

are up about 74% versus last year but this appears to be an anomaly that is due to accounting changes.

Revenues, overall remain weak. The only good news is the recent cold snap which should have dramatically increased heating related natural gas and electric energy usage. The result should be nice little "bump" to third and fourth quarter energy related franchise fees.

Otherwise, transient lodging tax revenues are up about one half of one percent compared to last year. Franchise and utility license fees continue to trail last year but the cold snap may reverse this pattern. State share cigarette and liquor tax revenues continue to run well ahead of last year and represent the only bright spot in this year's revenue picture. Liquor tax revenues shared with cities on a per-capita formula are running 15.3% ahead of last year. Cigarette taxes shared with cities are even 1 percent ahead of last year. Liquor revenues shared with cities using a complicated formula are even with last year. Overall, this revenue category is about 8.3 percent ahead of last year.

Bureau fee and permit revenues continue to holdup well but Parks fee revenues are currently running 2.4 percent behind last year. Most other fee and permit revenue categories are running well ahead of last year.

General Fund expenditures at AP-6 total about \$158.2 million vs. last year's \$158.9 million, about even compared to last year. Spending comparisons continue to be difficult in the absence of a contract with Portland Police Association (PPA). In addition, accounting for business license refunds as a "contra-revenue" instead of as an expenditure muddies the waters.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	\$383,186,251
* Expense Range.....(High).....	\$358,583,236
*(Low).....	\$355,480,891
* Expenses At AP-6(*).....	\$158,211,200
Versus Year-Ago..Up.....	-0.5%
(*) Net of Short Term Borrowing	
NOTEWORTHY AT AP-6	
* Personal Services UP 1.5% vs. year-ago	
* All M&S DOWN -12% vs. year-ago	
* Capital Outlays UP 40.7% vs. year-ago	

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

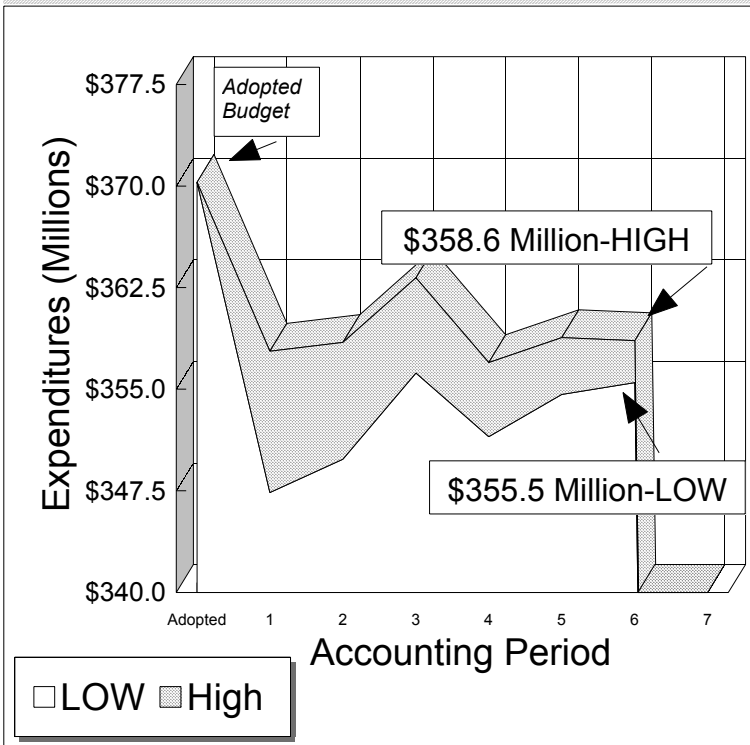


Figure 2-General Fund Expenditures, FY2003-04

Personal services expenditures are running 1.5% ahead of last year despite the fact that the labor contract with sworn Police personnel remains unsettled. This represents a worrisome trend.

External materials and services expenses total about \$21.6 million versus \$25.7 million last year. Netting out about \$3.15 million in business license refunds from last year's number gets a comparison of \$21.6 million \$22.5 million. On an "apple to apple" basis expenses are about 3.8 percent below last year at period 6.

