City of Portland Office of Management & Finance

THE FINANCIAL OUTLOOK

Accounting Period 9 (Feb. 13, 2003 to March 12, 2003) General Fund Financial Outlook (Issue Date: April 16, 2003)

Estimated Year-End General Fund Resources At AP-9 are forecast to range from \$345.4 million (LOW) to \$351.4 million (HIGH). Estimated revised budget, period 9, is \$366.2 million. This estimated budget remains pretty much unchanged for the last several periods and Council's revised budget is now only about \$0.5 million above the Adopted Budget. General Fund revenues at period 9 are about 3.2 percent ahead last year. Discretionary revenue growth is now about 2.3 percent ahead of year-ago; the problems with property tax revenue accounting have * Business License Down -3.1 % vs. year-ago been resolved and year-to-year comparisons are now * Property Taxes Up 1.4% vs. year-ago meaningful, if no less dismal.

RESOURCE REC	
* IBIS Budgeted Resources	\$366,279,439
* Resource Range(High)	\$351,367,832
(Low)	\$345,359,362
* Revenues At AP-9	\$259,350,098
Versus Year-AgoUP	3.18%
(*) Net of Short-Term Borrov	wing
NOTEWORTHY A	Г АР-9
* Hotel/Motel Up 4.1 % vs. year-	ago

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

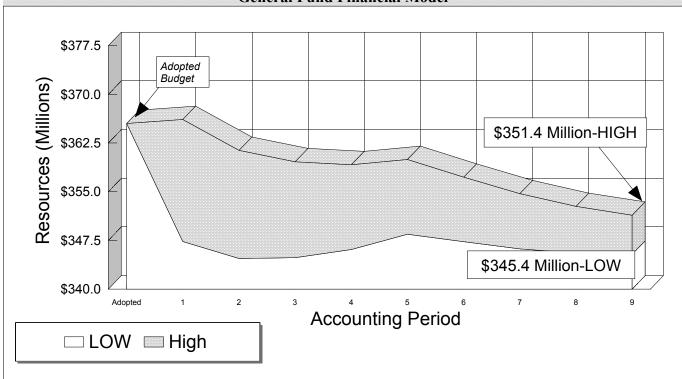


Figure 1-General Fund Resources, Year-End FY2002-03

The Bottom Line: Resources, year-end, are estimated to range from \$345.4 million (Low) to \$351.4 million (High). Budgeted resources are \$366.28 million. Year-end expenditure estimates range from \$341.5 million (Low) to \$344.9 million (High). Forecast year-end balance, beginning FY2003-04 balance, is forecast at somewhere between \$0.5 million (Low) to as much as \$9.9 million (High). The estimated year-end balance is currently \$3.901 million.

Transient lodging tax revenues remain, along with franchise, utility license fees, one of the few bright spots in the General Fund's revenue stream. TL revenues year-todate are up a little over 4 percent, even though they remain well below the peak FY2000-01 level of \$11.1 million

Property taxes appear to be about 1.41 percent ahead of last year. This is the weakest year-over-year growth performance on record outside of the Measure 5 and 47 years. It is unclear whether revenues are coming in "later" than normal or possibly the delinquency rate has started * Capital Outlays DOWN-16.8% vs. year-ago to drift up as it has in previous recessions. There is one

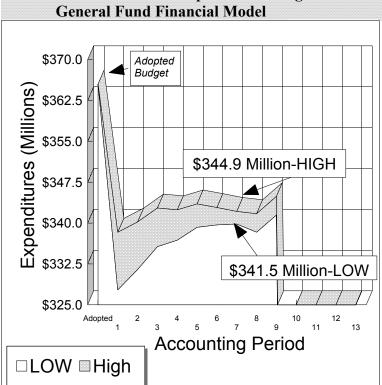
EXPENDITURE RI	ECAP
* IBIS Budgeted Expenses	\$366,279,439
* Expense Range(High)	\$344,909,328
*(Low)	\$341,477,394
* Expenses At AP-9(*)	\$231,267,146
Versus Year-AgoUp	0.1%
(*) Net of Short T	Term Borrowing
NOTEWORTHY AT	Г АР-9
* Personal Services DOWN -1.0% v	vs. year-ago
* All M&S UP 4% vs. year-ago	
l	

large turnover left, due the first week of June. This turnover will tell the story on this year's property tax revenues.

General Fund miscellaneous revenues continue to outpace budgeted revenue estimates. Parks' fee revenues appear to be about 6 percent ahead of year-ago.

Discretionary revenue growth, net of the \$1.4 million one-time transfer from Fleet, calculates out to 1.7 percent year-over-year growth. This is still positive, but revenues continue to weaken in the face of a stubborn local area recession.

