

revenues distributed in June on this year's levy totaled \$6.1 million versus about \$7.02 million a year-ago. It is unclear whether the severity of the recession is generating a higher delinquency rate or one-time factors such as airline refunds are reducing revenues below year-ago levels. As of period 12, "current levy" property tax revenues are about \$134.67 million versus last year's \$132.55 million. This equates to about 1.6 percent year-over-year growth. This in turn is about 0.8 percent lower than actual assessed value growth. Delinquent (from prior-year tax levies) property tax revenues are \$2.5 million through period 12 versus \$2.95 million last year. Revenues are down 16.5 percent from year-ago. Thus, overall year-over year growth amounts to about 1.48 percent. When put together with declining business license revenues this explains 0.9 percent discretionary revenue growth.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	\$366,795,180
* Expense Range.....(High).....	\$344,796,349
*(Low).....	\$341,365,540
* Expenses At AP-12(*).....	\$309,527,705
Versus Year-Ago..Up.....	0.3%
(*) Net of Short Term Borrowing	
NOTEWORTHY AT AP-12	
* Personal Services DOWN-1.0% vs. year-ago	
* All M&SUP 6% vs. year-ago	
* Capital Outlays DOWN-0.7% vs. year-ago	

Miscellaneous revenues and service charges and other bureau revenues continue to look healthy in terms of year-over-year revenue growth. Parks fee revenues are 8.4 percent ahead of year-ago.

Discretionary revenue growth, net of the \$1.4 million one-time transfer from Fleet, calculates out to 0.4 percent year-over-year growth. This is barely positive. Revenues continue to reflect a regional economy that is struggling to generate economic growth.

General Fund expenditures at AP-12 total about \$309.5 million vs. last year's \$308.7 million, up 0.3 percent versus year-ago. Spending appears to have decelerated during period 12. This is uncharacteristic for this time of year. During period 11 spending increased over year-ago levels by about \$2 million. During period 12 spending dropped below year-ago amounts by about \$2 million. Total spending for the last 2 periods appears to be about \$50.268 million versus last years \$50.629 million. Spending during period 13 last year was about \$34.5 million. The fate of the General Fund's ending balance now squarely depends on where spending this year during period 13 lands relative to last year. A late year surge in spending will eat into ending balance.

