City of Portland Office of Management & Finance

THE FINANCIAL OUTLOOK

Accounting Period 11 (April 10, 2003 to May 7, 2003) General Fund Financial Outlook (Issue Date: June 13, 2003)

Estimated Year-End General Fund Resources At AP-11 are forecast to range from \$349.5 million (LOW) to \$353.6 million (HIGH). Estimated revised budget, period 11, is \$367.1 million. This estimated budget is about \$598,000 above period 10, while the revised budget at period 11 is now estimated at about \$1.4 million above Council's initial Adopted Budget. General Fund revenues at period 11 are a little under 2.5 percent ahead last year. Discretionary revenue growth is back below 2% and 1.1 percent ahead year-ago. Discretionary revenue growth continues to be * Business License Down -2.7 % vs. year-ago anemic, given declining business license revenues, slow * Property Taxes Up 1.5% vs. year-ago property tax revenue growth, and weak transient lodgings.

RESOURCE REC	CAP
* IBIS Budgeted Resources	\$367,108,935
* Resource Range(High)	\$353,615,072
(Low)	\$349,535,156
* Revenues At AP-11	\$291,050,882
Versus Year-AgoUP	2.47%
(*) Net of Short-Term Borrov	ving
NOTEWORTHY AT	AP-11
* Hotel/Motel Up 1.1 % vs. year-	ago
* D: I : D 2 7 0/ -	

Estimated Year-End Resource Range FY2002-03 **General Fund Financial Model**

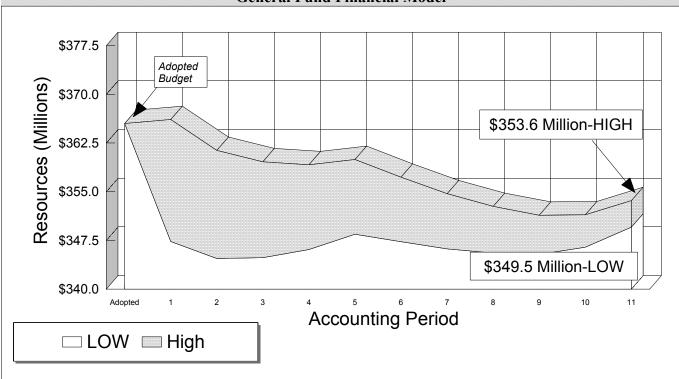


Figure 1-General Fund Resources, Year-End FY2002-03

The Bottom Line: Resources, year-end, are estimated to range from \$349.5 million (Low) to \$353.6 million (High). Budgeted resources are \$367.11 million. Year-end expenditure estimates range from \$342.9 million (Low) to \$346.4 million (High). Forecast year-end balance, beginning FY2003-04 balance, is forecast at somewhere between \$3.2 million (Low) to as much as \$10.7 million (High). The estimated year-end balance is about \$6.6 million.

A look at three of the General Fund's top four revenue sources graphically shows the effects of recession on this critical revenue stream. Property taxes through period 11, total about \$138 million versus about \$136 million last year. Year-over-year growth is about 1.5%. Business licenses are down 2.7% versus period 11 last year, but this is somewhat of an improvement. Transient lodging taxes are up 1.1% versus last year, but April receipts were weak and below year-ago. May and June are traditionally very weak months. The only bright spot is utility license, franchise fees, which are about 8 percent ahead of year-ago. Overall, discretionary revenues total about \$242.7 million

EXPENDITURE RI	ECAP
* IBIS Budgeted Expenses	\$367,108,935
* Expense Range(High)	\$346,372,867
*(Low)	\$342,926,371
* Expenses At AP-11(*)	\$286,615,372
Versus Year-AgoUp	1.4%
(*) Net of Short T	Term Borrowing
NOTEWORTHY AT	'AP-11
* Personal Services DOWN -1.0% v	s. year-ago
* All M&S UP 9% vs. year-ago	

* Capital Outlays DOWN -0.7% vs. year-ago

(inclusive of \$1.4 million from Fleet) so far this year versus \$240.1 million last year. Year-over-year growth growth is about 1.1% versus a longrun trend of 6% to 7%.

General Fund miscellaneous and other bureau revenues remain healthy with revenues continuing to look like they are coming in over budget. Parks fee revenues are 8% percent ahead of year-ago.

Discretionary revenue growth, net of the \$1.4 million one-time transfer from Fleet, calculates out to 0.5 percent year-over-year growth. This is still positive, but revenues continue to reflect the a regional economy that is struggling with a high unemployment rate and recession.

