City of Portland

Office of Management & Finance

THE FINANCIAL OUTLOOK

Accounting Period 11 (April 8, 2004 to May 5, 2004)

General Fund Financial Outlook (Issue Date: June 7, 2004)

Estimated Year-End General Fund Resources At AP-11 are forecast to range from $370.4 million (LOW) to $375.3 million (HIGH). Estimated revised budget, period 11, rose to $392.1 million. Revised budget is about $21.8 million above Council's Adopted Budget. As of period 11 of this fiscal year revenues are now about 4.6 percent ahead of revenues last year. Grant, inter-agency, and bureau fee revenues continue to push General Fund revenue growth. Discretionary revenue growth remains very weak. Year over year discretionary revenue growth is an anemic 1.38 percent. Revenue growth however, is still in positive territory.

RESOURCE RECAP	
* IBIS Budgeted Resources.....	$392,142,869
* Resource Range....(High).....	$375,268,588
.....(Low).....	$370,474,196
* Revenues At AP-11	$303,230,463
Versus Year-Ago...UP.....	4.62%
(*) Net of Short-Term Borrowing	

NOTEWORTHY AT AP-11
* Hotel/Motel Up 4.3 % vs. year-ago
* Utility License Down -2.3 % vs. year-ago
* Property Taxes Up 1.4% vs. year-ago