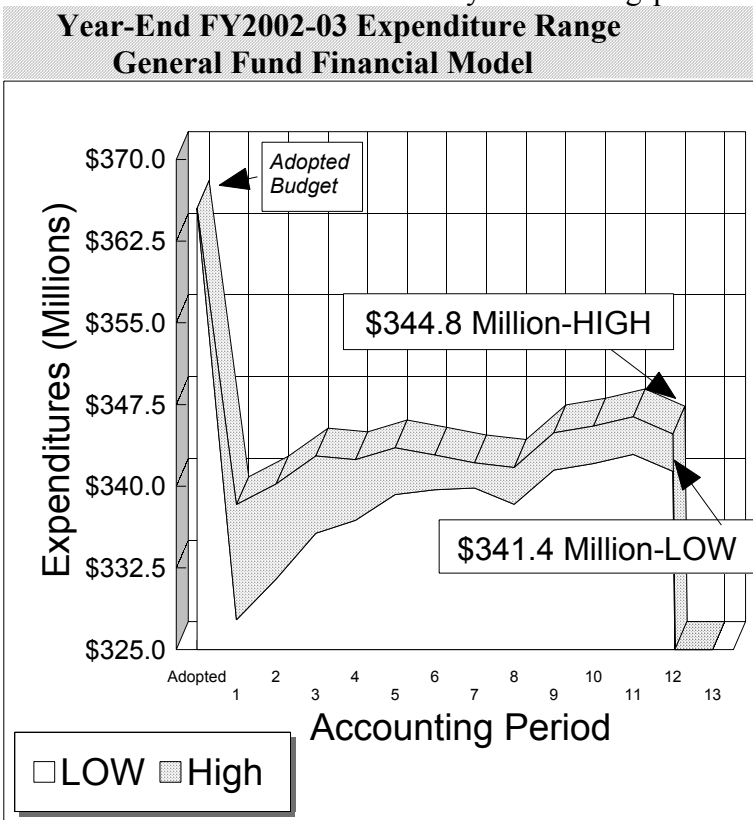


Figure 2-General Fund Expenditures, FY2002-03

External materials and service expenditures dropped to 1.1 percent behind year-ago. Internal materials and services continue to run about 16 to 17 percent ahead of year-ago. A deceleration in external materials and services spending is a welcome trend.

Capital outlays total about \$2.08 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-12 ranges from \$4.6 (Low) to \$11.3 million (High). The projected ending balance estimate in this OUTLOOK is up to about \$8.1 million versus a \$6.6 million estimate at period 11. This compares to Council's Adopted Budget beginning fund balance of about \$8.4 million. The ending balance estimate continued to improve during period 12, largely because spending decelerated in both materials and services and personal services. Where ending balance lands now depends on how much bureaus spend during period 13 as well as what happens to grants and bureau inter-agency revenue billings as bureaus close out the fiscal year. Unlike most other General Fund revenue categories grant revenues for the current fiscal year are not fully accounted for until well into August. Bureau inter-agency revenues are pretty well known by late July. In the last two years spending has averaged \$34.4 million versus about a \$51 million average three and four years-ago. A repeat of the last couple years will result in an ending balance of at least \$8 million. Higher spending lowers balance below \$8 million.

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$349,404,709	\$352,663,649
Expenses.....	\$344,796,349	\$341,365,540
End Balance	\$4,608,360	\$11,298,109

