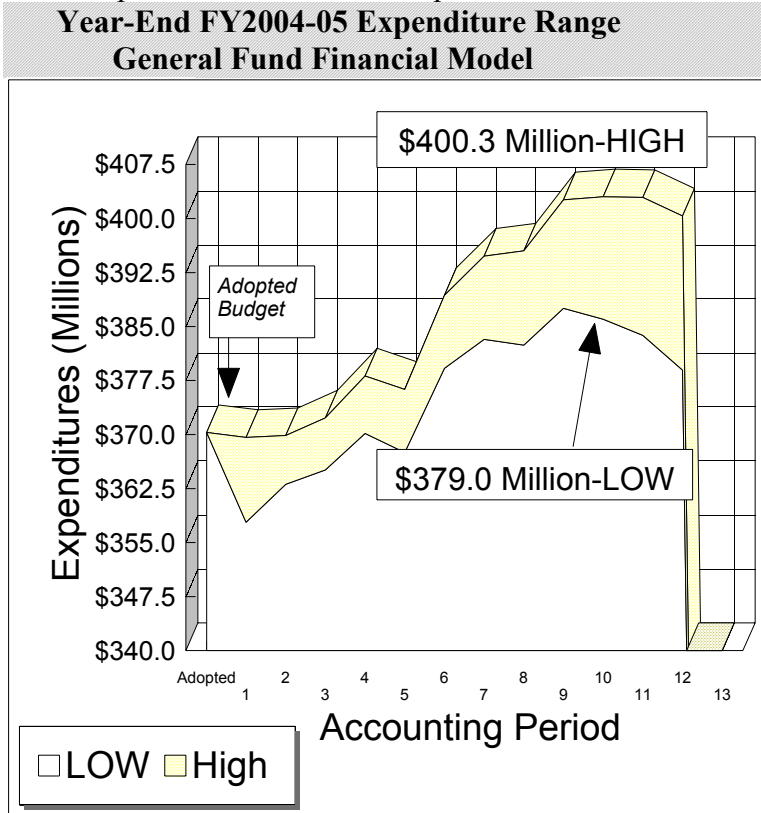
The big story at period 12 is business license revenues which appear to have surged past the previous cycle's peak revenues. Revenues (net of audit recovery) to-date total about \$48.5 million with refunds at \$9.6 million through period 12. If refunds end the year at \$12 million, revenues will total about \$49 million of which about \$3 "plus" million is attributable to enhanced collections efforts and recovery of delinquent taxes. These are one-time funds. On-going revenues are about \$45 million. This translates into year-over-year growth of about 12 to 15 percent. Although this is welcome news, during the recession of the mid-80s business license revenue increased from \$8.9 million to \$11.4 million coming out of recession with year-over-year growth of 23.2 percent.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	\$433,749,755
* Expense Range.....(High).....	\$400,329,591
*(Low).....	\$378,956,679
* Expenses At AP-12(*).....	\$354,273,961
Versus Year-Ago..Up.....	9.7%
(*) Net of Short Term Borrowing	
NOTEWORTHY AT AP-12	
* Personal Services UP 7.6% vs. year-ago	
* All M&S UP 15% vs. year-ago	
* Capital Outlays UP 119.8% vs. year-ago	

Utility license fees continue weak with revenues through period 12 up only about 1.3% over last year. Nearly all of this growth remains concentrated in NW Natural franchise fees. Qwest's fourth quarter payment came in May 15th at \$949,046 versus \$1,231,255 last year. PGE's franchise fees came in at \$4.3 million versus \$4.4 million last year.

Parks, main fee revenue category was 6.3% ahead of year ago at period 12. The two basic miscellaneous fee revenue categories (all General Fund bureaus) remain behind last year.

General Fund expenditures at AP-12 total about \$354.3 million vs. last year's \$323.1 million. Expenditure growth picked up more steam during period 12 with year over-year-growth up from 8.6% at period 11 to 9.7% as of period 12. Personal services expenditures total about \$214.5 million at period 12 with the current year-end forecast set at just about \$234 million. Expenditures at period 12 are about 7.6% ahead of last year. Personal services expenses continue to run well ahead of last year due to two principal reasons. The move of the utility billing system from Water to the General Fund skews comparisons. The new Police labor contract went well outside of a "CPI-based" cost-of-living increase.



