

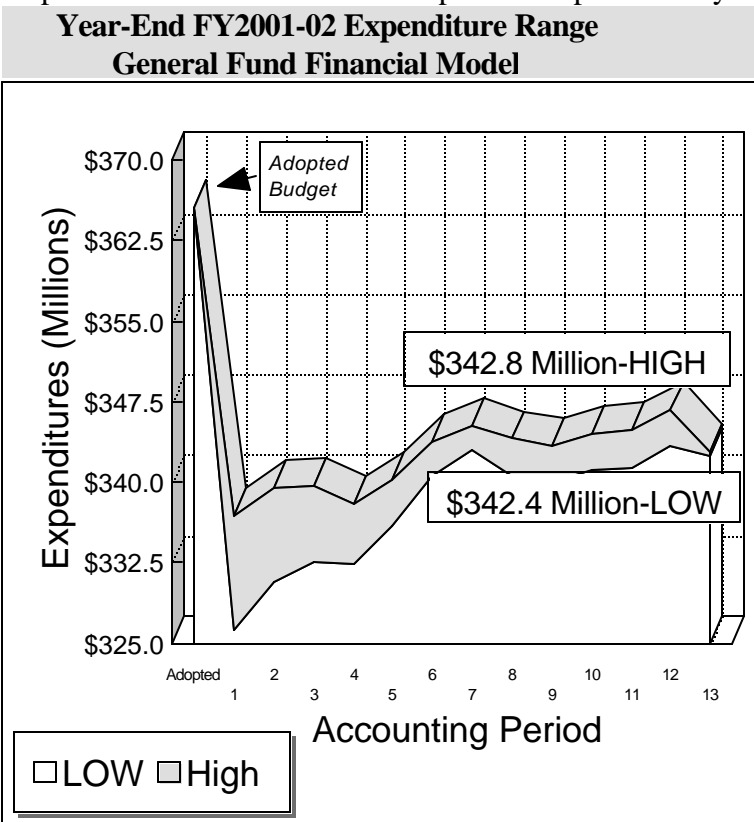
"Trends In The Hotel Industry" (published monthly by WRH Consulting) reports that during May, "Negative trends in occupancy and average room rates continue to affect most hotel markets in the Pacific Northwest." In downtown Portland estimated occupancy dropped 2.5 percent while the average room rate declined an estimated 7.9 percent to \$99.27. Suburban occupancy and room rates also showed similar declines. FY2001-02 transient lodging revenues at about \$10.4 million (unaudited) reflect this tough environment. FY2001-02 revenues are 6.7 percent (about \$752,510) below year-ago levels. The "good news" is that it appears that revenues have bottomed out and may start to slowly build from this base. An expanded Oregon Convention Center should help towards the end of calendar 2003 and on into 2004.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	\$360,793,938
* Expense Range.....(High).....	\$342,841,448
*(Low).....	\$342,413,217
* Expenses At AP-13.....	\$342,184,510
Versus Year-Ago..Up.....	1.5%
(*) Net of Short Term Borrowing	
NOTEWORTHY AT AP-13	
* Personal Services UP 5.1% vs. year-ago	
* All M&S UP 4% vs. year-ago	
* Capital Outlays DOWN -50.2% vs. year-ago	

Discretionary revenue growth as of August 29th appears to be a dismal 0.9 percent. At audit this may improve to somewhere in the "one plus" percent range. This represents one of the worst years on record.

Parks' fee revenues came up through period 13 and during July and appear to have ended the year at \$6.85 million which equates to about 5.5% above year-ago. The main miscellaneous fees and charges revenue category ended the year at 17.6% below year-ago.

General Fund expenditures at AP-13 total about \$342.2 million vs. last year's \$337.1 million, up 1.5 percent versus year-ago. This is similar to the 1.3 percent year-ago difference registered at period 12. Personal services expenditures preliminarily total \$213.29 million, up \$10.3 million or 5 percent over last year. Overtime and premium pay budgets were over spent by a combined \$3.46 million on a revised budget total of \$13.18 million. This works out to actual expenses at about 26 percent over budget.