General Fund expenditures at AP-9 total about \$231.3 million vs. last year's \$231.0 million, up 0.1 percent versus year-ago. As of period 9, personal services expenses appear to be 1.02 percent below last year. Expenses year-to-date are about \$148.4 million versus \$149.9 million year-ago at



Year-End FY2002-03 Expenditure Range

Figure 2-General Fund Expenditures, FY2002-03

period 9. Although this is welcome news. the Police contract remains unresolved, so this is expected. Year-end personal services expense estimates are up net about \$1.61 million, reflecting an estimated \$2.4 million increase in Police overtime costs that are likely to result from demonstrations downtown over the last month. Analyst estimates currently run from a low of \$1.7 million to as high as \$4.1 million. These are estimates done prior to receipt of any actual "IBIS" accounting system data which will not be available until April 21st (period 10).

Elsewhere, external materials and services expenses remain subdued at 1.9 percent ahead of year-ago while internal materials and services expenses are now about 7.1 percent ahead of year-ago.

Capital spending to-date totals about \$1.156 million versus about \$1.334 million year-ago. Budget remains at \$1.9 million.

The Estimated Year-End General Fund Balance at AP-9 ranges from \$0.5 (Low) to \$9.9 million (High). The projected ending balance estimate in this OUTLOOK is down again, to \$3.9 million, from \$7.2 million last period. This compares to the Mayor's Proposed Budget financial forecast which requires a \$7.252 million beginning balance (from the period 8 OUTLOOK). As explained on page 2, this OUTLOOK contains an initial and preliminary estimate for increased Police overtime costs of about \$2.4 million. The increased costs reflect the impact of heightened security requirements as well as several large downtown demonstrations, each requiring a large Police presence. In the absence of

any funds from Washington D.C., Portland, like most other large cities is being forced to bear the brunt of increased public safety costs out of current budgets. The result for Portland is an ending balance estimate that is for all practical purposes, at this point, somewhere around zero, plus

Year-End Bala	nce Range
Low	High
\$345,359,362	\$351,367,832
\$344,909,328	\$341,477,394
\$450,034	\$9,890,438
	Low \$345,359,362 \$344,909,328

or minus \$5 million. Forecasts do not generally, regardless *Ending Fund Balance Range* of the methodology employed, have the ability to hit this kind of an accuracy level.

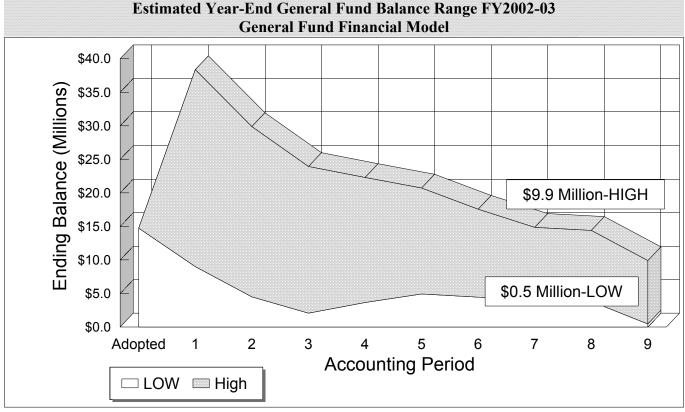


Figure 3-Estimated General Fund Balance, Year-End FY2002-03

Oregon Steel Considers Closing Steel-Making Shop

According to a recent article in the Oregonian, Oregon Steel Mills, is considering closing its Portland steel-making shop, leaving 300 workers, or 46% of its North Portland workforce of 650, without jobs. Mini-steel mills such as Oregon Steel, which make steel from scrap metal, have seen earnings come under pressure because of rising prices for scrap metal, driven up in part by soaring Chinese demand. According to the article, auto bundles, the steel from dismantled cars, hit \$130 per ton recently, against \$80 a year ago. Over the past two years this problem has plagued the whole industry: 11 fully integrated steel firms in the country had to file for bankruptcy. The industry is suffering from falling demand, razor sharp competition, rising energy and pension costs and seasonal factors. With demand forecasts remaining soft, analysts expect significant restructuring in the industry.

Table 1-General Fund Resources, FY2002-03			
	Through	Estimated	Revised
GENERAL FUND RESOURCE CATEGORY	AP-9	Year-End	Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$8,433,342	\$19,103,072	\$21,147,155
Other Internal & Transfers-IN	\$16,102,802	\$24,156,666	\$39,784,399
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$135,975,857	\$146,944,086	\$148,074,994
Lodging Taxes		\$10,748,401	\$10,388,630
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$30,488,939	\$41,313,516	\$43,640,528
Utility License/Franchise	\$40,423,336	\$55,264,665	\$52,058,100
Other Permits	\$1,397,144	\$1,873,039	\$3,553,854
SERVICE CHARGES & FEES 44000	\$7,918,125	\$12,202,306	\$12,425,892
STATE, FEDERAL SOURCES 46000	\$5,483,609	\$8,871,909	\$9,021,183
LOCAL SOURCES (Contracts) 47000	\$6,209,404	\$9,262,383	\$9,591,579
MISC. REVENUES & INTEREST 49400	\$1,742,819	\$2,592,030	\$2,589,317
TAX ANTICIPATION NOTES/Note Sales	\$0	\$0	\$519,138
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	\$277,454,034	\$347,094,836	\$366,279,439
Estimated Percent Of Budget Resources Realized	75.7%	94.8%	