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

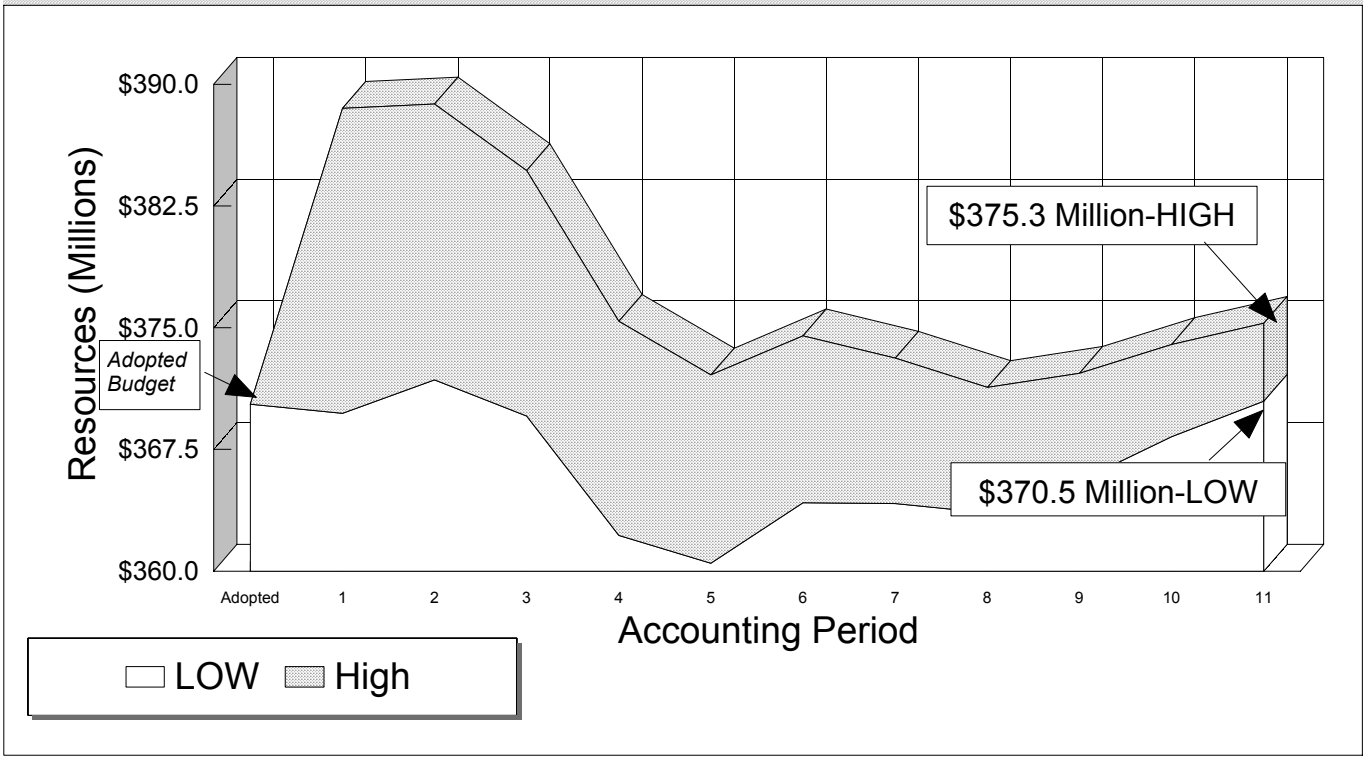

Figure 1-General Fund Resources, Year-End FY2003-04

The Bottom Line: Resources, year-end, are estimated to range from $370.5 million (Low) to $375.3 million (High). Budgeted resources are $392.14 million. Year-end expenditure estimates range from $355.2 million (Low) to $358.8 million (High). Forecast year-end balance, beginning FY2004-05 balance, is forecast at somewhere between $11.7 million (Low) to as much as $20.1 million (High). This ending balance range is narrowing down.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	$392,142,869
* Expense Range.....(High).....	$358,750,562
* .....(Low).....	$355,180,905
* Expenses At AP-11(*).....	$296,353,838
Versus Year-Ago..Up.....	3.4%
(*) Net of Short Term Borrowing	

NOTEWORTHY AT AP-11
* Personal Services UP 1.1% vs. year-ago
* All M&S UP 4% vs. year-ago
* Capital Outlays UP 29.6% vs. year-ago

Yearend, franchise and utility license fees came in May 15th. Revenues are below budget. Qwest franchise fees totaled about $4.975 million versus a budget of $5.682 million and FY20002-03 revenues of $5.320 million. PGE revenues totaled just $15.902 million versus a budget of $17.142 million and revenues last fiscal year of $16.880 million. Recession and conservation in response to past rate increases combined to push revenues significantly lower. The year over year decline in PGE revenues works out to about 5.7 percent and totals almost $2 million. Pacific Power revenues appear to be about $5.4 million versus a budget revenue estimate of about $5.363 million. The only bright spot is Northwest Natural. Here the January cold snap and past rate increases combined to generate revenues of about $7.742 million versus budget of $7.702 million and revenues last year of about $6.728 million. Overall, revenues from the big investor owned utilities have come in about 5.28 percent short of budget: actual revenues are about $34.002 million versus a budget of about $35.889 million. It was not a very good year.

Bureau fee and permit revenues continue to holdup well but Parks' main fee revenue category continues to lag behind year-ago levels. Miscellaneous fee revenues remain well ahead of last year, but the other catchall miscellaneous revenue category dropped down to about even with last year at period 11.

General Fund expenditures at AP-11 total about $296.4 million vs. last year's $286.7 million. Expenditure growth remains quite strong. Expenses continue to run over 3 percent ahead of last year. Personal services expenditures stand at 1.1 percent ahead of last year, $182.8 million this year versus $180.8 million last year at period 11. The year-end personal services expenditure estimate is up about $411,000 in this forecast on the basis of strengthened spend-in the Fire Bureau. PERS employer contribution reductions (the rate fell several percentage points to about 9.7%) are masking what is really very strong spending even though sworn Police personnel have not received any cost-of-living increases over the last 22 months.