External materials and services expenditures "died" during period 13. This is only the third time in the last 20 years that expenditures in period 13 appear to be below year-ago period 13 expenditures. Estimated year-end expense, inclusive of encumbrances, at audit, is forecast to total about \$53.54 million versus \$56.29 million during FY2000-01.

Internal materials and services expenditures are expected to total \$40.9 million at audit, for a year-to-year increase of 18 percent.

Capital spending totals about \$2.16 million as of late August. Total budget of about \$2.2 million is almost completely expended.

Figure 2-General Fund Expenditures, FY2001-02

The Estimated Year-End General Fund Balance at AP-13 ranges from \$9.6 (Low) to \$10.3 million (High). The ending balance estimate appears to be about \$9.9 million based on accounting and other data through August 29th. This funds Council's Adopted Budget FY2002-03 beginning fund balance which was set at \$5.771 million (inclusive of \$0.5 million for bureau carryover requirements). A year-end surge in grant and inter-agency revenues along with little in the way of additional expenditures uncharacteristically combined to produce additional unbudgeted beginning balance of about \$4.1 million plus or minus changes that occur to audit. In addition, the September property tax accrual remains outstanding and is due the second week of September. The development of additional balance will provide Council with some much needed flexibility to deal with problems that might develop during the course of FY2002-03. The new fiscal year may be a "tough year" with the regional economy still mired in recession. In addition, the property tax system is an uncertainty, having been revamped yet again in response to the Shilo Inn case.

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$352,393,000	\$352,745,569
Expenses.....	\$342,841,448	\$342,413,217
End Balance	\$9,551,552	\$10,332,352