External materials and services are 26.3% ahead of year ago. Encumbrances are still way above "normal" at \$7.9 million as of period 12 versus \$7.4 million at period 11.

Internal materials and services total about \$43.6 million this year at period 12 versus \$42.3 million last year. Year-over-year growth declined to 3.2% during period 12.

Capital outlays total \$6.6 million at period 12 with encumbrances totaling \$3.5 million. The revised budget is currently \$8.1 million.

Figure 2-General Fund Expenditures, FY2004-05

The Estimated Year-End General Fund Balance at AP-12 ranges from \$16.2 (Low) to \$47.3 million (High). The "point estimate" this period works out to about \$20.3 million versus the \$21.0 million estimate included in Council's Adopted Budget. The \$21 million estimate includes a provision for about \$612,000 of carryover requirements. Actual ending balance now depends on how much of a surge in spending occurs during June (period 13) relative to revenues that typically cross the sill during June as well as July and August accruals. Grant accruals and interagency revenues are the two key elements that drive year-end revenues. Last year expenses totaled about \$37.2 million during period 13 with revenues somewhat lower at \$36.6 million. This however, is not a "normal" pattern. In most years, expenses usually exceed revenues by a minimum of \$3 to \$4 million. If "normal" happens this year, ending balance excluding about \$12.5 million for encumbrances would come in at right around \$21 million. End of year accounting reports start coming out during the second week of July.

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$416,564,202	\$426,289,812
Expenses.....	\$400,329,591	\$378,956,679
End Balance	\$16,234,611	\$47,333,133