Ending Fund Balance Range

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

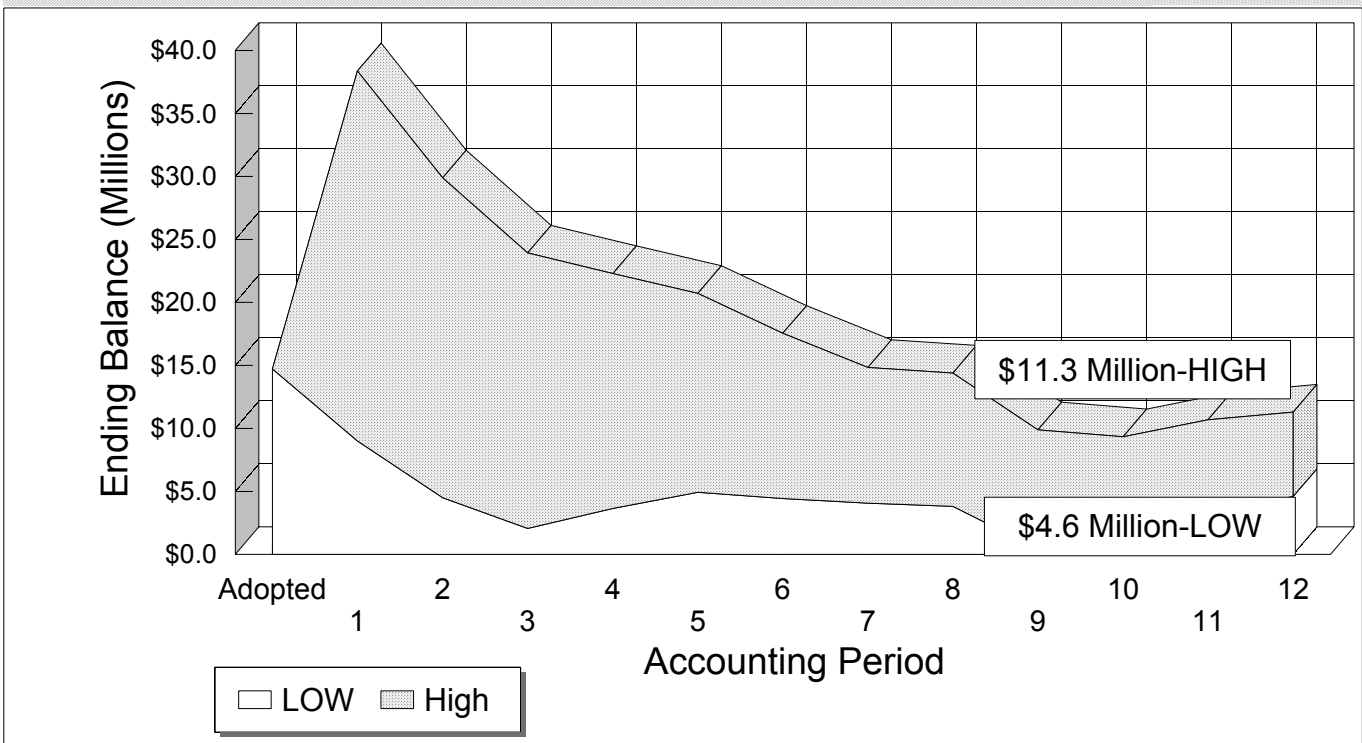


Figure 3-Estimated General Fund Balance, Year-End FY2002-03

Few Bright Spots in the Regional Economy

According to a recent article in the Oregonian, Portland base Northwest (NW) Pipe was named as pipe supplier for two California city drinking-water lines. The orders, which were announced recently, were for approximately \$12.7 million of welded steel pipe and fittings for the City of Los Angeles and for the Calleguas Municipal Water. NW Pipe will supply approximately 27,000 ft of welded steel pipe, ranging in size between 36 to 72 inches in diameter. The pipe will be manufactured at the company's California division. Meanwhile in an unrelated news story, the Portland Tribune, has identified tourism as one bright spot to emerge from a depressed regional economy. The article cited several factors such as the upcoming G.I. Joe's auto races, hosting the Women's World Cup soccer matches, as well as a weaker dollar and direct non-stop flights from Europe as contributing factors.

Table 1-General Fund Resources, FY2002-03				
GENERAL FUND RESOURCE CATEGORY		Through	Estimated	Revised
		AP-12	Year-End	Budget
INTERNAL REVENUES.....	41000			
Service Reimbursements.....		\$15,569,019	\$19,712,547	\$21,147,155
Other Internal & Transfers-IN.....		\$24,336,500	\$22,495,822	\$40,319,278
PROPERTY & LODGING TAXES	42100			
Property Taxes.....		\$137,956,773	\$146,236,113	\$148,074,994
Lodging Taxes.....		\$10,661,460	\$10,737,219	\$10,388,630
BUSINESS LICENSES, PERMITS....	43000			
Business Licenses.....		\$43,491,600	\$43,922,315	\$43,640,528
Utility License/Franchise.....		\$56,181,790	\$56,464,871	\$52,058,100
Other Permits.....		\$1,960,585	\$2,065,932	\$3,553,854
SERVICE CHARGES & FEES.....	44000	\$11,208,204	\$13,591,060	\$12,425,892
STATE, FEDERAL SOURCES.....	46000	\$7,072,181	\$9,256,830	\$9,021,183
LOCAL SOURCES (Contracts).....	47000	\$7,973,625	\$8,946,985	\$9,591,579
MISC. REVENUES & INTEREST.....	49400	\$2,847,440	\$2,968,055	\$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		\$334,021,940	\$351,160,512	\$366,795,180
Estimated Percent Of Budget Resources Realized		91.1%	95.7%	