Ending Fund Balance Range

Estimated Year-End General Fund Balance Range FY2001-02

General Fund Financial Model

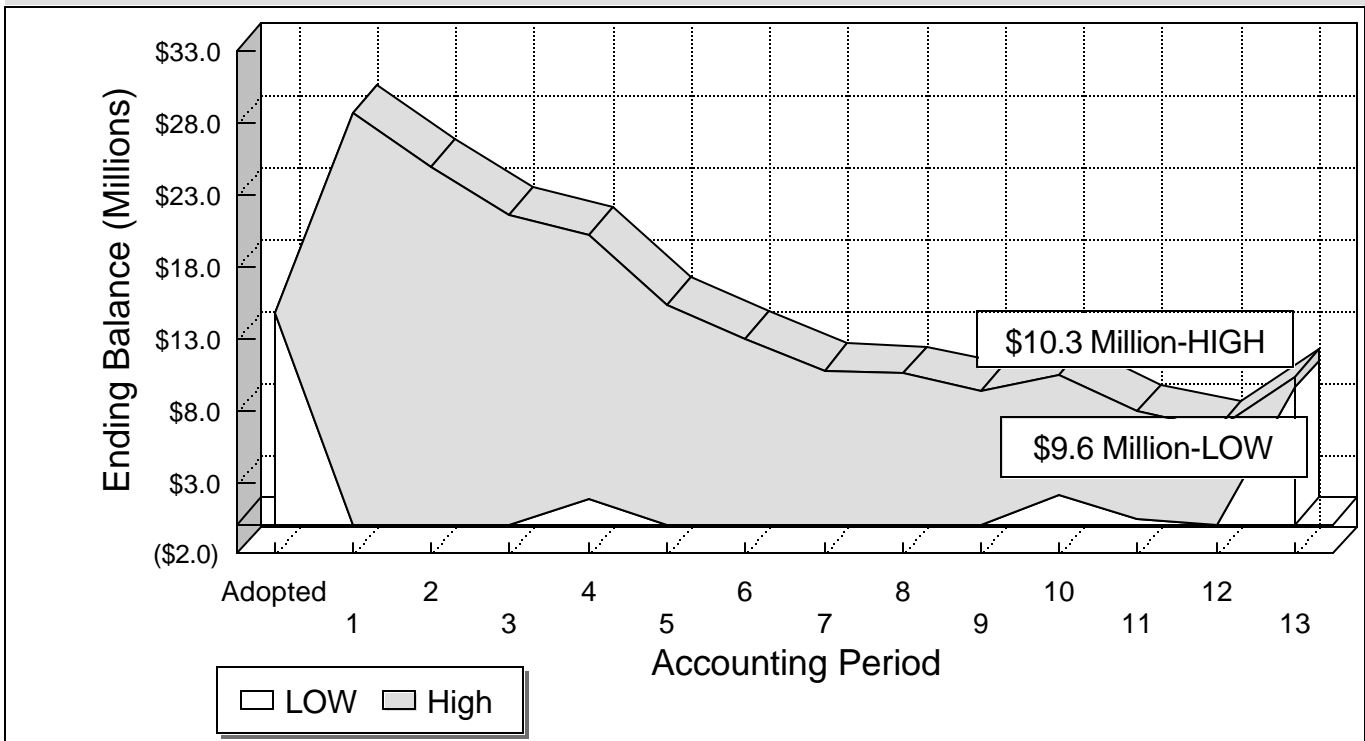


Figure 3-Estimated General Fund Balance, Year-End FY2001-02

Bankrupt Enron Puts Assets, Including PGE, Up For Auction

On Tuesday, August 27th, Enron Corp. announced that it would put its remaining major assets up for bid. PGE, the large investor owned utility, that provides service to a major portion of the Portland metropolitan area, is perhaps Enron's most valuable remaining asset. The ultimate disposition or sale of PGE assets is of great importance to the metro region and the Willamette Valley area. On August 28th, the Portland City Council passed a resolution stating the City's intent to explore a possible acquisition of PGE. Enron's schedule calls for interested companies to submit bids, possibly as early as October, with a successful bidder being selected by the end of calendar 2002 or sometime early in 2003. Enron is trying to determine if the remaining assets are worth more to creditors through a sale of assets as opposed to the creation of a restructured company.

Table 1-General Fund Resources, FY2001-02				
GENERAL FUND RESOURCE CATEGORY		Through AP-13	Estimated Year-End	Revised Budget
INTERNAL REVENUES.....	41000			
Service Reimbursements.....		\$17,763,949	\$17,763,949	\$19,238,781
Other Internal & Transfers-IN.....		\$27,636,234	\$27,636,234	\$37,093,609
PROPERTY & LODGING TAXES	42100			
Property Taxes.....		\$145,482,887	\$145,766,673	\$145,483,147
Lodging Taxes.....		\$10,408,531	\$10,408,531	\$11,268,217
BUSINESS LICENSES, PERMITS....	43000			
Business Licenses.....		\$45,941,413	\$45,941,413	\$50,284,160
Utility License/Franchise.....		\$54,779,759	\$54,779,759	\$46,179,688
Other Permits.....		\$1,693,945	\$1,693,945	\$2,399,640
SERVICE CHARGES & FEES.....	44000	\$11,714,025	\$11,714,025	\$12,154,871
STATE, FEDERAL SOURCES.....	46000	\$9,703,082	\$9,703,082	\$8,829,053
LOCAL SOURCES (Contracts).....	47000	\$10,279,629	\$10,279,629	\$9,553,911
MISC. REVENUES & INTEREST.....	49400	\$3,254,676	\$2,879,675	\$4,301,650
TAX ANTICIPATION NOTES/Note Sales.....		\$0	\$0	(\$589)
BEGINNING FUND BALANCE.....		\$10,351,589	\$10,351,589	\$10,355,552
ENCUMBRANCE & CARRYOVER.....		\$3,650,781	\$3,650,781	\$3,650,781
GENERAL FUND RESOURCE TOTAL		\$352,660,498	\$352,569,284	\$360,792,471
Estimated Percent Of Budget Resources Realized		97.7%	97.7%	