Year-End FY2003-04 Expenditure Range
General Fund Financial Model

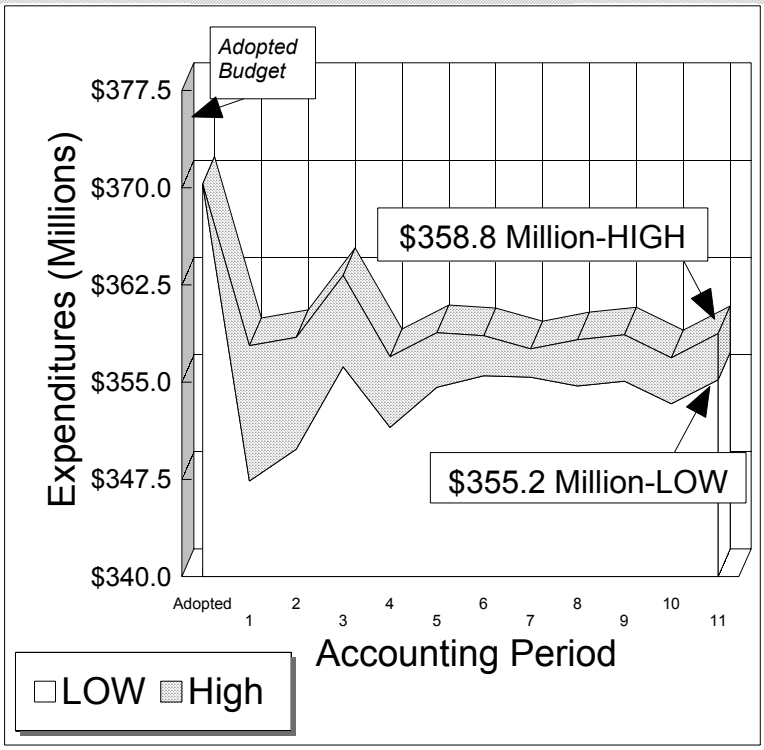

Figure 2-General Fund Expenditures, FY2003-04

External materials and services accelerated during period 11 to about $2.7 million, 6.8 percent ahead of last year. Internal materials and services spending weakened, with expenses less than a million ahead of last year. Expenses remain at about 2 percent ahead of year-ago.

Capital outlays now total about $2.7 million as of period 11. Revised budget remains at $3.4 million versus an original Adopted Budget of $1.52 million.

The Estimated Year-End General Fund Balance at AP-11 ranges from $11.7 (Low) to $20.1 million (High). The "point estimate" this period is at about 15.37 million versus last period's estimate of $15.03 million and Council's Approved Budget discretionary beginning fund balance of about $14.965 million. The current year-end estimate suggests that the General Fund will make next year's begining fund balance. Whether the General Fund attains the budgeted number depends on how much spending accelerates during the last two accounting periods of this fiscal year. This corresponds to the period beginning May 6th and ending June 30th. Last year bureaus evenly spent about $21.1 million in each period. This was atypical; the year before $21.8 million was spent in 11 and $30.2 million was spent in period 13. This is a more typical pattern. The difference in the amount spent over the last two periods is about $9.5 million which represents about a 3 percent swing in expenses to year-end. The pattern of spending that prevails this year will determine where ending balance falls relative to next year's budgeted beginning balance.

Estimated Year-End Balance Range		
Item	**Low**	**High**
Resources.....	$370,474,196	$375,268,588
Expenses.....	$358,750,562	$355,180,905
End Balance	$11,723,634	$20,087,683

Ending Fund Balance Range

Estimated Year-End General Fund Balance Range FY2003-04
General Fund Financial Model