Table 2-General Fund Expenditures, FY2002-03			
	Through	Estimated	Revised
GENERAL FUND EXPENDITURES	AP-9	Year-End	Budget
Salaries & Wages	\$106,667,299	\$155,127,919	\$162,074,661
Overtime	\$4,828,916	\$9,273,641	\$6,928,966
Benefits	\$26,411,979	\$36,699,696	\$36,699,696
Premium & Part-Time	\$10,477,833	\$13,891,623	\$15,600,577
TOTAL PERSONAL SERVICES	\$148,386,027	\$214,992,879	\$221,303,899
Estimated Percent Of Budget Spent	67.1%	97.1%	
EXTERNAL MATERIALS & SERVICES	\$35,219,796	\$54,168,255	\$68,706,070
Estimated Percent Of Budget Spent	51.3%	78.8%	
INTERNAL MATERIALS & SERVICES	\$27,978,000	\$42,868,984	\$43,537,857
Estimated Percent Of Budget Spent	64.3%	98.5%	
CAPITAL OUTLAY	\$1,156,580	\$1,913,326	\$1,913,326
Estimated Percent Of Budget Spent	60.4%	100.0%	
CONTINGENCY & UNFORESEEN	\$0	\$1,000,000	\$2,568,370
FUND CASH TRANSFERS	\$18,526,743	\$28,249,917	\$28,249,917
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$231,267,146	\$343,193,361	\$366,279,439
Estimated Percent Of Budget Spent	63.1%	93.7%	

Table 3-General Fund Expenditu		y Appropriati	on Unit, FY2	002-03	
	9.2%				
	0.8%	Through	Estimated	Revised	Percent
AU Description	AU#	AP-9	Year-End	Budget	Spent
Police Bureau	100	\$82,380,671	\$122,583,316	\$127,991,006	64.4%
Fire Bureau	124	\$45,849,779	\$66,616,071	\$69,123,454	66.3%
Bureau Of Parks	130	\$27,803,562	\$42,290,349	\$43,491,697	63.9%
Subtotal-Public Safety and Park	S	\$156,034,012	\$231,489,736	\$240,606,157	64.9%
Commissioner #2 (Sten)	190	\$457,493	NA	\$653,487	70.0%
Commissioner #4 (Leonard)	191	\$205,925	NA	\$423,073	48.7%
Commissioner #3 (Saltzman)	192	\$486,831	NA	\$689,045	70.7%
Commissioner #1 (Francesconi)	193	\$467,035	NA	\$663,162	70.4%
Office Of The Mayor	195	\$1,007,996	NA	\$1,476,752	68.3%
Operating Contingency	298	\$6	\$1,000,000	\$2,333,529	NA
Unforeseen Revenues	298	\$0	\$0	\$234,841	NA
Other Cash Transfers	299	\$18,526,743	\$28,249,917	\$28,269,055	65.5%
Office of Cable Com	300	\$1,166,895	NA	\$1,789,771	65.2%
Unused Line		\$0	NA	\$0	NA
Office-Sus. Develop	302	\$1,024,491	NA	\$3,574,540	28.7%
Government Relations	303	\$473,518	NA	\$765,478	61.9%
Office Of Man. & Fin	307	\$15,536,653	NA	\$23,478,539	66.2%
Office Of City Attorney	312	\$3,372,577	NA	\$5,023,582	67.1%
Business Licenses	316	\$2,381,953	NA	\$3,878,782	61.4%
Purchases & Stores	319	\$150	NA	\$0	NA
Stock Account	325	(\$35,190)	NA	\$25,000	NA
City Auditor	336	\$4,846,101	NA	\$7,004,230	69.2%
Unused Line		\$0	NA	\$0	NA
Office Neigh. Involve	342	\$3,726,388	NA	\$5,243,492	71.1%
Bureau General Svces	346	\$0	NA	\$0	NA
Unused Line		\$0	NA	\$0	NA
Special Appropriations	401	\$10,653,401	NA	\$17,699,886	60.2%
Bureau Of Planning	510	\$5,288,240	NA	\$8,803,790	60.1%
Bureau Com. Develop	540	\$5,652,245	NA	\$13,643,248	41.4%
Subtotal-All Other AUs		\$75,239,451	\$114,555,911	\$125,673,282	59.9%
General Fund Total-All AUs	ì	\$231,273,463	\$346,045,648	\$366,279,439	63.1%

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	2nd Quarter	1st Quarter	Concern Level
Basic Revenue Growth (*)	0.6%	1.6%	Below 3.0%
Portland Unemployment Rate	7.2%	8.5%	Above 6.5%
Business License Revenue Growth	-14.8%	-11.6%	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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