

City of Portland
Office of Management & Finance
THE FINANCIAL OUTLOOK

Accounting Period 8
(Jan. 15, 2004 to Feb. 11, 2004)

General Fund Financial Outlook
(Issue Date: March 15, 2004)

Estimated Year-End General Fund Resources At AP-08 are forecast to range from \$363.6 million (LOW) to \$371.3 million (HIGH). Estimated revised budget, period 8, remains at \$383.2 million. Revised budget is about \$12.9 million above Council's Adopted Budget. As of period 8 of this fiscal year revenues are now about 2.24 percent ahead of revenues last year. Although revenues remain weak, period 8 represents one of the few accounting periods in this fiscal year for which the year to year comparison is positive. This is due in part to a surge in second trimester property tax receipts. If tax receipts are a little earlier this year the positive growth may not hold-up.

RESOURCE RECAP	
* IBIS Budgeted Resources.....	\$383,186,285
* Resource Range....(High).....	\$371,321,427
.....(Low).....	\$363,596,770
* Revenues At AP-8	\$214,790,957
Versus Year-Ago...UP.....	2.16%
(*) Net of Short-Term Borrowing	
NOTEWORTHY AT AP-8	
* Hotel/Motel Up 1.6 % vs. year-ago	
* Utility License Down -4.8 % vs. year-ago	
* Property Taxes Up 4.2% vs. year-ago	

