City of Portland Office of Management & Finance

THE FINANCIAL OUTLOOK

Accounting Period 4 (Sept. 25, 2003 to Oct. 22, 2003) General Fund Financial Outlook (Issue Date: Dec. 15, 2003)

Estimated Year-End General Fund Resources At AP-04 are forecast to range from \$362.2 million (LOW) to \$375.4 million (HIGH). Estimated revised budget, period 4. is \$367.2 million. This estimated budget is net \$3.1 million below Council's Adopted Budget and anticipates Fall budget adjustments (in budget jargon, "the Fall Bump' In addition, business license revenues as budgeted are revised to reflect the new accounting revenue recognition scheme which nets refunds out against gross revenues thus recognizing a net revenue stream. All of these adiustments taken together suggest that period 6 accounting * Property Taxes Up 478.4% vs. year-ago numbers will show a revised budget of about \$367.2

RESOURCE REC	CAP
* IBIS Budgeted Resources	\$367,168,537
* Resource Range(High)	\$375,388,547
(Low)	\$362,202,097
* Revenues At AP-4	\$37,894,243
Versus Year-AgoUP	0.08%
(*) Net of Short-Term Borrow	ving
NOTEWORTHY AT	Γ ΑΡ-4
* Hotel/Motel Down -5.6 % vs. ye	ar-ago
* Business License Down -50.2 %	vs. year-ago

Estimated Year-End Resource Range FY2003-04 **General Fund Financial Model**

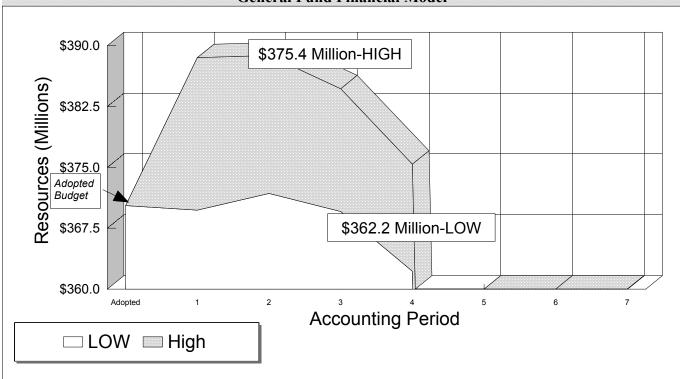


Figure 1-General Fund Resources, Year-End FY2003-04

The Bottom Line: Resources, year-end, are estimated to range from \$362.2 million (Low) to \$375.4 million (High). Budgeted resources are \$367.17 million. Year-end expenditure estimates range from \$351.5 million (Low) to \$357.0 million (High). Forecast year-end balance, beginning FY2004-05 balance, is forecast at somewhere between \$5.2 million (Low) to as much as \$23.9 million (High). A wide range is typical this early in the year.

million. The major adjustments on the revenue side include a \$2.695 million reduction to the property tax revenue estimate due to lower assessed value growth and higher compression. The business license revenue estimate has been restated as the original gross revenue estimate less budgeted refunds. The original Adopted Budget business license revenue estimate was \$40.064 million. Netting \$6.392 million of refunds out of this number leaves a net revenue estimate of about \$33.671 million. The refunds special appropriation is zeroed out and will no longer be needed.

EXPENDITURE RI	ECAP
* IBIS Budgeted Expenses	\$367,168,537
* Expense Range(High)	\$356,955,998
*(Low)	\$351,497,916
* Expenses At AP-4(*)	\$105,215,390
Versus Year-AgoUp	1.0%
(*) Net of Short T	Term Borrowing
NOTEWORTHY AT	Γ ΑΡ-4
* Personal Services UP 1.4% vs. yea	ır-ago
* All M&S UP 7% vs. year-ago	
* Capital Outlays DOWN_11 1% v	s voor ogo

Revenues, particularly discretionary revenues, continue to soften. Transient lodging taxes are about \$3.9 million versus \$4.2 million last year-ago at period 4. Utility licenses are about \$13.0 million versus \$14.1 million year-ago. Discretionary revenues overall are \$23.1 million versus \$26.9 million, down 14.2 percent versus year-ago. Some of this difference results from timing on property tax receipts that are only now just starting to arrive. But most other discretionary revenue sources are very weak and the numbers tell the story.

Bureau miscellaneous and fee revenues are well ahead of last year. Parks' main fee revenue category appears to be about 2.3% behind last year as of period 4.

General Fund expenditures at AP-4 total about \$105.2 million vs. last year's \$104.2 million, up 1 percent versus last year. Spending numbers continue to reflect the absence of a new contract with Portland Police Association (PPA). The City and PPA are midway through an "interest arbi-

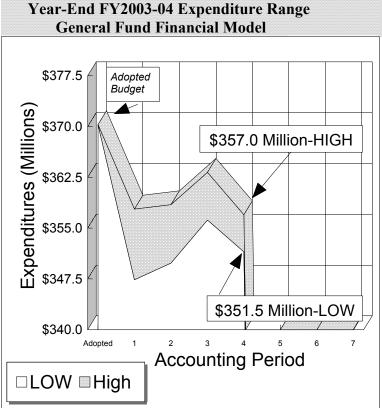


Figure 2-General Fund Expenditures, FY2003-04

tration but a decision from the arbitrator is now not expected until sometime well after the first of the year.