Ending Fund Balance Range

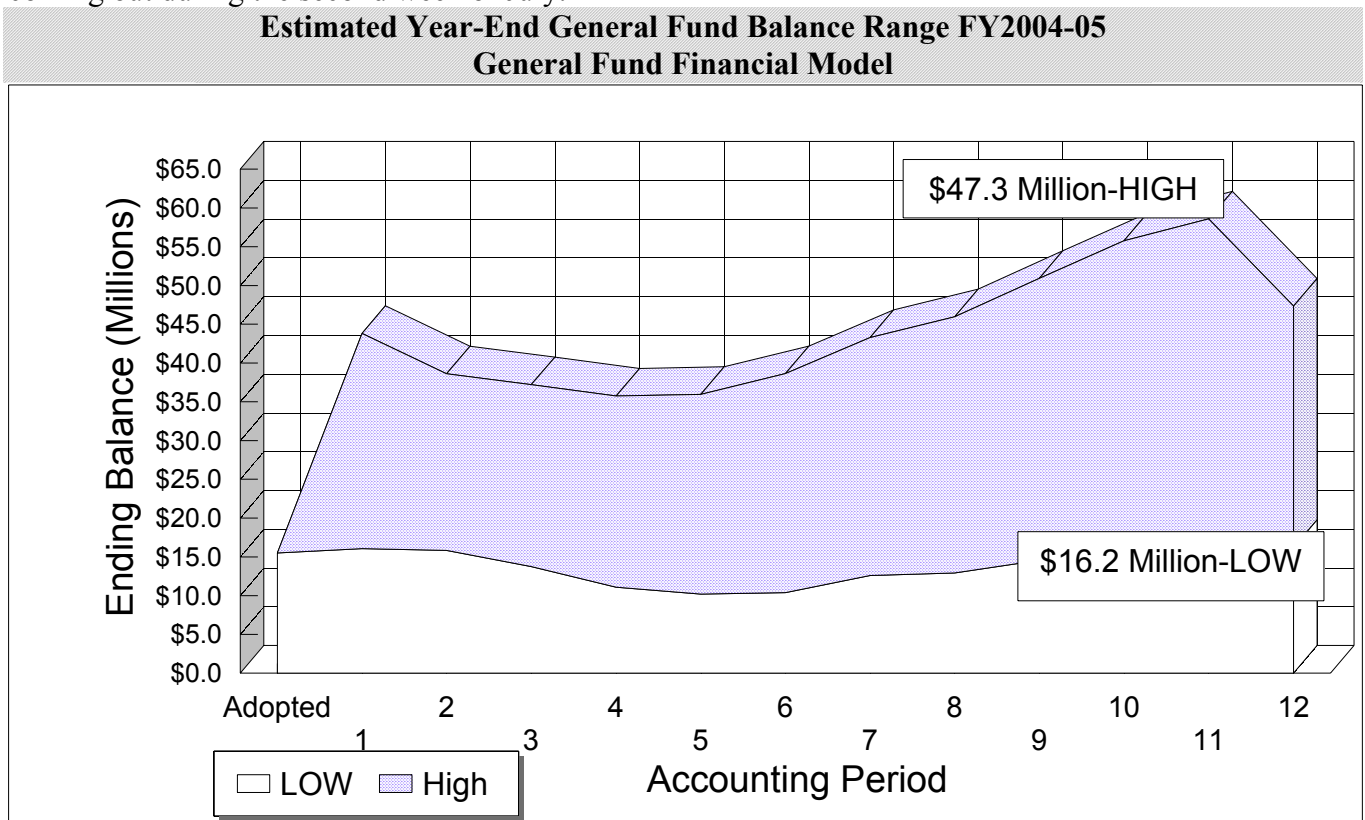


Figure 3-Estimated General Fund Balance, Year-End FY2004-05

Cement Shortage Affecting 29 States

According to a recent article in the Oregonian, the U.S. is suffering a cement shortage caused by a number of factors including a strong economy, record low mortgage rates and corresponding increases in cement consumption. There is also a decline of availability of suitable cement from Asia, as Chinese construction projects are rapidly moving ahead to building rural dams and urban skyscrapers. Market tightness has also been exacerbated by harsh winter weather conditions, which have led to a surge in building now. This is particularly evident in California market. Through the first quarter of 2005, Oregon's consumption of cement increased 22% from the same period in 2004, and according to the article the cost of cement in Portland area has so far jumped by over 20% since December, and is expected to rise by another 9% on July 1st.

Table 1-General Fund Resources, FY2004-05				
GENERAL FUND RESOURCE CATEGORY		Through	Estimated	Revised
		AP-12	Year-End	Budget
INTERNAL REVENUES.....	41000			
Service Reimbursements.....		\$19,312,385	\$31,773,310	\$34,164,849
Other Internal & Transfers-IN.....		\$30,488,734	\$41,589,172	\$63,282,080
PROPERTY & LODGING TAXES	42100			
Property Taxes.....		\$145,574,233	\$154,840,852	\$153,173,082
Lodging Taxes.....		\$11,780,317	\$11,820,651	\$10,811,022
BUSINESS LICENSES, PERMITS....	43000			
Business Licenses.....		\$51,743,363	\$49,739,865	\$39,274,397
Utility License/Franchise.....		\$56,835,378	\$57,172,665	\$58,174,903
Other Permits.....		\$2,804,043	\$3,039,302	\$3,086,096
SERVICE CHARGES & FEES.....	44000	\$11,570,344	\$13,337,383	\$12,927,930
STATE, FEDERAL SOURCES.....	46000	\$8,174,128	\$10,360,784	\$9,742,997
LOCAL SOURCES (Contracts).....	47000	\$10,179,835	\$12,807,097	\$16,618,687
MISC. REVENUES & INTEREST.....	49400	\$5,591,215	\$6,293,973	\$6,611,265
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		\$379,936,412	\$418,657,489	\$433,749,759
Estimated Percent Of Budget Resources Realized		87.6%	96.5%	