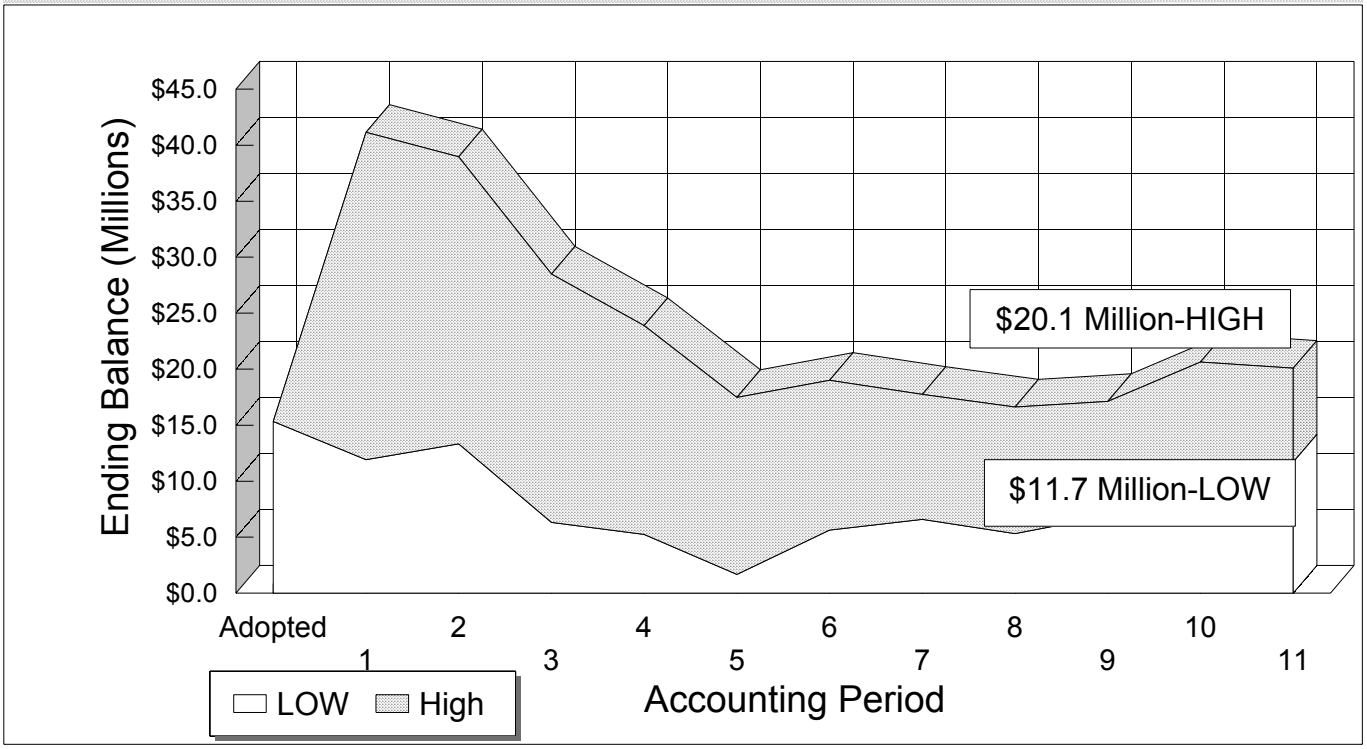

Figure 3-Estimated General Fund Balance, Year-End FY2003-04

Oregon's Unemployment Rate Falls To Lowest In Almost Three years
According to a recent article in the Oregonian, Oregon's unemployment rate fell from 7.2% in March to 6.7% in April, the lowest since July 2001. The labor market is stronger, the Oregon economy added more than 13,000 jobs over the past month. In the past 10 months, non-farm employment in Oregon has increased by about 30,000 positions, making up for nearly half of the 65,000 jobs lost between the economy's employment peak of November 2000 and the low point in June 2003. But unlike the late 1990s, most of the recent job gains have not been the highly paid hi-tech sector jobs. Instead, most new jobs are concentrated in the middle to low-wage tourism, landscapers, janitorial, and business service sectors and to a lesser extent architectural/engineering services. Manufacturers added 600 jobs last month, but sector payroll remains well below a February 1998 peak.

Table 1-General Fund Resources, FY2003-04 GENERAL FUND RESOURCE CATEGORY		Through AP-11	Estimated Year-End	Revised Budget
INTERNAL REVENUES.....	41000			
Service Reimbursements.....		$15,266,567	$22,696,798	$26,088,273
Other Internal & Transfers-IN.....		$24,928,199	$33,112,223	$48,461,808
PROPERTY & LODGING TAXES	42100			
Property Taxes.....		$139,920,114	$148,986,132	$148,899,888
Lodging Taxes.....		$10,927,744	$11,347,300	$10,978,701
BUSINESS LICENSES, PERMITS....	43000			
Business Licenses.....		$42,455,047	$39,175,623	$34,331,514
Utility License/Franchise.....		$40,895,300	$56,248,027	$57,235,993
Other Permits.....		$2,347,525	$2,633,465	$2,663,825
SERVICE CHARGES & FEES.....	44000	$10,504,881	$12,553,134	$12,939,587
STATE, FEDERAL SOURCES.....	46000	$7,486,714	$9,733,221	$9,600,681
LOCAL SOURCES (Contracts).....	47000	$9,578,356	$12,257,029	$14,848,385
MISC. REVENUES & INTEREST.....	49400	$3,738,382	$4,205,648	$6,706,937
TAX ANTICIPATION NOTES/Note Sales.....		$0	$0	$0
BEGINNING FUND BALANCE.....		$16,960,303	$16,960,303	$16,960,304
ENCUMBRANCE & CARRYOVER.....		$2,426,973	$2,426,973	$2,426,973
GENERAL FUND RESOURCE TOTAL		$327,436,105	$372,335,875	$392,142,869
Estimated Percent Of Budget Resources Realized		83.5%	94.9%	

