

City of Portland
Office of Management & Finance
THE FINANCIAL OUTLOOK

Accounting Period 7
(Dec. 18, 2003 to Jan. 14, 2003)

General Fund Financial Outlook
(Issue Date: Feb. 25, 2003)

Estimated Year-End General Fund Resources At AP-07 are forecast to range from \$364.2 million (LOW) to \$373.1 million (HIGH). Estimated revised budget, period 7, remains at \$383.2 million. Revised budget is about \$12.9 million above Council's Adopted Budget. As of period 7 of this fiscal year revenues appear to be behind last year by about one-half of one-percent. Revenues remain weak, and continue to reflect a metro-area economy that continues to have one of the top one or two highest unemployment rates nationwide. Property taxes are up about 2.8 percent versus last year and are on track to come in right around revised budget of about \$149.2 million.

RESOURCE RECAP	
* IBIS Budgeted Resources.....	\$383,186,251
* Resource Range....(High).....	\$373,125,643
.....(Low).....	\$364,168,100
* Revenues At AP-7	\$201,431,552
Versus Year-Ago...UP.....	-0.46%
(*) Net of Short-Term Borrowing	
NOTEWORTHY AT AP-7	
* Hotel/Motel Down -6.2 % vs. year-ago	
* Utility License Down -5.4 % vs. year-ago	
* Property Taxes Up 2.8% vs. year-ago	