General Fund expenditures at AP-11 total about \$286.6 million vs. last year's \$282.7 million, up 1.4 percent versus year-ago. Spending continued an acceleration that began during period 10. Over the last two periods, 10 and 11, expenditures exceeded year-ago levels by a combined \$4.6



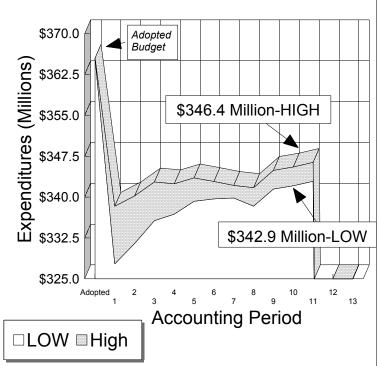


Figure 2-General Fund Expenditures, FY2002-03

million. This, after warnings from Financial Planning to limit spending to help make balance. Police overtime expenditures have dropped back down to a rate of expenditure that is more consistent with budget. Personal services expenditures are a flat 1 percent behind last year. This reflects a lack of a COLA for Police and the fact that General Fund bureaus have built-up vacancies in order to help deal with budget reductions for next fiscal year.

External materials and service expenditures are now 2.2 percent ahead of last year. Internal materials and services continue to run about 17 percent ahead of year-ago. All of the pickup in expenditure rates occurring over the last two periods was in these areas.

Capital outlays total about \$2.06 million at period 11 versus a revised budget of about \$2.13 million. This budget is for the most part now completely spent.

The Estimated Year-End General Fund Balance at AP-11 ranges from \$3.2 (Low) to \$10.7 million (High). The projected ending balance estimate in this OUTLOOK is up to a about \$6.6 million versus a \$4.4 million estimate at period 10. This compares to Council's Approved Budget beginning fund balance of about \$8.4 million. The ending balance estimate improved during period 11, in large part because business license revenues improved and utility license, franchise fees, did better than they normally do last quarter due to a colder, wet Spring. If spending does not "spike" more than normal during June of FY2002-03 fiscal year there is some probability that the General Fund may make the re-

quired ending balance. Increases in spending during periods 12 and 13, beyond last year's levels, will mean that the required ending balance falls short of the \$8.4 mil-Resources............. \$349,535,156 lion budgeted beginning fund balance for FY2003-Expenses......... 04. Bureau inter-agency and grant revenues at year-end End Balance

Estimated Year-End Balance Range Item Low High \$353,615,072 \$346,372,867 \$342,926,371 \$3,162,289 \$10,688,701

continue to be a question mark. Inter-agency revenues Ending Fund Balance Range are consistent with budget. Grant revenues have been weak all year.

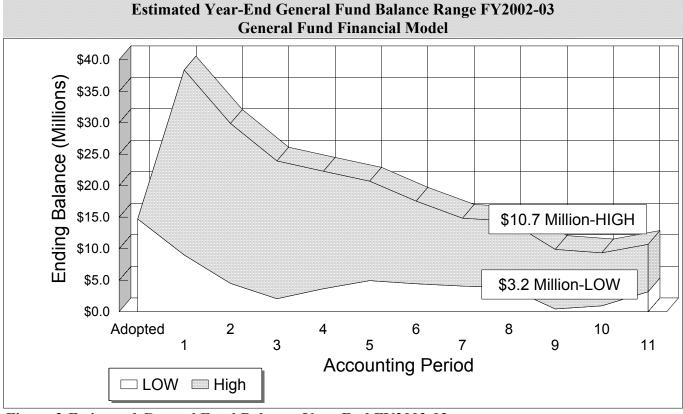


Figure 3-Estimated General Fund Balance, Year-End FY2002-03

Local Labor Employment Trends Remain Dismal

The metro-area's unemployment rate remains stubbornly over 8%. The Oregon Employment Department reports that the area's March unemployment rate at 8.4%. This declined to 8.1% percent in April. May numbers are not yet available. The 8.1% unemployment rate is unchanged from a year-ago. Employment growth is weak to non-existent: the local area economy saw employment increases of about 700 jobs between March and April, making this April one of the weakest in the last ten years. There were some gains in manufacturing employment, but overall job levels remain well behind year-ago The only sectors of the local economy that experienced some job growth levels. were healthcare and the "leisure and hospitality" sector of the regional economy. local area economy clearly remains mired in recession.

Table 1-General Fund Resources, FY2002-03			
	Through	Estimated	Revised
GENERAL FUND RESOURCE CATEGORY	AP-11	Year-End	Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$15,103,249	\$19,800,819	\$21,147,155
Other Internal & Transfers-IN	\$22,879,937	\$22,675,746	\$40,633,033
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$137,951,573	\$147,315,148	\$148,074,994
Lodging Taxes	\$10,477,294	\$10,583,617	\$10,388,630
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$41,810,852	\$43,825,907	\$43,640,528
Utility License/Franchise	\$41,849,513	\$56,507,138	\$52,058,100
Other Permits	\$1,761,540	\$2,029,513	\$3,553,854
SERVICE CHARGES & FEES 44000	\$10,073,748	\$12,302,388	\$12,425,892
STATE, FEDERAL SOURCES 46000	\$5,823,055	\$9,299,952	\$9,021,183
LOCAL SOURCES (Contracts) 47000	\$7,554,839	\$9,267,997	\$9,591,579
MISC. REVENUES & INTEREST 49400	\$2,640,504	\$2,920,627	\$2,589,317
TAX ANTICIPATION NOTES/Note Sales	\$0	\$0	\$500,000
BEGINNING FUND BALANCE	\$11,628,289	\$11,628,289	\$12,056,514
ENCUMBRANCE & CARRYOVER	\$3,134,474	\$3,134,474	\$1,428,156
GENERAL FUND RESOURCE TOTAL	\$312,688,867	\$351,291,614	\$367,108,935
Estimated Percent Of Budget Resources Realized	85.2%	95.7%	