Internal materials and services trail last year at period 6, while capital outlays total \$1.8 million versus last year's 1.3 million. The capital outlay budget of \$2.6 million should be spent by year-end.

The Estimated Year-End General Fund Balance at AP-6 ranges from \$5.6 (Low) to \$19.0 million (High). The "point estimate" is at \$9.236 million versus the December financial forecast estimate of \$9.984 million. Revenues continue to weaken while expense rates, particularly for personal services seemed to have strengthened at midyear. Materials and services expenditure rates are "quiet" with expenses trailing last year for the moment. The ending balance range currently runs from \$4.8 million to \$19.0 million. The top end is uncharacteristically low for this time of year. The General Fund's ending FY2003-04 balance depends critically on where several key non-discretionary revenue categories land at year-end. For example, grant revenues at period 6 are budgeted at \$17.5 million with revenues of \$3.2 million at period 6 versus \$1.8 million last year, but we are half way through the year. Bureau inter-agency revenues are budgeted at \$26.1 million with revenues to-date \$3.9 million compared to \$6.8 million last year. So for these two revenue streams the message is mixed.

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$364,205,585	\$374,491,308
Expenses.....	\$358,583,236	\$355,480,891
End Balance	\$5,622,349	\$19,010,417

Ending Fund Balance Range

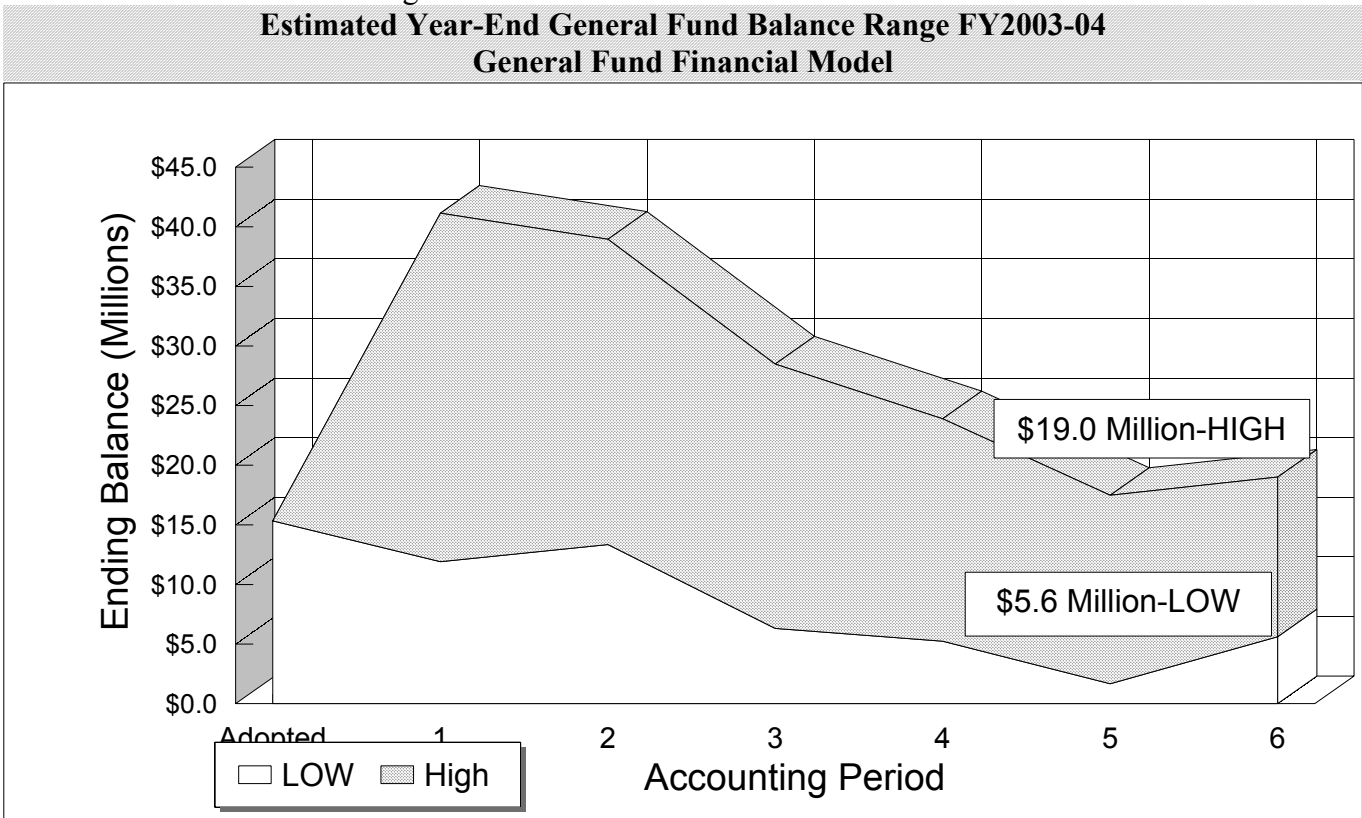


Figure 3-Estimated General Fund Balance, Year-End FY2003-04

The Jobless Recovery Continues