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

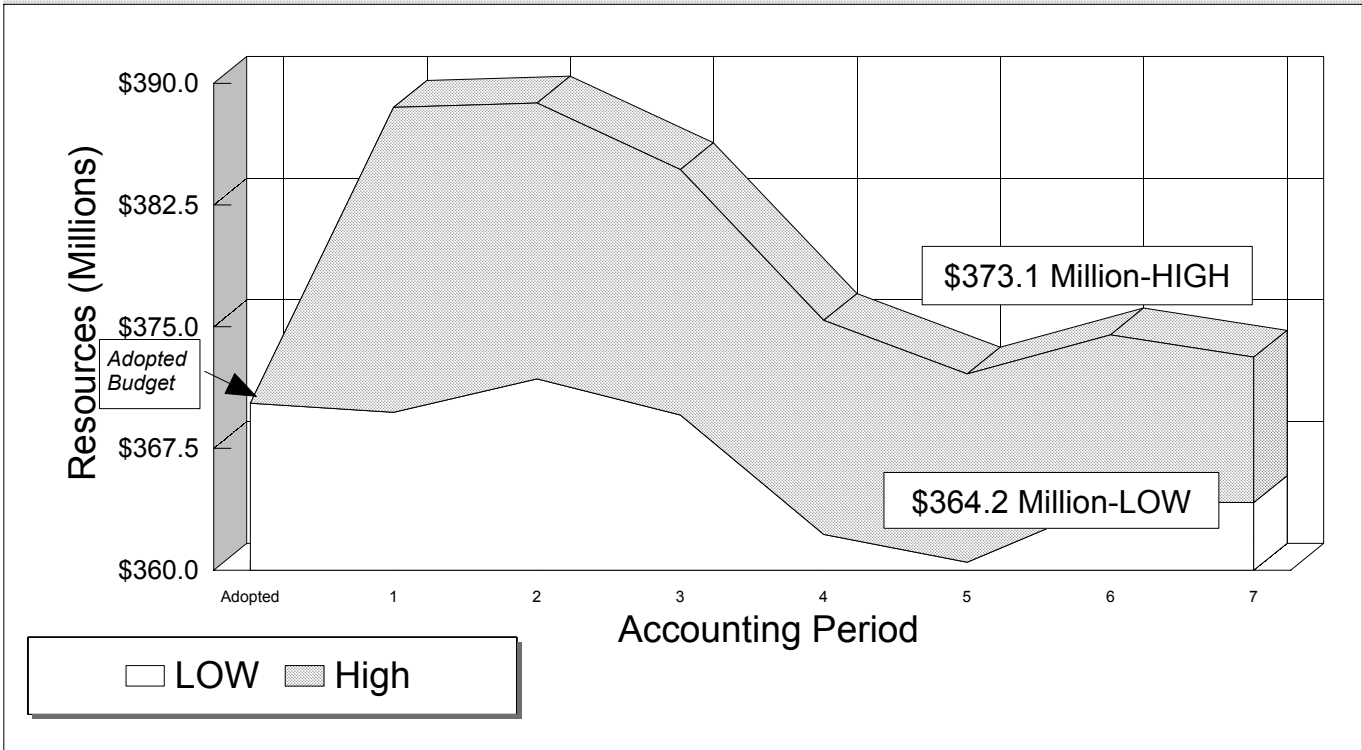


Figure 1-General Fund Resources, Year-End FY2003-04

The Bottom Line: Resources, year-end, are estimated to range from \$364.2 million (Low) to \$373.1 million (High). Budgeted resources are \$383.19 million. Year-end expenditure estimates range from \$355.4 million (Low) to \$357.6 million (High). Forecast year-end balance, beginning FY2004-05 balance, is forecast at somewhere between \$6.6 million (Low) to as much as \$17.7 million (High). This range is starting to narrow.

Utility license and franchise fees, particularly Qwest and energy (gas and electric), are not doing well. PGE revenues for the last 13 periods (12 months) total about \$15.76 million versus \$16.8 million at year-end last year. Revenues year-to-date are \$11.47 million versus \$12.58 million after three quarterly payments last year. The drop-off in revenues is probably due in large part to the impact of large electric rate increases on consumption. In addition, third quarter revenues were apparently impacted by some large refunds to an industrial customer. PGE revenues will probably be about \$800,000 short of budget at year-end.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	\$383,186,251
* Expense Range.....(High).....	\$357,567,842
*(Low).....	\$355,380,766
* Expenses At AP-7(*).....	\$181,976,127
Versus Year-Ago..Up.....	-0.7%
(*) Net of Short Term Borrowing	
NOTEWORTHY AT AP-7	
* Personal Services UP 1.9% vs. year-ago	
* All M&S DOWN -7% vs. year-ago	
* Capital Outlays UP 53.8% vs. year-ago	

Northwest Natural franchise fees for the past 12 months total about \$7.22 million versus a year-end last year of about \$6.73 million and a current year budget of \$7.70 million. Even with a large fourth quarter payment expected as a result of the January cold snap, revenues are likely to be \$250,000 to \$300,000 short of budget. Qwest franchise fees at year-end will total about \$5 million versus a \$5.6 million budget.

Bureau fee and permit revenues continue to be about the only bright spot in the revenue picture. Parks' main fee revenue category is up about 2.1 percent over last year at this time. Miscellaneous fee and permit revenue continue to run well ahead of last year, and miscellaneous revenues are also well ahead of last year.

General Fund expenditures at AP-7 total about \$182.0 million vs. last year's \$183.2 million, and remain even with last year. Spending, particularly in the materials and services areas continues to lag behind last year. External materials and services are about 9.8 percent behind last year, adjusted for the difference in business license refund expenses. Internal materials and services are running about 5 percent behind last year, period 7. The budget cuts in the General fund over the course of the last several years have clearly slowed spending.