Table 2-General Fund Expenditures, FY2002-03			
	Through	Estimated	Revised
GENERAL FUND EXPENDITURES	AP-11	Year-End	Budget
Salaries & Wages	\$129,610,326	\$152,913,184	\$158,633,289
Overtime	\$6,528,945	\$7,854,027	\$6,803,359
Benefits	\$32,231,870	\$37,353,898	\$35,972,907
Premium & Part-Time	\$12,413,302	\$15,354,829	\$15,353,990
TOTAL PERSONAL SERVICES	\$180,784,443	\$213,475,938	\$216,763,545
Estimated Percent Of Budget Spent	83.4%	98.5%	
EXTERNAL MATERIALS & SERVICES	\$42,215,012	\$56,496,601	\$73,875,292
Estimated Percent Of Budget Spent	57.1%	76.5%	
INTERNAL MATERIALS & SERVICES	\$38,166,371	\$43,059,230	\$43,537,857
Estimated Percent Of Budget Spent	87.7%	98.9%	
CAPITAL OUTLAY	\$2,060,277	\$2,127,704	\$2,127,704
Estimated Percent Of Budget Spent	96.8%	100.0%	
CONTINGENCY & UNFORESEEN	\$0	\$1,234,841	\$2,568,370
FUND CASH TRANSFERS	\$23,389,269	\$28,255,305	\$28,255,305
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$286,615,372	\$344,649,619	\$367,128,073
Estimated Percent Of Budget Spent	78.1%	93.9%	

Table 3-General Fund Expendit		y Appropriati	ion Unit, FY2	002-03	
	84.6%				
	15.4%	Through	Estimated	Revised	Percent
AU Description	AU#	AP-11	Year-End	Budget	Spent
Police Bureau	100	\$101,951,341	\$124,697,673	\$126,552,381	80.6%
Fire Bureau	124	\$56,624,725	\$66,669,059	\$67,305,911	84.1%
Bureau Of Parks	130	\$34,437,948	\$43,285,426	\$43,157,904	79.8%
Subtotal-Public Safety and Par	ks	\$193,014,014	\$234,652,158	\$237,016,196	81.4%
Commissioner #2 (Sten)	190	\$558,974	NA	\$664,113	84.2%
Commissioner #4 (Leonard)	191	\$300,747	NA	\$410,798	73.2%
Commissioner #3 (Saltzman)	192	\$580,843	NA	\$708,977	81.9%
Commissioner #1 (Francesconi	193	\$566,066	NA	\$668,861	84.6%
Office Of The Mayor	195	\$1,244,218	NA	\$1,480,775	84.0%
Operating Contingency	298	\$6	\$1,000,000	\$2,333,529	NA
Unforeseen Revenues	298	\$0	\$234,841	\$234,841	NA
Other Cash Transfers	299	\$23,389,269	\$28,255,305	\$28,255,305	82.8%
Office of Cable Com	300	\$1,275,056	NA	\$1,770,124	72.0%
Unused Line		\$0	NA	\$0	NA
Office-Sus. Develop	302	\$1,263,466	NA	\$4,083,551	30.9%
Government Relations	303	\$603,488	NA	\$771,419	78.2%
Office Of Man. & Fin	307	\$20,061,106	NA	\$23,079,153	86.9%
Office Of City Attorney	312	\$4,146,279	NA	\$4,998,457	83.0%
Business Licenses	316	\$3,006,658	NA	\$3,796,755	79.2%
Purchases & Stores	319	\$150	NA	\$0	NA
Stock Account	325	(\$6,952)	NA	\$25,000	NA
City Auditor	336	\$5,823,480	NA	\$6,851,555	85.0%
Unused Line		\$0	NA	\$0	NA
Office Neigh. Involve	342	\$4,498,586	NA	\$5,185,773	86.7%
Bureau General Svces	346	\$0	NA	\$0	NA
Unused Line		\$0	NA	\$0	NA
Special Appropriations	401	\$12,068,555	NA	\$22,279,776	54.2%
Bureau Of Planning	510	\$6,518,350	NA	\$8,658,481	75.3%
Bureau Com. Develop	540	\$7,636,204	NA	\$13,835,495	55.2%
Subtotal-All Other AUs		\$93,534,549	\$114,796,140	\$130,092,739	71.9%
General Fund Total-All AU	S	\$286,548,563	\$349,448,298	\$367,108,935	78.1%

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."

	FY2002-03	FY2002-03	
Reserve Fund Usage Condition	3rd Quarter	2nd Quarter	Concern Level
Basic Revenue Growth (*)	2.1%	0.6%	Below 3.0%
Portland Unemployment Rate	6.7%	6.8%	Above 6.5%
Business License Revenue Growth	-7.0%	-14.8%	Below 5.5%
Property Tax Delinquency Rate	5.8%	5.7%	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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