Table 2-General Fund Expenditures, FY2004-05				
GENERAL FUND EXPENDITURES		Through	Estimated	Revised
		AP-12	Year-End	Budget
Salaries & Wages.....		\$154,899,988	\$169,189,770	\$179,711,638
Overtime.....		\$7,952,968	\$9,341,177	\$7,775,143
Benefits.....		\$37,177,370	\$39,135,814	\$40,614,712
Premium & Part-Time.....		\$14,501,701	\$16,224,955	\$17,283,246
TOTAL PERSONAL SERVICES.....		\$214,532,027	\$233,891,716	\$245,384,739
Estimated Percent Of Budget Spent.....		87.4%	95.3%	
EXTERNAL MATERIALS & SERVICES.....		\$58,050,039	\$72,028,249	\$91,237,980
Estimated Percent Of Budget Spent.....		63.6%	78.9%	
INTERNAL MATERIALS & SERVICES.....		\$43,641,698	\$49,664,275	\$50,728,609
Estimated Percent Of Budget Spent.....		86.0%	97.9%	
CAPITAL OUTLAY.....		\$6,575,567	\$8,139,690	\$8,139,690
Estimated Percent Of Budget Spent.....		80.8%	100.0%	
CONTINGENCY & UNFORESEEN.....		\$0	\$500,000	\$3,042,119
FUND CASH TRANSFERS.....		\$31,474,630	\$34,113,972	\$35,216,622
INVENTORY.....		\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL		\$354,273,961	\$398,337,901	\$433,749,759
Estimated Percent Of Budget Spent.....		81.7%	91.8%	

Table 3-General Fund Expenditures By Appropriation Unit, FY2004-05					
Percent Of Year Gone...	92.3%				
Percent Year Left.....	7.7%				
AU Description	AU#	Through AP-12	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	\$122,558,679	\$135,794,470	\$142,404,861	86.1%
Fire Bureau.....	124	\$68,241,992	\$75,339,598	\$77,404,245	88.2%
Bureau Of Parks.....	130	\$41,615,962	\$47,501,188	\$49,174,619	84.6%
Subtotal-Public Safety and Parks		\$232,416,633	\$258,635,256	\$268,983,724	86.4%
Commissioner #2 (Sten)	190	\$579,261	NA	\$644,337	89.9%
Commissioner #4 (Leonard)	191	\$518,808	NA	\$640,112	81.0%
Commissioner #3 (Saltzman)	192	\$563,880	NA	\$714,292	78.9%
Commissioner #1 (Adams)	193	\$635,505	NA	\$646,080	98.4%
Office Of The Mayor	195	\$1,400,162	NA	\$1,406,043	99.6%
Operating Contingency...	298	\$6	\$500,000	\$1,042,119	NA
Unforeseen Revenues..	298	\$0	\$0	\$2,000,000	NA
Other Cash Transfers.....	299	\$31,474,630	\$34,113,972	\$35,216,622	89.4%
Office of Cable Com.....	300	\$1,487,656	NA	\$1,882,644	79.0%
P.O.E.M.....	110	\$6,534,104	NA	\$11,261,800	58.0%
Office-Sus. Develop.....	302	\$1,556,238	NA	\$3,996,745	38.9%
Government Relations..	303	\$561,798	NA	\$825,308	68.1%
Office Of Man. & Fin.....	307	\$21,638,141	NA	\$24,963,385	86.7%
Office Of City Attorney....	312	\$4,864,396	NA	\$5,665,787	85.9%
Business Licenses.....	316	\$5,743,099	NA	\$9,394,390	61.1%
Unused Line.....		\$0	NA	\$0	NA
Stock Account.....	325	(\$45,307)	NA	\$25,000	-181.2%
City Auditor.....	336	\$6,006,091	NA	\$7,241,018	82.9%
Unused Line.....		\$0	NA	\$0	NA
Office Neigh. Involve.....	342	\$6,467,268	NA	\$7,216,637	89.6%
OMF Citywide Projects	381	\$3,864,688	NA	\$5,355,466	NA
OMF Utility Billing.....	390	\$3,330,394	NA	\$5,101,774	NA
Special Appropriations....	401	\$7,044,624	NA	\$12,251,747	57.5%
Bureau Of Planning.....	510	\$5,599,679	NA	\$6,889,390	81.3%
Bureau Com. Develop.....	540	\$13,042,136	NA	\$20,385,338	64.0%
Subtotal-All Other AUs.....		\$122,867,257	\$141,028,615	\$164,766,035	74.6%
General Fund Total-All AUs		\$355,283,890	\$399,663,871	\$433,749,759	81.9%

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	FY2004-05	
Reserve Fund Usage Condition	3rd Quarter	2nd Quarter	Concern Level
Basic Revenue Growth (*)	7.6%	5.0%	Below 3.0%
Portland Unemployment Rate	7.1%	8.4%	Above 6.5%
Business License Revenue Growth	25.3%	11.3%	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.