

**City of Portland
Office of Management & Finance
THE FINANCIAL OUTLOOK**

**Accounting Period 10
(March 13, 2003 to April 9, 2003)**

**General Fund Financial Outlook
(Issue Date: May 16, 2003)**

Estimated Year-End General Fund Resources At AP-10 are forecast to range from \$346.5 million (LOW) to \$351.4 million (HIGH). Estimated revised budget, period 10, is \$366.2 million. This estimated budget is about \$230,000 above period 9, while the revised budget at period 10 is now estimated at about \$1 million above Council's initial Adopted Budget. General Fund revenues at period 10 remain a little over 3 percent ahead last year. Discretionary revenue growth is about 2.1 percent ahead of year-ago; year-over-year discretionary revenue growth remains anemic, hobbled by declining business license revenues and very slow property tax revenue growth.

RESOURCE RECAP	
* IBIS Budgeted Resources.....	\$366,510,301
* Resource Range....(High).....	\$351,431,578
.....(Low).....	\$346,455,571
* Revenues At AP-10	\$273,475,021
Versus Year-Ago...UP.....	3.10%
(*) Net of Short-Term Borrowing	

NOTEWORTHY AT AP-10	
* Hotel/Motel Up 3.3 % vs. year-ago	
* Business License Down -3.7 % vs. year-ago	
* Property Taxes Up 1.4% vs. year-ago	