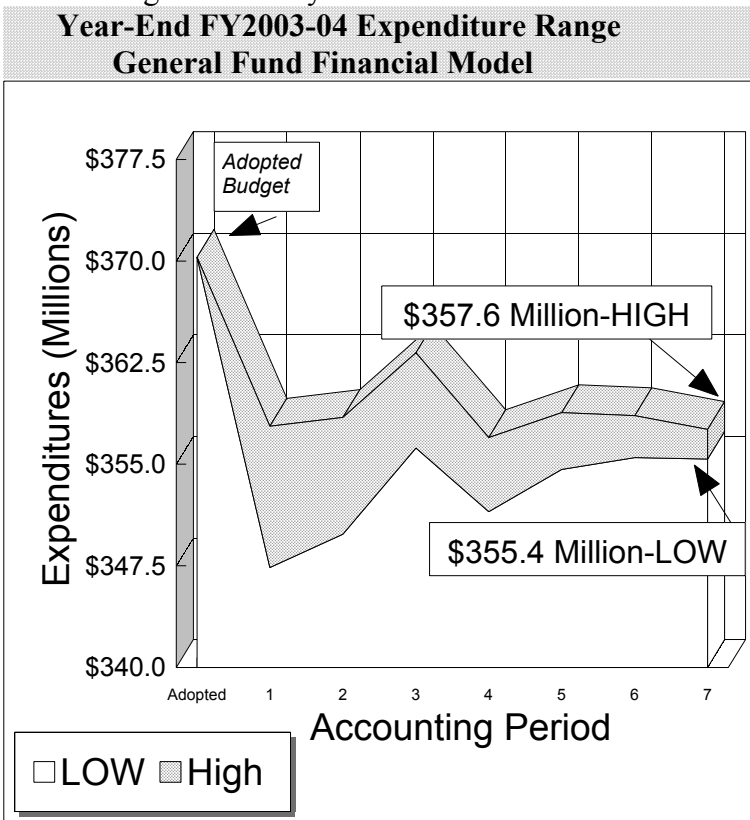


Figure 2-General Fund Expenditures, FY2003-04

Personal services expenditures to-date total about \$118.8 million versus \$116.6 million last year. Despite the fact that Police sworn personnel have not had any cost-of-living increases in over 18 months, expenses are up almost 2 percent over last year. A large portion of this strength in spending is located in the Fire Bureau. Here, year-to-date personal services expenses are \$32.5 million versus \$30.2 million last year, up 7.5% from last year at period 7.

Capital outlays total \$2.0 million at period 7, and are about \$700,000 higher than last year. Revised budget at period 7 is about \$2.62 million.

The Estimated Year-End General Fund Balance at AP-7 ranges from \$6.6 (Low) to \$17.7 million (High). The "point estimate" is \$10.209 million versus the December financial forecast estimate of \$9.984 million. For all practical purposes these two estimates are the same number. No forecast is good enough at mid-year to make such a small difference meaningful. The financial forecast for the Mayor's Proposed Budget uses the slightly higher period 7 point estimate of \$10.209 million. There is a lot of risk here as well as uncertainty. The Portland Police Association (PPA) is still an interest arbitration with the City. The outcome of these proceedings will probably not be known until sometime in late April to middle of May. One thing that is certain is that current personal services expenditure rates are abnormally low because, at present, 19 months of PPA cost-of-living increases are not reflected in actual spending numbers. The year-end estimate includes an allowance for the City's last best offer. An arbitration award to PPA means at least an initial \$1 to \$2 million more of expenses and a lower ending fund balance.

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$364,168,100	\$373,125,643
Expenses.....	\$357,567,842	\$355,380,766
End Balance	\$6,600,258	\$17,744,877