Table 2-General Fund Expenditures, FY2002-03				
GENERAL FUND EXPENDITURES		Through	Estimated	Revised
		AP-12	Year-End	Budget
Salaries & Wages.....		\$141,561,525	\$152,649,968	\$158,618,266
Overtime.....		\$7,053,647	\$7,853,088	\$6,841,758
Benefits.....		\$34,405,232	\$36,898,962	\$35,967,052
Premium & Part-Time.....		\$13,466,172	\$14,882,882	\$15,333,358
TOTAL PERSONAL SERVICES.....		\$196,486,576	\$212,284,900	\$216,760,435
Estimated Percent Of Budget Spent.....		90.6%	97.9%	
EXTERNAL MATERIALS & SERVICES.....		\$45,099,561	\$55,504,817	\$73,528,559
Estimated Percent Of Budget Spent.....		61.3%	75.5%	
INTERNAL MATERIALS & SERVICES.....		\$40,301,297	\$43,673,377	\$43,554,807
Estimated Percent Of Budget Spent.....		92.5%	100.3%	
CAPITAL OUTLAY.....		\$2,078,043	\$2,127,704	\$2,127,704
Estimated Percent Of Budget Spent.....		97.7%	100.0%	
CONTINGENCY & UNFORESEEN.....		\$0	\$1,234,841	\$2,568,370
FUND CASH TRANSFERS.....		\$25,562,228	\$28,255,305	\$28,255,305
INVENTORY.....		\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL		\$309,527,705	\$343,080,944	\$366,795,180
Estimated Percent Of Budget Spent.....		84.4%	93.5%	

Table 3-General Fund Expenditures By Appropriation Unit, FY2002-03					
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	\$110,084,505	\$118,888,637	\$126,683,260	86.9%
Fire Bureau.....	124	\$61,327,022	\$67,120,030	\$67,402,628	91.0%
Bureau Of Parks.....	130	\$37,377,199	\$41,946,457	\$43,157,904	86.6%
Subtotal-Public Safety and Parks		\$208,788,726	\$227,955,123	\$237,243,792	88.0%
Commissioner #2 (Sten)	190	\$606,692	NA	\$664,113	91.4%
Commissioner #4 (Leonard)	191	\$338,774	NA	\$410,798	82.5%
Commissioner #3 (Saltzman)	192	\$631,338	NA	\$708,977	89.0%
Commissioner #1 (Francesconi)	193	\$605,556	NA	\$668,861	90.5%
Office Of The Mayor	195	\$1,350,473	NA	\$1,480,775	91.2%
Operating Contingency...	298	\$6	\$1,000,000	\$2,333,529	NA
Unforeseen Revenues..	298	\$0	\$234,841	\$234,841	NA
Other Cash Transfers.....	299	\$25,562,228	\$28,255,305	\$28,255,305	90.5%
Office of Cable Com.....	300	\$1,564,844	NA	\$1,770,124	88.4%
Unused Line.....		\$0	NA	\$0	NA
Office-Sus. Develop.....	302	\$1,368,415	NA	\$3,542,200	38.6%
Government Relations..	303	\$665,607	NA	\$771,419	86.3%
Office Of Man. & Fin.....	307	\$21,182,010	NA	\$23,079,153	91.8%
Office Of City Attorney....	312	\$4,508,954	NA	\$4,998,457	90.2%
Business Licenses.....	316	\$3,297,168	NA	\$3,796,755	86.8%
Purchases & Stores.....	319	\$150	NA	\$0	NA
Stock Account.....	325	(\$224)	NA	\$25,000	NA
City Auditor.....	336	\$6,272,894	NA	\$6,851,555	91.6%
Unused Line.....		\$0	NA	\$0	NA
Office Neigh. Involve.....	342	\$4,776,389	NA	\$5,185,773	92.1%
Bureau General Svces.....	346	\$0	NA	\$0	NA
Unused Line.....		\$0	NA	\$0	NA
Special Appropriations....	401	\$12,618,702	NA	\$22,279,776	56.6%
Bureau Of Planning.....	510	\$7,162,214	NA	\$8,658,481	82.7%
Bureau Com. Develop.....	540	\$8,159,980	NA	\$13,835,495	59.0%
Subtotal-All Other AUs.....		\$100,672,170	\$115,767,622	\$129,551,388	77.7%
General Fund Total-All AUs		\$309,460,896	\$343,722,745	\$366,795,180	84.4%

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.