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

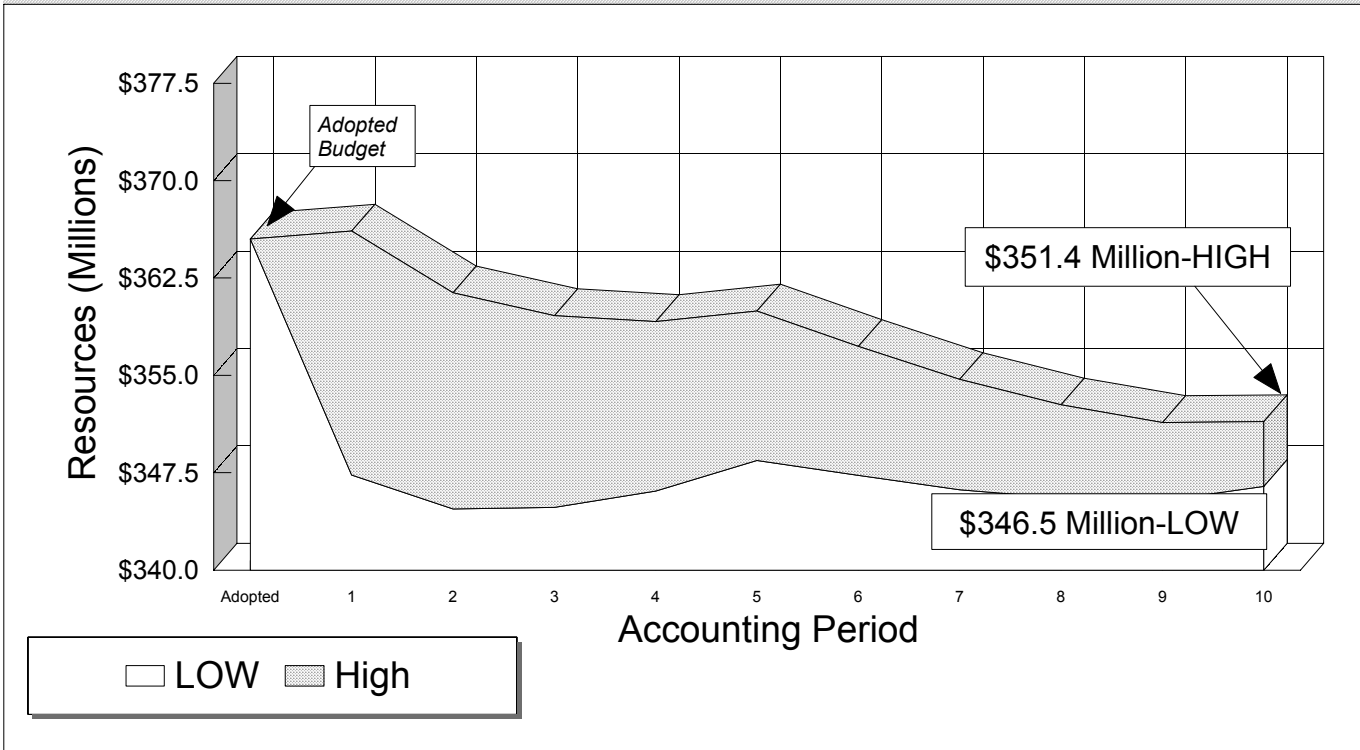


Figure 1-General Fund Resources, Year-End FY2002-03

The Bottom Line: Resources, year-end, are estimated to range from \$346.5 million (Low) to \$351.4 million (High). Budgeted resources are \$366.51 million. Year-end expenditure estimates range from \$342.1 million (Low) to \$345.5 million (High). Forecast year-end balance, beginning FY2003-04 balance, is forecast at somewhere between \$0.9 million (Low) to as much as \$9.3 million (High). The estimated year-end balance is currently \$4.394 million.

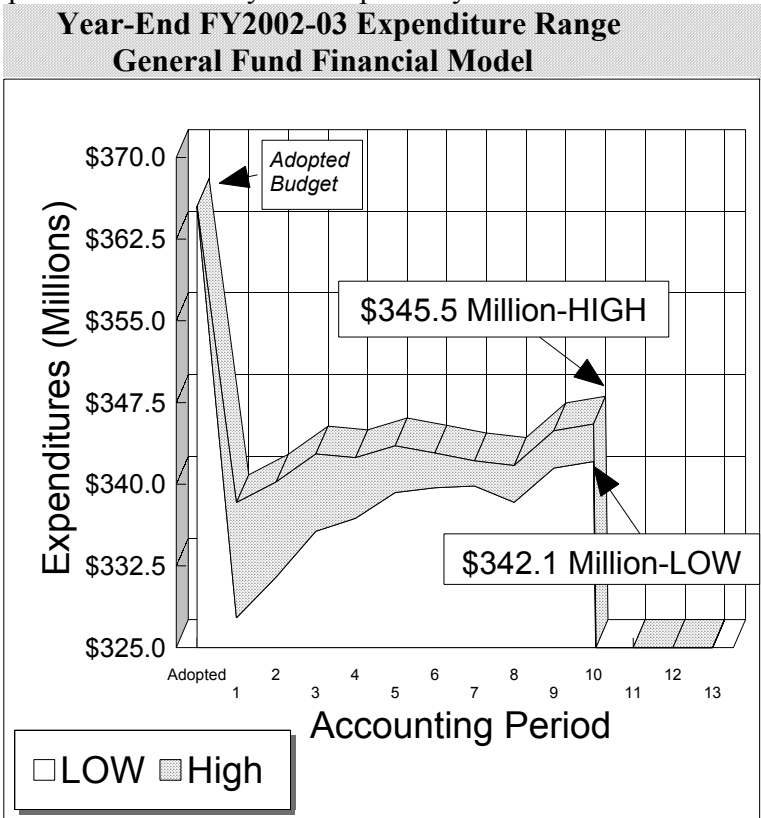
Transient lodging tax revenues (see previous OUTLOOK) appeared to have begun a recovery or sorts. At period 10 (through April 9th) revenues were \$8.54 million versus \$8.26 million year-ago. Monthly data for April however, show receipts of \$1.56 million versus \$2.06 million last April. While some additional quarterly revenues will trickle in during May, it now appears likely that this revenue stream is in the midst of a "double-dip." Revenues for the month of May over the past three years have ranged from \$128,624 to \$438,577. Thus, even a strong May, cannot do much but lessen the size of the second dip. This squares with industry data for Portland which shows a marked decline in both room and occupancy rates during the first three months of the year. This decline appears to be almost as bad as the post September 11th decline.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	\$366,510,301
* Expense Range.....(High).....	\$345,521,778
*(Low).....	\$342,083,751
* Expenses At AP-10(*).....	\$260,226,755
Versus Year-Ago..Up.....	1.2%
(*) Net of Short Term Borrowing	
NOTEWORTHY AT AP-10	
* Personal Services DOWN-0.9% vs. year-ago	
* All M&SUP 8% vs. year-ago	
* Capital Outlays DOWN-1.0% vs. year-ago	

General Fund miscellaneous and other bureau revenues remain healthy with revenues continuing to look like they are coming in over budget. Parks fee revenues are 7.5% percent ahead of year-ago.