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

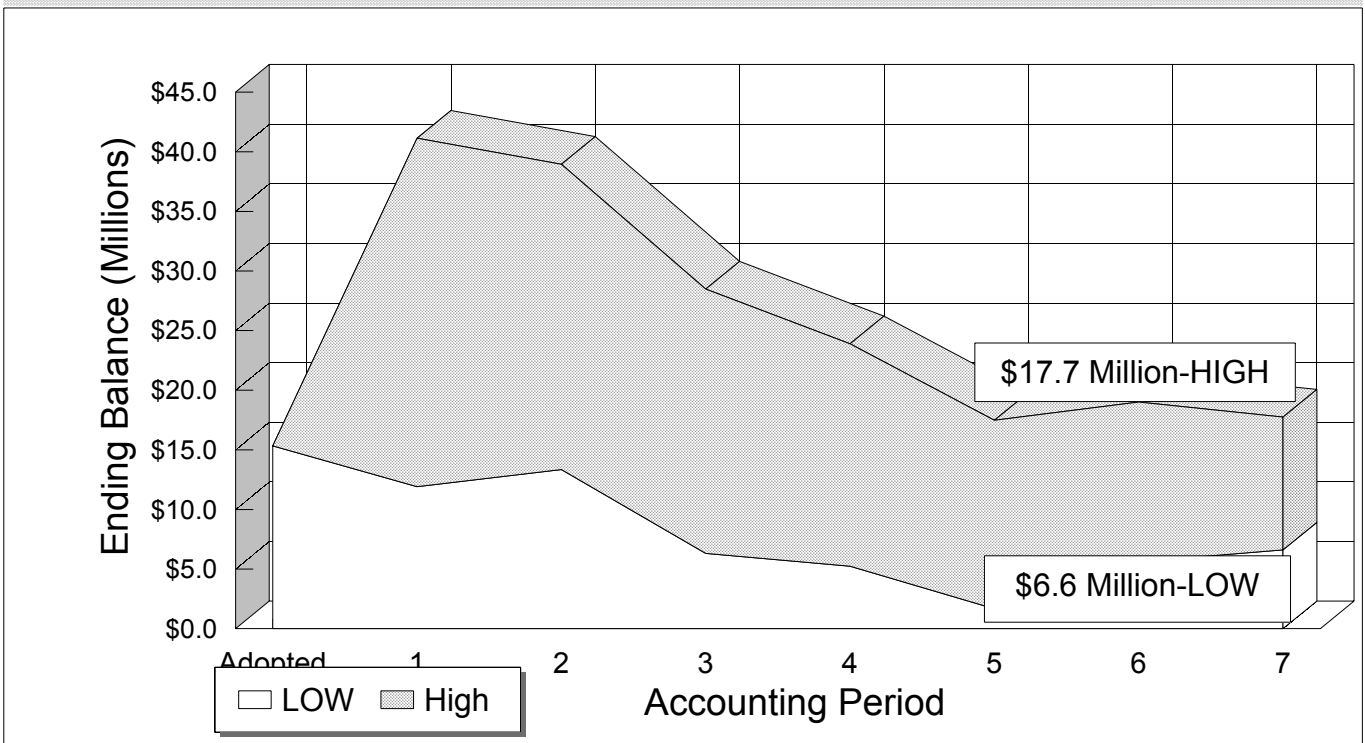


Figure 3-Estimated General Fund Balance, Year-End FY2003-04

Recession Harder On Portland Area Than Rest Of State

Art Ayre, a State Employment Economist, writes in the February "Oregon Labor Trends" that, "...in this recession it is the Portland area rather than the balance of the state that has suffered the most severe job losses." In addition, this piece points out that this recession can be characterized as the fourth most severe recession among downturns in Oregon in the post-World War II period. Nonfarm payroll employment peaked in Oregon in November of 2000, and a full three years later at the end of calendar 2003 Oregon employment rests at 3.2 percent below this peak and at about the same level as two years ago. This contrasts to the recession of the early 1990s where the Portland area experienced modest employment growth while the rest of the state lost jobs. During the recession of the 1980s Portland lost fewer jobs than were lost state-wide.

Table 1-General Fund Resources, FY2003-04				
GENERAL FUND RESOURCE CATEGORY		Through	Estimated	Revised
		AP-7	Year-End	Budget
INTERNAL REVENUES.....	41000			
Service Reimbursements.....		\$4,774,456	\$25,030,635	\$26,073,578
Other Internal & Transfers-IN.....		\$12,210,133	\$31,038,623	\$39,729,549
PROPERTY & LODGING TAXES	42100			
Property Taxes.....		\$131,386,156	\$149,220,585	\$148,899,888
Lodging Taxes.....		\$6,034,334	\$10,298,095	\$10,978,701
BUSINESS LICENSES, PERMITS....	43000			
Business Licenses.....		\$8,798,616	\$37,211,758	\$34,271,312
Utility License/Franchise.....		\$25,398,136	\$55,441,356	\$57,235,993
Other Permits.....		\$1,428,048	\$2,410,707	\$2,663,825
SERVICE CHARGES & FEES.....	44000	\$6,372,225	\$12,308,594	\$12,830,411
STATE, FEDERAL SOURCES.....	46000	\$3,606,878	\$9,337,409	\$9,520,137
LOCAL SOURCES (Contracts).....	47000	\$5,355,927	\$9,367,837	\$15,108,088
MISC. REVENUES & INTEREST.....	49400	\$2,457,647	\$4,945,215	\$6,484,937
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		\$227,209,832	\$365,998,090	\$383,186,251
Estimated Percent Of Budget Resources Realized		59.3%	95.5%	