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

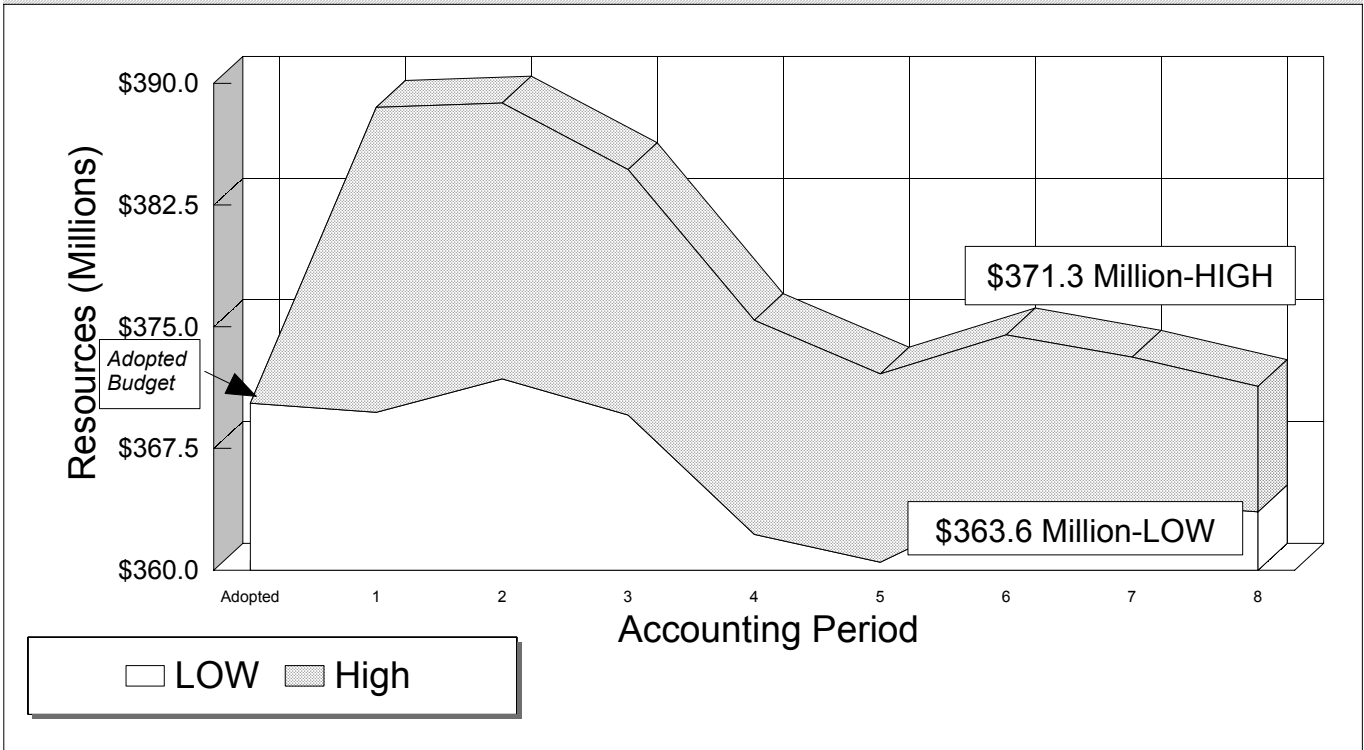


Figure 1-General Fund Resources, Year-End FY2003-04

The Bottom Line: Resources, year-end, are estimated to range from \$363.6 million (Low) to \$371.3 million (High). Budgeted resources are \$383.19 million. Year-end expenditure estimates range from \$354.7 million (Low) to \$358.3 million (High). Forecast year-end balance, beginning FY2004-05 balance, is forecast at somewhere between \$5.3 million (Low) to as much as \$16.6 million (High). This range continues to narrow.

Year over year revenue comparisons, discretionary revenues, continue to be quite dismal. Gross business license receipts total \$6.85 million versus \$8.73 million last year. A year over year comparison on the new net revenue concept suggest that net revenues total \$3.62 million versus an estimated \$4.2 million last year at period 8. The gross is down about 21 percent. Net revenues are down only about 13 percent, largely because refunds are running well behind last year.

Transient lodging taxes at the end of period 8 clocked in at 1.63 percent ahead of last year. Monthly data through the end of February however, put revenues 0.2% ahead of last year and 0.55% ahead last year's year-end with one quarter of revenues left to go. The January-March quarter is usually a weak quarter. Utility license and franchise fees remain about 5 percent behind last year. Total General Fund discretionary revenue adjusted for the business license difference appears to be about 0.5% behind last year.

Bureau fee and permit revenues remain only bright spots in the revenue picture. Parks' main fee revenue category slipped to 4.6% below last year at period 8, but most other miscellaneous fee and permit revenues continue to run well ahead of last year's levels.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	\$383,186,285
* Expense Range.....(High).....	\$358,272,628
*(Low).....	\$354,707,726
* Expenses At AP-8(*).....	\$208,555,278
Versus Year-Ago..Up.....	0.7%
(*) Net of Short Term Borrowing	
NOTEWORTHY AT AP-8	
* Personal Services UP 1.5% vs. year-ago	
* All M&S UP 0% vs. year-ago	
* Capital Outlays UP 50.1% vs. year-ago	

General Fund expenditures at AP-8 total about \$208.6 million vs. last year's \$207.2 million, remaining about even with last year. Analysis of spending at period 8 shows that spending unexpectedly strengthened. Internal materials and services are now running about 6.1 percent ahead of last year period 8. At period 7 internal "M and S" expenses were 5 percent behind last year at period 7.