Table 2-General Fund Expenditures, FY2003-04 GENERAL FUND EXPENDITURES	Through AP-11	Estimated Year-End	Revised Budget
Salaries & Wages.....	$133,323,972	$157,990,339	$168,772,618
Overtime.....	$6,440,382	$7,288,179	$8,795,492
Benefits.....	$30,043,041	$35,688,524	$37,597,086
Premium & Part-Time.....	$12,980,595	$15,809,945	$18,109,351
TOTAL PERSONAL SERVICES.....	$182,787,990	$216,776,987	$233,274,547
Estimated Percent Of Budget Spent.....	78.4%	92.9%	
EXTERNAL MATERIALS & SERVICES.....	$40,655,383	$54,763,666	$70,456,077
Estimated Percent Of Budget Spent.....	57.7%	77.7%	
INTERNAL MATERIALS & SERVICES.....	$39,001,639	$47,291,216	$47,957,626
Estimated Percent Of Budget Spent.....	81.3%	98.6%	
CAPITAL OUTLAY.....	$2,689,191	$3,432,663	$3,432,663
Estimated Percent Of Budget Spent.....	78.3%	100.0%	
CONTINGENCY & UNFORESEEN.....	$0	$450,000	$2,770,754
FUND CASH TRANSFERS.....	$31,219,635	$34,251,202	$34,251,202
INVENTORY.....	$0	$0	$0
GENERAL FUND EXPENSE TOTAL	$296,353,838	$356,965,734	$392,142,869
Estimated Percent Of Budget Spent.....	75.6%	91.0%	

Table 3-General Fund Expenditures By Appropriation Unit, FY2003-04

Percent Of Year Gone... 84.6%
Percent Year Left..... 15.4%

AU Description	AU#	Through AP-11	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	$102,573,266	$122,806,895	$135,928,456	75.5%
Fire Bureau.....	124	$58,324,185	$69,811,701	$71,980,617	81.0%
Bureau Of Parks.....	130	$36,383,649	$45,388,490	$47,377,190	76.8%
Subtotal-Public Safety and Parks		$197,281,100	$238,007,086	$255,286,263	77.3%
Commissioner #2 (Sten)	190	$520,555	NA	$628,029	82.9%
Commissioner #4 (Leonard)	191	$475,175	NA	$623,902	76.2%
Commissioner #3 (Saltzman)	192	$717,641	NA	$769,459	93.3%
Commissioner #1 (Francesconi)	193	$516,238	NA	$671,831	76.8%
Office Of The Mayor	195	$1,126,397	NA	$1,401,811	80.4%
Operating Contingency...	298	$6	$400,000	$770,754	NA
Unforeseen Revenues..	298	$0	$50,000	$2,000,000	NA
Other Cash Transfers.....	299	$31,219,635	$34,251,202	$34,249,702	91.2%
Office of Cable Com.....	300	$1,310,465	NA	$1,825,499	71.8%
Emergency Management	110	$844,867	NA	$1,098,282	76.9%
Office-Sus. Develop.....	302	$1,153,028	NA	$3,412,716	33.8%
Government Relations..	303	$594,289	NA	$737,258	80.6%
Office Of Man. & Fin.....	307	$19,856,089	NA	$26,199,783	75.8%
Office Of City Attorney....	312	$4,244,287	NA	$5,243,044	81.0%
Business Licenses.....	316	$4,854,866	NA	$8,745,121	55.5%
Unused Line.....		$436	NA	$0	NA
Stock Account.....	325	$96,456	NA	$25,000	385.8%
City Auditor.....	336	$5,362,019	NA	$6,983,943	76.8%
Unused Line.....		$0	NA	$0	NA
Office Neigh. Involve.....	342	$6,246,393	NA	$7,805,301	80.0%
Unused Line.....		$0	NA	$0	NA
Unused Line.....		$0	NA	$0	NA
Special Appropriations....	401	$4,547,019	NA	$6,279,812	72.4%
Bureau Of Planning.....	510	$6,006,557	NA	$8,553,226	70.2%
Bureau Com. Develop.....	540	$9,536,106	NA	$18,832,133	50.6%
Subtotal-All Other AUs.....		$99,228,524	$120,087,510	$136,856,606	72.5%
General Fund Total-All AUs		$296,509,624	$358,094,596	$392,142,869	75.6%

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."

Reserve Fund Usage Condition	FY2003-04 3rd Quarter	FY2003-04 2nd Quarter	Concern Level
Basic Revenue Growth (*)	1.9%	0.4%	Below 3.0%
Portland Unemployment Rate	8.0%	8.1%	Above 6.5%
Business License Revenue Growth	2.1%	-4.5%	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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