Table 2-General Fund Expenditures, FY2001-02				
GENERAL FUND EXPENDITURES		Through AP-13	Estimated Year-End	Revised Budget
Salaries & Wages.....		\$153,836,289	\$153,836,289	\$156,968,743
Overtime.....		\$8,736,932	\$8,736,932	\$8,326,407
Benefits.....		\$35,312,046	\$35,312,046	\$35,059,543
Premium & Part-Time.....		\$15,407,093	\$15,407,093	\$16,522,250
TOTAL PERSONAL SERVICES.....		\$213,292,360	\$213,292,360	\$216,876,943
Estimated Percent Of Budget Spent.....		98.3%	98.3%	
EXTERNAL MATERIALS & SERVICES.....		\$53,541,350	\$53,541,350	\$65,031,656
Estimated Percent Of Budget Spent.....		82.3%	82.3%	
INTERNAL MATERIALS & SERVICES.....		\$40,972,302	\$40,972,302	\$42,038,894
Estimated Percent Of Budget Spent.....		97.5%	97.5%	
CAPITAL OUTLAY.....		\$2,165,157	\$2,165,157	\$2,221,670
Estimated Percent Of Budget Spent.....		97.5%	97.5%	
CONTINGENCY & UNFORESEEN.....		\$0	\$400,000	\$2,174,063
FUND CASH TRANSFERS.....		\$32,213,341	\$32,213,341	\$32,450,706
INVENTORY.....		\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL		\$342,184,510	\$342,584,510	\$360,793,932
Estimated Percent Of Budget Spent.....		94.8%	95.0%	

Table 3-General Fund Expenditures By Appropriation Unit, FY2001-02					
Percent Of Year Gone	100.0%				
Percent Year Left	0.0%				
AU Description	AU#	Through AP-13	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	\$124,037,106	\$124,980,654	\$127,047,895	97.6%
Fire Bureau.....	124	\$63,192,528	\$64,107,995	\$65,359,938	96.7%
Bureau Of Parks.....	130	\$42,245,209	\$42,577,807	\$43,172,570	97.9%
Subtotal-Public Safety and Parks		\$229,474,843	\$231,666,456	\$235,580,403	97.4%
Commissioner #2 (Sten)	190	\$644,829	NA	\$652,068	98.9%
Commissioner #4 (Hales)	191	\$585,147	NA	\$653,418	89.6%
Commissioner #3 (Saltzman)	192	\$637,887	NA	\$667,023	95.6%
Commissioner #1 (Francesconi)	193	\$658,870	NA	\$677,081	97.3%
Office Of The Mayor	195	\$1,346,758	NA	\$1,450,260	92.9%
Operating Contingency...	298	\$6	\$0	\$1,168,142	NA
Unforeseen Revenues..	298	\$0	\$0	\$1,005,921	NA
Other Cash Transfers.....	299	\$32,213,341	\$32,213,341	\$32,437,039	99.3%
Office of Cable Com.....	300	\$1,802,875	NA	\$1,919,014	93.9%
Unused Line.....		\$0	NA	\$0	NA
Office-Sus. Develop.....	302	\$1,588,915	NA	\$2,535,255	62.7%
Government Relations..	303	\$682,092	NA	\$725,481	94.0%
Office Of Man. & Fin.....	307	\$19,751,628	NA	\$21,295,935	92.7%
Office Of City Attorney.....	312	\$4,724,747	NA	\$4,802,421	98.4%
Business Licenses.....	316	\$3,533,124	NA	\$3,665,093	96.4%
Purchases & Stores.....	319	\$811	NA	\$0	NA
Stock Account.....	325	(\$14,826)	NA	\$25,000	NA
City Auditor.....	336	\$5,799,387	NA	\$6,446,822	90.0%
Unused Line.....		\$0	NA	\$0	NA
Office Neigh. Involve.....	342	\$5,006,395	NA	\$5,416,124	92.4%
Bureau General Svces.....	346	\$0	NA	\$0	NA
Unused Line.....		\$0	NA	\$0	NA
Special Appropriations.....	401	\$12,887,478	NA	\$17,727,051	72.7%
Bureau Of Planning.....	510	\$7,364,497	NA	\$8,388,138	87.8%
Bureau Com. Develop.....	540	\$7,735,858	NA	\$13,556,250	57.1%
Subtotal-All Other AUs.....		\$106,949,819	\$110,517,222	\$125,213,536	85.4%
General Fund Total-All AUs		\$336,424,662	\$342,183,678	\$360,793,939	93.2%

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."			
	FY2001-02	FY2001-02	
Reserve Fund Usage Condition	4th Quarter	3rd Quarter	Concern Level
Basic Revenue Growth (*)	1.8%	0.9%	Below 3.0%
Portland Unemployment Rate	7.0%	5.4%	Above 6.5%
Business License Revenue Growth	-9.4%	-6.4%	Below 5.5%
Property Tax Delinquency Rate	5.7%	5.5%	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.