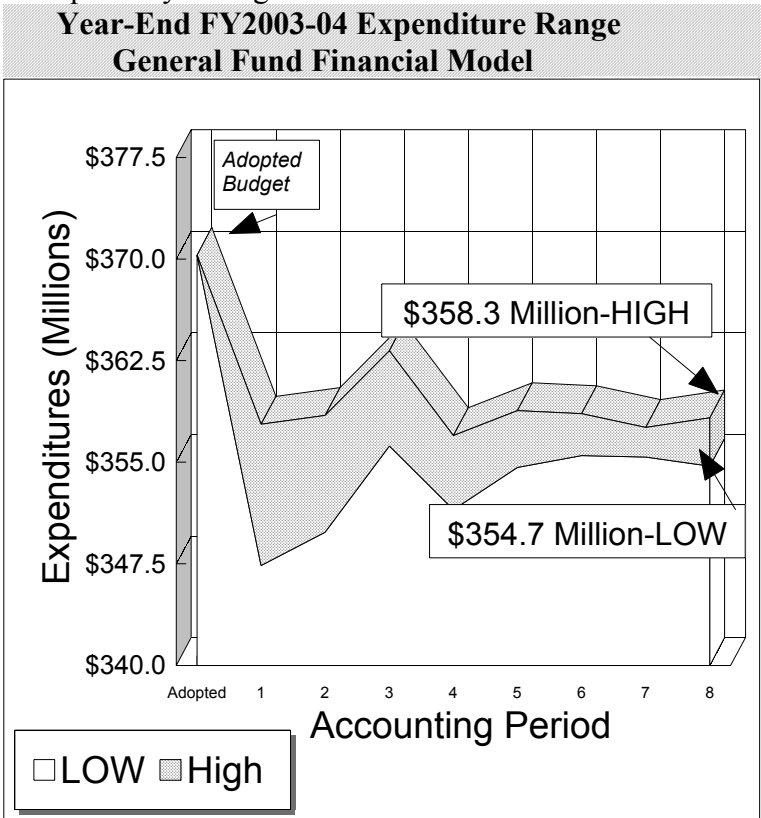


Figure 2-General Fund Expenditures, FY2003-04

Personal services expenditures to-date total about \$134.8 million versus \$132.8 million last year. Year-to-date expenses are now about 1.5 percent ahead of last year. The year over year percentage difference declined somewhat during period 8.

External materials and services spending totals \$28.3 million at period 8 versus an estimated \$26.5 million last year. Expenses appear to be about 6.8% ahead of last year at period 8. At period 7 external materials and services were about 6 percent behind last year.

Capital outlays remained at a \$2.0 million level during period 8. Expenses are still well ahead of last year. The year end estimate is unchanged at \$2.62 million.

The Estimated Year-End General Fund Balance at AP-8 ranges from \$5.3 (Low) to \$16.6 million (High). The "point estimate" this period drops to \$8.93 million versus a current financial forecast estimate of \$10.21 million. These two estimates are still reasonably close, but strengthening period 8 expenditure rates are pushing the expense side of the ending balance equation the wrong way. The on-going interest arbitration with Police remains one of the biggest uncertainties dogging year-end estimates. If the Portland Police Association (PPA) prevails in this interest arbitration a much larger "retro" will have to go out to sworn Police personnel towards the end of this fiscal year. That will have two financial impacts. General Fund ending balance will be lower than it otherwise would have been. General Fund out-year cost levels will be well above what is included in the current financial forecast. The gap that Council is trying to close in fashioning an FY2004-05 budget will be larger which in turn will necessitate larger bureau service level reductions, either prior to Adopted Budget or during the Fall Bump process.

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$363,596,770	\$371,321,427
Expenses.....	\$358,272,628	\$354,707,726
End Balance	\$5,324,142	\$16,613,700