External materials and services expenditures picked up during period 4 and are now about 5.1 percent ahead of last year.

Internal materials and services expenses are 10.7 percent ahead of year-ago. While all materials and services expenses are about 7.3 percent ahead of last year.

This surge in spending against a backdrop of weak revenues is not encouraging. Continued strength in spending but much slower revenue growth is likely to result in a lower year-end balance than otherwise might be the case. This may impact the revised Spring revenue and financial forecasts if spending continues at this pace.

The Estimated Year-End General Fund Balance at AP-4 ranges from \$5.2 (Low) to \$23.9 million (High). This OUTLOOK is tied to an actual beginning FY2003-04 General Fund balance of an FY2002-03 ending fund balance of \$19.4 million inclusive of actual encumbrance requirements of of about \$2.4 million. The period 3 OUTLOOK's ending FY2003-04 General Fund balance estimate was \$9.984 million. This ending balance estimate is currently being used for the November General Fund resource forecast as well as the December Financial Forecast. The acceleration in spending that occurred during period 4 puts this OUTLOOK's ending balance estimate at \$8.842 million and about

\$1.1 million lower. General Fund bureaus need to be "careful" in making spending decisions out of current budgets. The recession continues to weaken revenue growth relative to budgeted expenditure levels in the General Fund. This will make it difficult to get through the year in good order with a decent ending balance and could

Estimated	Year-End Bala	nce Range
Item	Low	High
Resources	\$362,202,097	\$375,388,547
Expenses	\$356,955,998	\$351,497,916
End Balance	\$5,246,099	\$23,890,631

in good order with a decent ending balance and could *Ending Fund Balance Range* easily lead to mid-year budget adjustments if expenditure growth does not moderate.

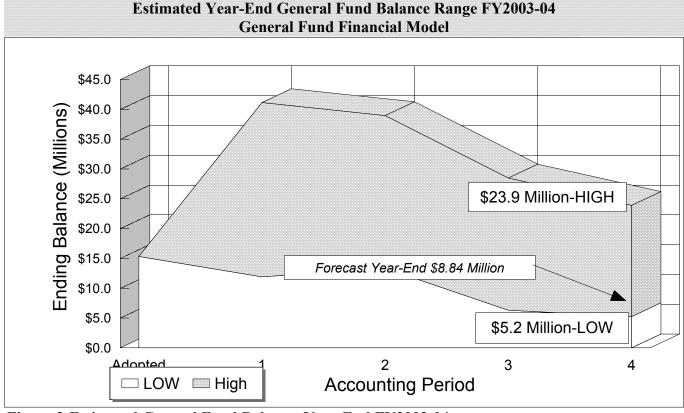


Figure 3-Estimated General Fund Balance, Year-End FY2003-04

Portland General Electric (PGE) Purchased By Texas Pacific Group(TPG)

Texas Pacific Group, one of the country's largest private equity investment firms, has agreed to pay \$2.35 billion for Enron's Portland General Electric business. Press reports note that TPG manages an estimated \$13 billion for "large" investors which includes Oregon Public Employees Retirement Fund (PERS). PERS apparently has about \$950,000 invested in TPG buyout funds. TPG is offering to pay \$2.35 billion for PGE and will borrow \$725 million and assume \$1.1 billion of PGE debt if the transaction is completed as described in TPG's offer. The interesting twist on the deal is that TPG has tapped two well known Northwesterners and Portlanders as part of the deal. Formmer Oregon Governor and Portland Mayor Neil Goldschmidt and Portland developer Tom Walsh are involved with Goldschmidt to chair a new PGE board.

Table 1-General Fund Resources, FY2003-04			
	Through	Estimated	Revised
GENERAL FUND RESOURCE CATEGORY	AP-4	Year-End	Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$606,210	\$23,938,990	\$24,936,448
Other Internal & Transfers-IN	\$6,988,403	\$31,025,160	\$31,287,573
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$788,778	\$149,304,921	\$148,899,887
Lodging Taxes	\$3,944,938	\$10,777,235	\$10,978,701
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$2,901,442	\$34,624,462	\$34,271,312
Utility License/Franchise	\$13,007,255	\$55,119,689	\$57,235,993
Other Permits	\$634,037	\$2,042,618	\$2,863,825
SERVICE CHARGES & FEES 44000	\$3,945,051	\$13,492,264	\$12,797,303
STATE, FEDERAL SOURCES 46000	\$725,124	\$9,337,409	\$9,520,137
LOCAL SOURCES (Contracts) 47000	\$2,803,732	\$9,155,084	\$9,218,024
MISC. REVENUES & INTEREST 49400	\$1,627,363	\$5,817,101	\$5,772,058
TAX ANTICIPATION NOTES/Note Sales	\$0	\$0	\$0
BEGINNING FUND BALANCE	\$16,960,303	\$16,960,303	\$16,960,303
ENCUMBRANCE & CARRYOVER	\$2,426,973	\$2,426,973	\$2,426,973
GENERAL FUND RESOURCE TOTAL	\$57,359,609	\$364,022,208	\$367,168,537
Estimated Percent Of Budget Resources Realized	15.6%	99.1%	