Table 2-General Fund Expenditures, FY2003-04				
GENERAL FUND EXPENDITURES		Through	Estimated	Revised
		AP-7	Year-End	Budget
Salaries & Wages.....		\$85,477,882	\$156,696,376	\$168,823,537
Overtime.....		\$3,906,007	\$7,476,617	\$7,539,505
Benefits.....		\$19,860,846	\$36,270,448	\$37,566,154
Premium & Part-Time.....		\$9,591,087	\$16,432,497	\$17,710,629
TOTAL PERSONAL SERVICES.....		\$118,835,822	\$216,875,938	\$231,639,825
Estimated Percent Of Budget Spent.....		51.3%	93.6%	
EXTERNAL MATERIALS & SERVICES.....		\$23,980,994	\$54,863,475	\$65,083,542
Estimated Percent Of Budget Spent.....		36.8%	84.3%	
INTERNAL MATERIALS & SERVICES.....		\$20,576,665	\$45,835,823	\$47,249,223
Estimated Percent Of Budget Spent.....		43.5%	97.0%	
CAPITAL OUTLAY.....		\$2,002,201	\$2,616,976	\$2,616,976
Estimated Percent Of Budget Spent.....		76.5%	100.0%	
CONTINGENCY & UNFORESEEN.....		\$0	\$1,400,000	\$2,400,000
FUND CASH TRANSFERS.....		\$16,580,445	\$34,196,685	\$34,196,685
INVENTORY.....		\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL		\$181,976,127	\$355,788,897	\$383,186,251
Estimated Percent Of Budget Spent.....		47.5%	92.9%	

Table 3-General Fund Expenditures By Appropriation Unit, FY2003-04					
Percent Of Year Gone...	53.8%				
Percent Year Left.....	46.2%				
AU Description	AU#	Through AP-7	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	\$64,057,340	\$121,881,973	\$132,908,739	48.2%
Fire Bureau.....	124	\$38,162,437	\$68,032,366	\$70,648,610	54.0%
Bureau Of Parks.....	130	\$22,869,475	\$44,422,440	\$47,234,087	48.4%
Subtotal-Public Safety and Parks		\$125,089,252	\$234,336,779	\$250,791,436	49.9%
Commissioner #2 (Sten)	190	\$328,119	NA	\$628,029	52.2%
Commissioner #4 (Leonard)	191	\$294,498	NA	\$623,902	47.2%
Commissioner #3 (Saltzman)	192	\$435,744	NA	\$769,459	56.6%
Commissioner #1 (Francesconi)	193	\$324,195	NA	\$671,831	48.3%
Office Of The Mayor	195	\$731,139	NA	\$1,401,811	52.2%
Operating Contingency...	298	\$6	\$400,000	\$400,000	NA
Unforeseen Revenues..	298	\$0	\$1,000,000	\$2,000,000	NA
Other Cash Transfers.....	299	\$16,580,445	\$34,196,685	\$34,195,185	48.5%
Office of Cable Com.....	300	\$747,626	NA	\$1,825,499	41.0%
Emergency Management	110	\$510,782	NA	\$1,098,282	NA
Office-Sus. Develop.....	302	\$736,543	NA	\$3,394,787	21.7%
Government Relations..	303	\$376,871	NA	\$737,258	51.1%
Office Of Man. & Fin.....	307	\$11,549,016	NA	\$26,199,783	44.1%
Office Of City Attorney....	312	\$2,662,267	NA	\$5,243,044	50.8%
Business Licenses.....	316	\$2,473,187	NA	\$8,745,121	28.3%
Unused Line.....		\$0	NA	\$0	NA
Stock Account.....	325	\$19,642	NA	\$25,000	NA
City Auditor.....	336	\$3,432,807	NA	\$6,983,943	49.2%
Unused Line.....		\$0	NA	\$0	NA
Office Neigh. Involve.....	342	\$4,051,637	NA	\$7,518,757	53.9%
Unused Line.....		\$0	NA	\$0	NA
Unused Line.....		\$0	NA	\$0	NA
Special Appropriations....	401	\$2,820,957	NA	\$6,235,210	45.2%
Bureau Of Planning.....	510	\$3,738,781	NA	\$8,688,226	43.0%
Bureau Com. Develop.....	540	\$5,190,886	NA	\$15,014,518	34.6%
Subtotal-All Other AUs.....		\$57,005,148	\$118,621,656	\$132,399,645	43.1%
General Fund Total-All AUs		\$182,094,400	\$352,958,435	\$383,191,081	47.5%

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.