Ending Fund Balance Range

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

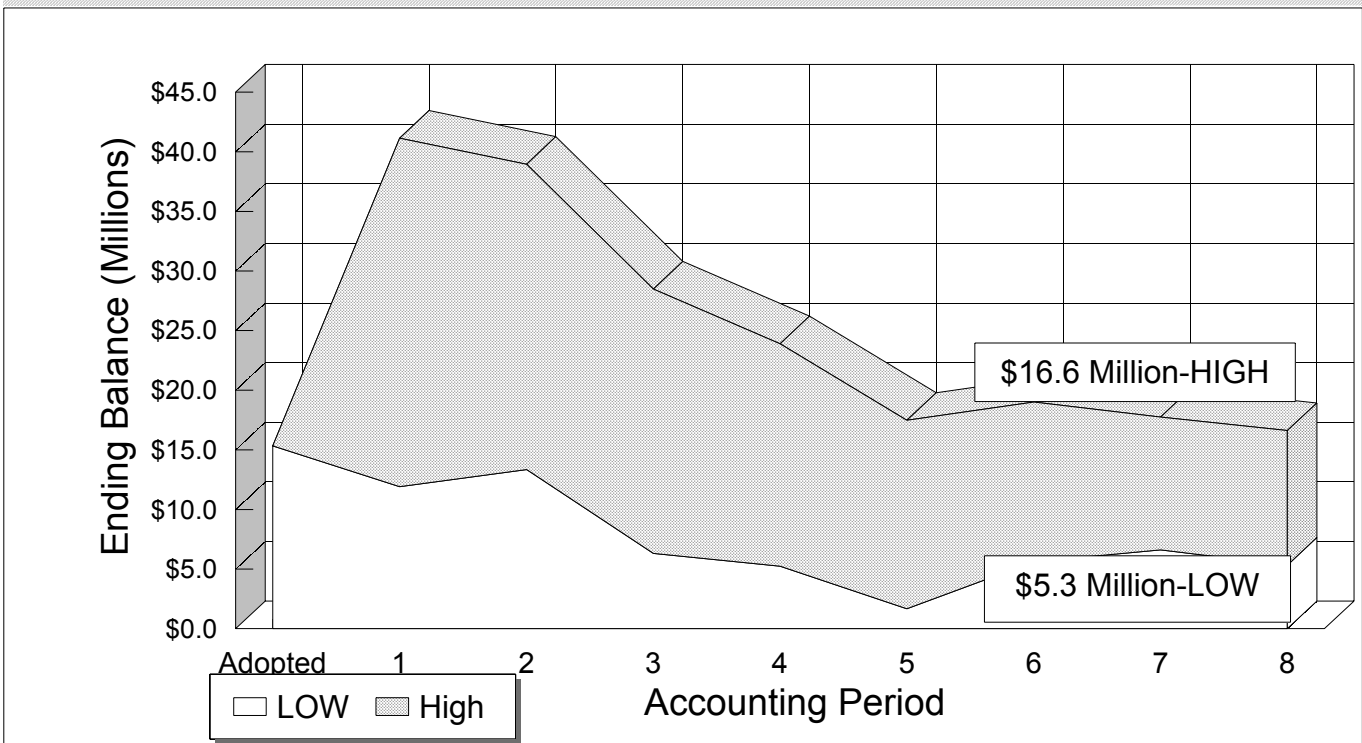


Figure 3-Estimated General Fund Balance, Year-End FY2003-04

Almost 40% Of Oregon Businesses Would Consider Relocating

According to a recent survey conducted by Rainier Group, 38% of Oregon companies surveyed could foresee relocating their company to another state. This is a sharp contrast to Washington state where only 21% of business owners gave a similar answer. Oregon owners also gave a rather grim picture of rating the current environment for their company. On a scale of 1 through 10 with 10 being the best, Oregon's business ranking dramatically dropped from 5.5 in previous quarter to 4.5 in first quarter of 2004. The average response in Washington state, however, has recently moved from 5.4 to 5.8. One positive note: 38% of business owners in Oregon said they plan to add more employees. This survey features the opinions of owners of large privately held companies with revenues ranging from \$10 million to \$1 billion, located primarily in Washington and Oregon.

Table 1-General Fund Resources, FY2003-04				
GENERAL FUND RESOURCE CATEGORY		Through	Estimated	Revised
		AP-8	Year-End	Budget
INTERNAL REVENUES.....	41000			
Service Reimbursements.....		\$6,833,043	\$23,466,220	\$26,073,578
Other Internal & Transfers-IN.....		\$15,720,445	\$30,350,606	\$39,729,549
PROPERTY & LODGING TAXES	42100			
Property Taxes.....		\$132,581,996	\$150,229,370	\$148,899,888
Lodging Taxes.....		\$8,531,377	\$10,798,598	\$10,978,701
BUSINESS LICENSES, PERMITS....	43000			
Business Licenses.....		\$9,750,127	\$37,368,778	\$34,271,346
Utility License/Franchise.....		\$26,707,363	\$54,356,332	\$57,235,993
Other Permits.....		\$1,711,834	\$2,608,659	\$2,663,825
SERVICE CHARGES & FEES.....	44000	\$7,294,734	\$12,534,240	\$12,830,411
STATE, FEDERAL SOURCES.....	46000	\$5,623,223	\$9,293,995	\$9,520,137
LOCAL SOURCES (Contracts).....	47000	\$7,130,847	\$10,547,902	\$15,108,088
MISC. REVENUES & INTEREST.....	49400	\$2,768,786	\$4,481,915	\$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		\$244,041,051	\$365,423,890	\$383,186,285
Estimated Percent Of Budget Resources Realized		63.7%	95.4%	