The national economy continues to shed the effects of recession but without any significant job growth. For the month of December Oregon lost the distinction of having the highest state-wide unemployment rate. The torch was passed to Alaska at 7.7 percent with Oregon and Michigan tied for second place at 7.2 percent. Washington dropped to 6.8 percent. Oregon's civilian labor force was estimated as slightly smaller than last December and registered a slight decline in the number of people unemployed. Still the State's unemployment, although very high, is down compared to recent months. For the country as a whole employment growth continues to be missing in action well into what is supposed to be a recovery phase. U.S. December nonfarm employment (not seasonally adjusted) stood at 130,955 versus 131,017 last December.

Table 1-General Fund Resources, FY2003-04			
GENERAL FUND RESOURCE CATEGORY	Through	Estimated	Revised
	AP-6		
INTERNAL REVENUES..... 41000			
Service Reimbursements.....	\$3,945,767	\$25,030,635	\$26,073,578
Other Internal & Transfers-IN.....	\$10,608,478	\$30,896,805	\$39,729,549
PROPERTY & LODGING TAXES 42100			
Property Taxes.....	\$128,517,717	\$149,220,585	\$148,899,888
Lodging Taxes.....	\$6,011,815	\$10,731,611	\$10,978,701
BUSINESS LICENSES, PERMITS.... 43000			
Business Licenses.....	\$8,331,113	\$37,129,184	\$34,271,312
Utility License/Franchise.....	\$25,016,126	\$55,415,899	\$57,235,993
Other Permits.....	\$1,142,718	\$2,314,133	\$2,863,825
SERVICE CHARGES & FEES..... 44000	\$5,682,159	\$12,439,483	\$12,830,411
STATE, FEDERAL SOURCES..... 46000	\$3,162,093	\$9,337,409	\$9,520,137
LOCAL SOURCES (Contracts)..... 47000	\$4,704,358	\$9,152,873	\$15,108,088
MISC. REVENUES & INTEREST..... 49400	\$2,171,923	\$4,979,871	\$6,284,937
TAX ANTICIPATION NOTES/Note Sales.....	\$0	\$0	\$0
BEGINNING FUND BALANCE.....	\$16,960,303	\$16,960,303	\$16,962,859
ENCUMBRANCE & CARRYOVER.....	\$2,426,973	\$2,426,973	\$2,426,973
GENERAL FUND RESOURCE TOTAL	\$218,681,543	\$366,035,764	\$383,186,251
Estimated Percent Of Budget Resources Realized	57.1%	95.5%	