Table 2-General Fund Expenditures, FY2003-04			
	Through	Estimated	Revised
GENERAL FUND EXPENDITURES	AP-4	Year-End	Budget
Salaries & Wages	\$48,654,090	\$160,804,272	\$166,969,886
Overtime	\$2,454,902	\$7,216,676	\$6,994,069
Benefits	\$11,479,099	\$35,649,781	\$36,061,848
Premium & Part-Time	\$6,828,536	\$16,912,553	\$17,081,149
TOTAL PERSONAL SERVICES	\$69,416,627	\$220,583,281	\$227,106,952
Estimated Percent Of Budget Spent	30.6%	97.1%	
EXTERNAL MATERIALS & SERVICES	\$17,188,452	\$49,740,460	\$52,847,995
Estimated Percent Of Budget Spent	32.5%	94.1%	
INTERNAL MATERIALS & SERVICES	\$11,319,389	\$45,725,105	\$46,682,338
Estimated Percent Of Budget Spent	24.2%	97.9%	
CAPITAL OUTLAY	\$1,106,941	\$1,484,567	\$1,484,567
Estimated Percent Of Budget Spent	74.6%	100.0%	
CONTINGENCY & UNFORESEEN	\$0	\$4,529,716	\$5,929,716
FUND CASH TRANSFERS	\$6,183,981	\$33,116,969	\$33,116,969
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$105,215,390	\$355,180,098	\$367,168,537
Estimated Percent Of Budget Spent	28.7%	96.7%	

Table 3-General Fund Expendit		y Appropriati	ion Unit, FY2	003-04	
	30.8%				
Percent Year Left	69.2%	Through	Estimated	Revised	Percent
AU Description	AU#	AP-4	Year-End	Budget	Spent
Police Bureau	100	\$37,270,635	\$124,054,601	\$129,652,737	28.7%
Fire Bureau	124	\$22,658,576	\$68,543,813	\$69,265,828	32.7%
Bureau Of Parks	130	\$13,863,408	\$44,760,717	\$46,074,467	30.1%
Subtotal-Public Safety and Par	ks	\$73,792,619	\$237,359,131	\$244,993,032	30.1%
Commissioner #2 (Sten)	190	\$188,767	NA	\$628,029	30.1%
Commissioner #4 (Leonard)	191	\$167,713	NA	\$623,902	26.9%
Commissioner #3 (Saltzman)	192	\$245,075	NA	\$769,459	31.9%
Commissioner #1 (Francesconi	193	\$184,443	NA	\$661,831	27.9%
Office Of The Mayor	195	\$405,829	NA	\$1,401,811	29.0%
Operating Contingency	298	\$6	\$3,529,716	\$3,929,716	NA
Unforeseen Revenues	298	\$0	\$1,000,000	\$2,000,000	NA
Other Cash Transfers	299	\$6,183,981	\$33,116,969	\$33,116,970	18.7%
Office of Cable Com	300	\$401,314	NA	\$1,725,499	23.3%
Emergency Management	110	\$213,106	NA	\$965,437	NA
Office-Sus. Develop	302	\$434,575	NA	\$3,134,594	13.9%
Government Relations	303	\$222,387	NA	\$737,258	30.2%
Office Of Man. & Fin	307	\$6,464,919	NA	\$25,629,555	25.2%
Office Of City Attorney	312	\$1,504,413	NA	\$5,243,044	28.7%
Business Licenses	316	\$1,392,755	NA	\$4,064,142	34.3%
Purchases & Stores	319	\$0	NA	\$0	NA
Stock Account	325	(\$13,736)	NA	\$25,000	NA
City Auditor	336	\$1,927,050	NA	\$6,970,527	27.6%
Unused Line		\$0	NA	\$0	NA
Office Neigh. Involve	342	\$2,404,144	NA	\$7,325,037	32.8%
Bureau General Svces	346	\$0	NA	\$0	NA
Unused Line		\$0	NA	\$0	NA
Special Appropriations	401	\$3,389,590	NA	\$5,674,835	59.7%
Bureau Of Planning	510	\$2,139,414	NA	\$8,148,693	26.3%
Bureau Com. Develop	540	\$3,616,262	NA	\$9,400,166	38.5%
Subtotal-All Other AUs		\$31,472,007	\$119,174,141	\$122,175,505	25.8%
General Fund Total-All AU	S	\$105,264,626	\$356,533,272	\$367,168,537	28.7%

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."

	FY2003-04	FY2002-03	
Reserve Fund Usage Condition	4th Quarter	3rd Quarter	Concern Level
Basic Revenue Growth (*)	0.3%	-0.1%	Below 3.0%
Portland Unemployment Rate	8.0%	8.1%	Above 6.5%
Business License Revenue Growth	-3.3%	-3.5%	Below 5.5%
Property Tax Delinquency Rate	5.7%	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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