Table 2-General Fund Expenditures, FY2003-04				
GENERAL FUND EXPENDITURES		Through	Estimated	Revised
		AP-8	Year-End	Budget
Salaries & Wages.....		\$97,373,936	\$158,698,321	\$168,823,537
Overtime.....		\$4,422,489	\$7,863,013	\$7,530,263
Benefits.....		\$22,675,121	\$36,506,838	\$37,566,154
Premium & Part-Time.....		\$10,351,983	\$16,522,469	\$17,719,871
TOTAL PERSONAL SERVICES.....		\$134,823,529	\$219,590,640	\$231,639,825
Estimated Percent Of Budget Spent.....		58.2%	94.8%	
EXTERNAL MATERIALS & SERVICES.....		\$28,324,828	\$52,977,309	\$65,083,542
Estimated Percent Of Budget Spent.....		43.5%	81.4%	
INTERNAL MATERIALS & SERVICES.....		\$25,243,025	\$45,708,566	\$47,249,223
Estimated Percent Of Budget Spent.....		53.4%	96.7%	
CAPITAL OUTLAY.....		\$2,002,202	\$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.....		\$18,161,694	\$34,196,685	\$34,196,685
INVENTORY.....		\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL		\$208,555,278	\$356,490,177	\$383,186,251
Estimated Percent Of Budget Spent.....		54.4%	93.0%	

Table 3-General Fund Expenditures By Appropriation Unit, FY2003-04					
Percent Of Year Gone...	61.5%				
Percent Year Left.....	38.5%				
AU Description	AU#	Through AP-8	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	\$73,357,750	\$125,375,349	\$132,908,739	55.2%
Fire Bureau.....	124	\$43,208,894	\$70,392,514	\$70,648,610	61.2%
Bureau Of Parks.....	130	\$26,151,929	\$45,276,795	\$47,234,087	55.4%
Subtotal-Public Safety and Parks		\$142,718,573	\$241,044,659	\$250,791,436	56.9%
Commissioner #2 (Sten)	190	\$376,623	NA	\$628,029	60.0%
Commissioner #4 (Leonard)	191	\$340,938	NA	\$623,902	54.6%
Commissioner #3 (Saltzman)	192	\$506,698	NA	\$769,459	65.9%
Commissioner #1 (Francesconi)	193	\$372,799	NA	\$671,831	55.5%
Office Of The Mayor	195	\$823,367	NA	\$1,401,811	58.7%
Operating Contingency...	298	\$6	\$400,000	\$400,000	NA
Unforeseen Revenues..	298	\$0	\$1,000,000	\$2,000,000	NA
Other Cash Transfers.....	299	\$18,161,694	\$34,196,685	\$34,196,685	53.1%
Office of Cable Com.....	300	\$804,040	NA	\$1,825,499	44.0%
Emergency Management	110	\$573,737	NA	\$1,098,282	NA
Office-Sus. Develop.....	302	\$847,845	NA	\$3,394,787	25.0%
Government Relations..	303	\$432,973	NA	\$737,258	58.7%
Office Of Man. & Fin.....	307	\$13,809,322	NA	\$26,198,283	52.7%
Office Of City Attorney....	312	\$3,067,922	NA	\$5,243,044	58.5%
Business Licenses.....	316	\$2,847,567	NA	\$8,745,121	32.6%
Unused Line.....		\$180	NA	\$0	NA
Stock Account.....	325	\$6,575	NA	\$25,000	NA
City Auditor.....	336	\$3,948,813	NA	\$6,983,943	56.5%
Unused Line.....		\$0	NA	\$0	NA
Office Neigh. Involve.....	342	\$4,661,101	NA	\$7,518,757	62.0%
Unused Line.....		\$0	NA	\$0	NA
Unused Line.....		\$0	NA	\$0	NA
Special Appropriations....	401	\$3,708,691	NA	\$6,235,210	59.5%
Bureau Of Planning.....	510	\$4,295,233	NA	\$8,688,226	49.4%
Bureau Com. Develop.....	540	\$6,383,196	NA	\$15,014,518	42.5%
Subtotal-All Other AUs.....		\$65,969,320	\$118,660,603	\$132,399,645	49.8%
General Fund Total-All AUs		\$208,687,893	\$359,705,262	\$383,191,081	54.5%