Discretionary revenue growth, net of the \$1.4 million one-time transfer from Fleet, calculates out to 1.4 percent year-over-year growth. This is still positive, but revenues continue to reflect the a regional economy that is in recession.

General Fund expenditures at AP-10 total about \$260.2 million vs. last year's \$257.2 million, up 1.2 percent versus year-ago. As of period 10, personal services expenses appear to be 0.89 percent below last year. Expenses year-to-date are about \$164.9 million versus \$166.4 million year-ago at period 10.



Police overtime expenditures increased about \$1.1 million during period 10 versus as average increase of about \$400,000 per period prior to AP-10. Other fund level data shows that fund overtime expenses increased from a period 9 \$6.9 million annual rate to a \$7.7 million annual rate. Doing this calculation using the expenditure rate for period 10 (as opposed to year-to-date total expenses) shows that the expenditure rate increased from \$6.5 million to \$9.5 million. This should represent some kind of "spike." The actual increase in expenditures to year-end should be somewhere in between the \$7.7 and \$9.5 million numbers. Hopefully, spending will gravitate toward the lower end of this range.

Materials and services spending is picking up momentum with expenditures about 8.5 percent above year-ago at period 10. Capital outlays total about \$2.06 million versus a budget of \$2.08 million.

Figure 2-General Fund Expenditures, FY2002-03

The Estimated Year-End General Fund Balance at AP-10 ranges from \$0.9 (Low) to \$9.3 million (High). The projected ending balance estimate in this OUTLOOK is up slightly to about \$4.4 million versus a \$3.9 million estimate at period 9. This compares to the Mayor's Proposed Budget beginning fund balance of about \$8.4 million. This balance is, in turn, about \$1 million beyond the period 8 estimated balance (\$7.252 million) because it includes assumed carryover appropriations. During period 10 external materials and services expenses ticked up to \$3.1 million versus \$2.5 million last year. If external materials and services expenditures rise on out to year-end as they normally do then it is unlikely that and ending balance near the \$9.4 million "High" will show up at audit. The General Fund will then be short on the Mayor's Proposed Budget beginning fund balance requirement of \$8.4 million. Help from the revenue side is unlikely at this point unless there is some kind of year-end surge in grant and bureau inter-agency revenues not currently reflected in year-end revenue estimates.

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$346,455,571	\$351,431,578
Expenses.....	\$345,521,778	\$342,083,751
End Balance	\$933,793	\$9,347,827