Table 2-General Fund Expenditures, FY2003-04			
GENERAL FUND EXPENDITURES	Through	Estimated	Revised
	AP-6		
Salaries & Wages.....	\$72,573,433	\$157,442,020	\$168,823,537
Overtime.....	\$3,463,191	\$7,439,519	\$7,495,409
Benefits.....	\$17,014,166	\$35,741,352	\$37,585,604
Premium & Part-Time.....	\$8,685,213	\$16,553,251	\$17,735,274
TOTAL PERSONAL SERVICES.....	\$101,736,003	\$217,176,142	\$231,639,825
Estimated Percent Of Budget Spent.....	43.9%	93.8%	
EXTERNAL MATERIALS & SERVICES.....	\$21,645,890	\$55,153,316	\$65,083,542
Estimated Percent Of Budget Spent.....	33.3%	84.7%	
INTERNAL MATERIALS & SERVICES.....	\$17,767,261	\$46,256,121	\$47,249,223
Estimated Percent Of Budget Spent.....	37.6%	97.9%	
CAPITAL OUTLAY.....	\$1,767,881	\$2,616,976	\$2,616,976
Estimated Percent Of Budget Spent.....	67.6%	100.0%	
CONTINGENCY & UNFORESEEN.....	\$0	\$1,400,000	\$2,400,000
FUND CASH TRANSFERS.....	\$15,294,165	\$34,196,685	\$34,196,685
INVENTORY.....	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$158,211,200	\$356,799,240	\$383,186,251
Estimated Percent Of Budget Spent.....	41.3%	93.1%	

Table 3-General Fund Expenditures By Appropriation Unit, FY2003-04					
Percent Of Year Gone...	46.2%				
Percent Year Left.....	53.8%				
AU Description	AU#	Through AP-6	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	\$54,285,686	\$124,729,881	\$132,908,739	40.8%
Fire Bureau.....	124	\$32,986,148	\$70,228,570	\$70,648,610	46.7%
Bureau Of Parks.....	130	\$20,070,725	\$44,760,717	\$47,234,087	42.5%
Subtotal-Public Safety and Parks		\$107,342,559	\$239,719,168	\$250,791,436	42.8%
Commissioner #2 (Sten)	190	\$283,139	NA	\$628,029	45.1%
Commissioner #4 (Leonard)	191	\$253,470	NA	\$623,902	40.6%
Commissioner #3 (Saltzman)	192	\$372,609	NA	\$769,459	48.4%
Commissioner #1 (Francesconi)	193	\$278,844	NA	\$671,831	41.5%
Office Of The Mayor	195	\$613,488	NA	\$1,401,811	43.8%
Operating Contingency...	298	\$6	\$400,000	\$400,000	NA
Unforeseen Revenues..	298	\$0	\$1,000,000	\$2,000,000	NA
Other Cash Transfers.....	299	\$15,294,165	\$34,196,685	\$34,195,185	44.7%
Office of Cable Com.....	300	\$695,717	NA	\$1,825,499	38.1%
Emergency Management	110	\$431,674	NA	\$1,098,282	NA
Office-Sus. Develop.....	302	\$654,396	NA	\$3,394,787	19.3%
Government Relations..	303	\$339,054	NA	\$737,258	46.0%
Office Of Man. & Fin.....	307	\$10,095,957	NA	\$26,199,783	38.5%
Office Of City Attorney....	312	\$2,288,487	NA	\$5,243,044	43.6%
Business Licenses.....	316	\$2,133,228	NA	\$8,745,121	24.4%
Purchases & Stores.....	319	\$0	NA	\$0	NA
Stock Account.....	325	\$18,431	NA	\$25,000	NA
City Auditor.....	336	\$3,004,055	NA	\$6,983,943	43.0%
Unused Line.....		\$0	NA	\$0	NA
Office Neigh. Involve.....	342	\$3,457,711	NA	\$7,518,757	46.0%
Bureau General Svces.....	346	\$0	NA	\$0	NA
Unused Line.....		\$0	NA	\$0	NA
Special Appropriations....	401	\$2,672,214	NA	\$6,235,210	42.9%
Bureau Of Planning.....	510	\$3,258,110	NA	\$8,688,226	37.5%
Bureau Com. Develop.....	540	\$4,828,367	NA	\$15,014,518	32.2%
Subtotal-All Other AUs.....		\$50,973,122	\$117,124,141	\$132,399,645	38.5%
General Fund Total-All AUs		\$158,315,681	\$356,843,310	\$383,191,081	41.3%

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	1st Quarter	4th 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.