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 (*)	0.4%	1.8%	Below 3.0%
Portland Unemployment Rate	8.0%	8.1%	Above 6.5%
Business License Revenue Growth	-4.5%	6.9%	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.

THE DATA CORNER
Recent Economic & Financial Data: CPI Data

The Bureau of Labor Statistics released Portland consumer price index information for the last half of calendar 2003 (first half,, fiscal 2004). Portland CPI indexes are published twice yearly and represent estimates for a six month period The last half of calendar 2003, July through December CPI-U came in at 1.4% above the same six month period year-ago. The CPI-W increase came in at 1.5% above year-ago. These annual increases are higher than last year but still reflecting lower inflation. The table below summarizes recent CPI -U and W data .

CPI-U, PORTLAND-SALEM, All Urban Consumers (1982-84=100)						
	Jan.- June	12 Month	July - Dec.	12 Month	Annual	12 Month
Year	CPI-U	% Change	CPI-U	% Change	Average	% Change
1992	138.8	4.5%	140.9	4.3%	139.8	4.4%
1993	143.6	3.5%	145.8	3.5%	144.7	3.5%
1994	147.7	2.9%	150.1	2.9%	148.9	2.9%
1995	152.5	3.2%	153.9	2.5%	153.2	2.9%
1996	157.2	3.1%	160.0	4.0%	158.6	3.5%
1997	162.6	3.4%	165.5	3.4%	164.1	3.4%
1998	166.1	2.2%	168.1	1.6%	167.1	1.9%
1999	170.8	2.8%	174.4	3.7%	172.6	3.3%
2000	176.4	3.3%	179.5	2.9%	178.0	3.1%
2001	181.2	2.7%	183.6	2.3%	182.4	2.5%
2002	183.5	1.3%	184.0	0.2%	183.8	0.7%
2003	186.0	1.4%	186.5	1.4%	186.3	1.4%

CPI-W, PORTLAND-SALEM, Urban Wage Earners (1982-84=100)						
	Jan.- June	12 Month	July - Dec.	12 Month	Annual	12 Month
Year	CPI-W	% Change	CPI-W	% Change	Average	% Change
1992	135.5	4.6%	137.7	4.2%	136.6	4.4%
1993	140.3	3.5%	142.6	3.6%	141.5	3.6%
1994	144.3	2.9%	146.8	2.9%	145.6	2.9%
1995	149.1	3.3%	150.7	2.7%	149.9	3.0%
1996	153.9	3.2%	156.5	3.8%	155.2	3.5%
1997	159.0	3.3%	161.7	3.3%	160.4	3.3%
1998	162.2	2.0%	163.5	1.1%	162.9	1.6%
1999	166.2	2.5%	169.6	3.7%	167.9	3.1%
2000	171.8	3.4%	174.6	2.9%	173.2	3.2%
2001	176.4	2.7%	178.5	2.2%	177.5	2.5%
2002	178.7	1.3%	179.3	0.4%	179.0	0.9%
2003	181.7	1.7%	182.0	1.5%	181.9	1.6%

CPI data is widely available and can be accessed in the following ways:

- CPI 24 Hour Hotline for Portland (503) 231-2045
- Bureau of Labor Statistics-San Francisco (415) 975-4406
- The Bureau of Labor Statistics Web Site can be accessed at:

<http://www.bls.gov/ro9news.htm> then click "Pacific Cities and U.S. City Average"