Ending Fund Balance Range

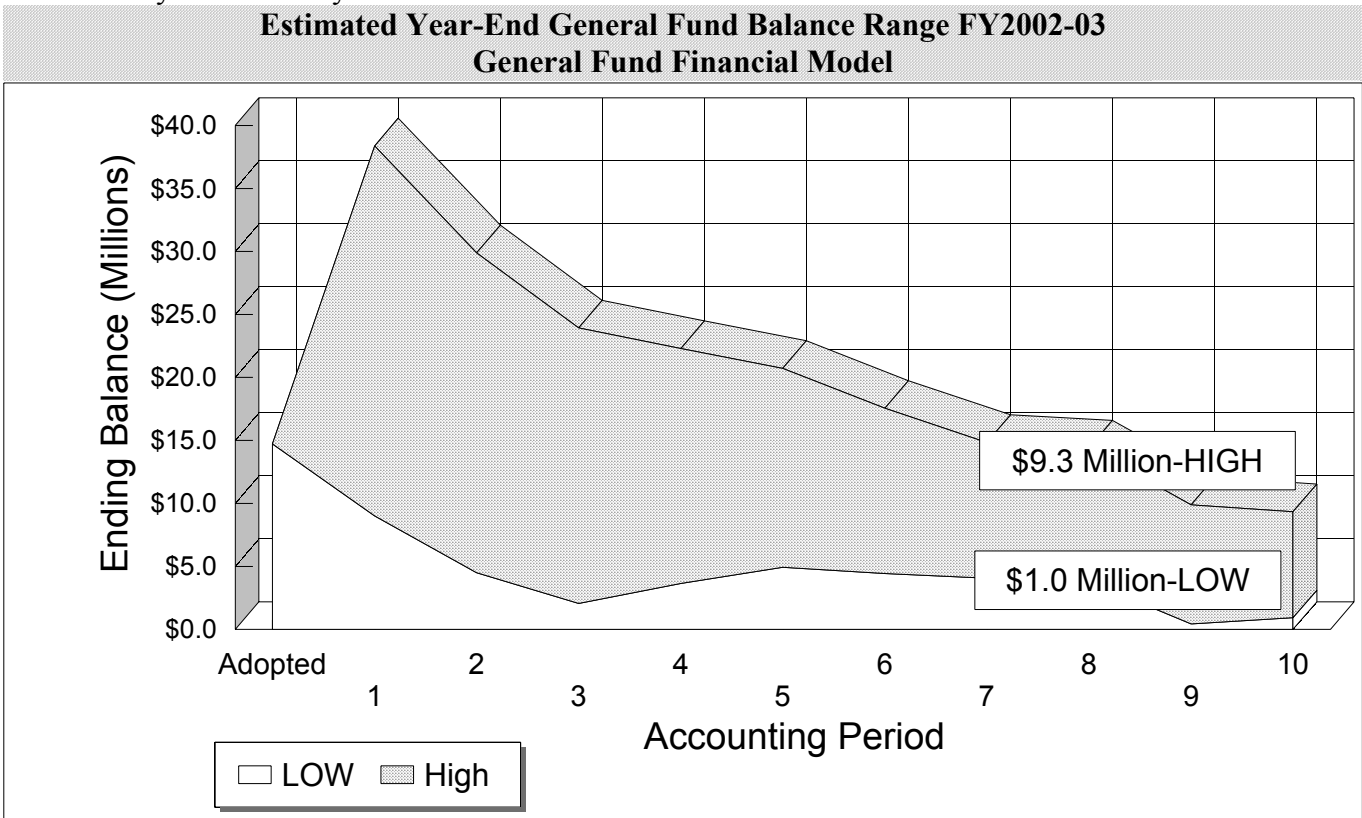


Figure 3-Estimated General Fund Balance, Year-End FY2002-03

Housing Prices Continue Their Rise Despite Recession

Marple's Pacific Northwest Letter is a respected newsletter that is published every other Wednesday. This venerable publication has been covering economic and business conditions in the Pacific Northwest for over 50 years. The most recent edition (April 30th) devotes some space to housing prices in the region. Marple's notes that there is some concern that housing prices have continued their steady upward march despite poor economic conditions. The newsletter goes on to cite several independent reports (Federal Deposit Insurance Corp., published statistical data, and an article in SmartMoney magazine) that all single out Portland as vulnerable to house-price declines. At present sales data show no signs of a broad based decline in housing prices and residential markets show good growth with lower interest rates undercutting recessionary conditions.

Table 1-General Fund Resources, FY2002-03			
GENERAL FUND RESOURCE CATEGORY	Through	Estimated	Revised
	AP-10		
INTERNAL REVENUES..... 41000			
Service Reimbursements.....	\$12,925,256	\$19,556,689	\$21,147,155
Other Internal & Transfers-IN.....	\$19,807,672	\$23,647,716	\$40,034,399
PROPERTY & LODGING TAXES 42100			
Property Taxes.....	\$136,882,742	\$146,944,086	\$148,074,994
Lodging Taxes.....	\$8,535,102	\$10,748,579	\$10,388,630
BUSINESS LICENSES, PERMITS.... 43000			
Business Licenses.....	\$34,711,577	\$42,313,516	\$43,640,528
Utility License/Franchise.....	\$40,807,047	\$55,392,257	\$52,058,100
Other Permits.....	\$1,530,971	\$1,873,039	\$3,553,854
SERVICE CHARGES & FEES..... 44000	\$9,133,239	\$12,257,356	\$12,425,892
STATE, FEDERAL SOURCES..... 46000	\$5,483,609	\$8,869,378	\$9,021,183
LOCAL SOURCES (Contracts)..... 47000	\$6,878,301	\$9,238,256	\$9,591,579
MISC. REVENUES & INTEREST..... 49400	\$1,994,228	\$2,592,919	\$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	\$293,452,507	\$348,196,554	\$366,510,301
Estimated Percent Of Budget Resources Realized	80.1%	95.0%	

Table 2-General Fund Expenditures, FY2002-03			
GENERAL FUND EXPENDITURES	Through	Estimated	Revised
	AP-10		
Salaries & Wages.....	\$118,103,708	\$153,172,626	\$162,075,095
Overtime.....	\$6,021,985	\$8,677,449	\$6,928,966
Benefits.....	\$29,328,261	\$36,680,106	\$36,680,106
Premium & Part-Time.....	\$11,439,503	\$15,682,636	\$15,600,594
TOTAL PERSONAL SERVICES.....	\$164,893,457	\$214,212,817	\$221,284,761
Estimated Percent Of Budget Spent.....	74.5%	96.8%	
EXTERNAL MATERIALS & SERVICES.....	\$39,153,011	\$55,466,634	\$68,950,682
Estimated Percent Of Budget Spent.....	56.8%	80.4%	
INTERNAL MATERIALS & SERVICES.....	\$32,572,734	\$42,954,683	\$43,537,857
Estimated Percent Of Budget Spent.....	74.8%	98.7%	
CAPITAL OUTLAY.....	\$2,060,277	\$1,913,326	\$1,913,326
Estimated Percent Of Budget Spent.....	107.7%	100.0%	
CONTINGENCY & UNFORESEEN.....	\$0	\$1,000,000	\$2,568,370
FUND CASH TRANSFERS.....	\$21,547,276	\$28,255,305	\$28,255,305
INVENTORY.....	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$260,226,755	\$343,802,764	\$366,510,301
Estimated Percent Of Budget Spent.....	71.0%	93.8%	

Table 3-General Fund Expenditures By Appropriation Unit, FY2002-03					
Percent Of Year Gone...	76.9%				
Percent Year Left.....	23.1%				
AU Description	AU#	Through AP-10	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	\$92,070,439	\$120,111,335	\$127,991,006	71.9%
Fire Bureau.....	124	\$51,630,399	\$66,725,431	\$69,123,454	74.7%
Bureau Of Parks.....	130	\$31,020,572	\$43,930,857	\$43,486,309	71.3%
Subtotal-Public Safety and Parks		\$174,721,410	\$230,767,623	\$240,600,769	72.6%
Commissioner #2 (Sten)	190	\$507,160	NA	\$653,487	77.6%
Commissioner #4 (Leonard)	191	\$254,201	NA	\$423,073	60.1%
Commissioner #3 (Saltzman)	192	\$537,222	NA	\$689,045	78.0%
Commissioner #1 (Francesconi)	193	\$516,115	NA	\$663,162	77.8%
Office Of The Mayor	195	\$1,110,650	NA	\$1,476,752	75.2%
Operating Contingency...	298	\$6	\$1,000,000	\$2,333,529	NA
Unforeseen Revenues..	298	\$0	\$0	\$234,841	NA
Other Cash Transfers.....	299	\$21,547,276	\$28,255,305	\$28,255,305	76.3%
Office of Cable Com.....	300	\$1,219,174	NA	\$1,789,771	68.1%
Unused Line.....		\$0	NA	\$0	NA
Office-Sus. Develop.....	302	\$1,137,986	NA	\$3,574,540	31.8%
Government Relations..	303	\$541,066	NA	\$765,478	70.7%
Office Of Man. & Fin.....	307	\$17,878,371	NA	\$23,478,539	76.1%
Office Of City Attorney....	312	\$3,759,204	NA	\$5,023,582	74.8%
Business Licenses.....	316	\$2,661,888	NA	\$3,878,782	68.6%
Purchases & Stores.....	319	\$150	NA	\$0	NA
Stock Account.....	325	(\$7,901)	NA	\$25,000	NA
City Auditor.....	336	\$5,311,207	NA	\$7,004,230	75.8%
Unused Line.....		\$0	NA	\$0	NA
Office Neigh. Involve.....	342	\$4,027,281	NA	\$5,243,492	76.8%
Bureau General Svces.....	346	\$0	NA	\$0	NA
Unused Line.....		\$0	NA	\$0	NA
Special Appropriations....	401	\$11,205,111	NA	\$17,699,886	63.3%
Bureau Of Planning.....	510	\$5,876,855	NA	\$8,803,790	66.8%
Bureau Com. Develop.....	540	\$7,428,641	NA	\$13,893,248	53.5%
Subtotal-All Other AUs.....		\$85,511,663	\$114,561,299	\$125,909,532	67.9%
General Fund Total-All AUs		\$260,233,073	\$345,328,922	\$366,510,301	71.0%

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.