City of Portland Office of Management & Finance

THE FINANCIAL OUTLOOK

Accounting Period 10 (March 11, 2004 to April, 7, 2004) General Fund Financial Outlook (Issue Date: May 5, 2004)

Estimated Year-End General Fund Resources At AP-10 are forecast to range from \$368.3 million (LOW) to \$374.0 million (HIGH). Estimated revised budget, period 10, rose to \$391.8 million. Revised budget is about \$21.5 million above Council's Adopted Budget. As of period 10 of this fiscal year revenues are now about 4.05 percent ahead of revenues last year. Grant, inter-agency, and bureau fee revenues continue to propel overall General Fund revenue growth. Discretionary revenue growth remains positive, but slipped to a 0.7 percent year-over-year * Utility License Down -2.9 % vs. year-ago increase versus 2.1 percent at period 9. Growth however, * Property Taxes Up 1.4% vs. year-ago remains in positive territory.

* IBIS Budgeted Resources	\$391,817,869
* Resource Range(High)	\$373,961,960
(Low)	\$368,284,089
* Revenues At AP-10	\$283,083,906
Versus Year-AgoUP	4.05%
(*) Net of Short-Term Borrov	ving
NOTEWORTHY AT	AP-10
* Hotel/Motel Up 2.0 % vs. year-	ago

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

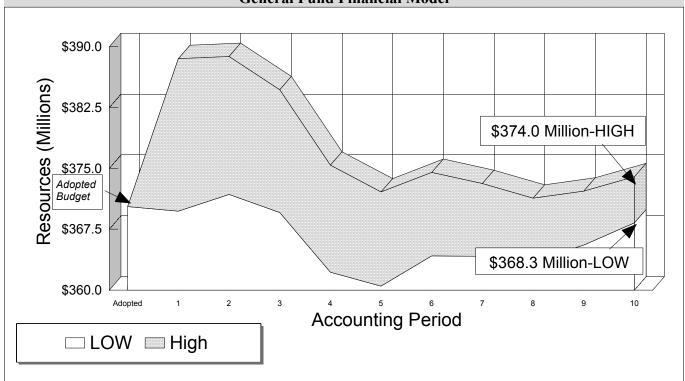


Figure 1-General Fund Resources, Year-End FY2003-04

The Bottom Line: Resources, year-end, are estimated to range from \$368.3 million (Low) to \$374.0 million (High). Budgeted resources are \$391.82 million. Year-end expenditure estimates range from \$353.3 million (Low) to \$356.9 million (High). Forecast year-end balance, beginning FY2004-05 balance, is forecast at somewhere between \$11.4 million (Low) to as much as \$20.6 million (High). This ending balance range continues to narrow.

Transient lodging taxes as of period 10 are up 2 percent over last year. This revenue category is clearly starting to show some growth, providing some tantalizing evidence that the local area economy is starting to finally shake off the effects of recession. These revenues typically follow the business cycle, thus the fact that revenues are registering growth seems to indicate that business activity is picking up.

Business license revenues, another cyclical revenue, are
about even with to slightly below last year at period 10. If
the metro-area economy is coming out of recession, then

EXPENDITURE RI	ECAP
* IBIS Budgeted Expenses	\$391,817,869
* Expense Range(High)	\$356,880,474
*(Low)	\$353,329,425
* Expenses At AP-10(*)	\$269,576,483
Versus Year-AgoUp	3.3%
(*) Net of Short T	Term Borrowing
NOTEWORTHY AT	`AP-10
* Personal Services UP 1.5% vs. yea	ır-ago
* All M&S UP 2% vs. year-ago	

* Capital Outlays UP 20.9% vs. year-ago

we would expect to see revenue growth emerge during the course of next fiscal year. Transient lodging tax revenues are paid quarterly and thus they are quicker to reflect rising levels of economic activity. Business license revenues are paid on an annual basis, hence there can be a considerable lag between a pickup in the local economy and the reemergence of growth in this revenue category. At present there appears to be some evidence that the area is emerging from recession.

Bureau fee and permit revenues continue to holdup well. Parks' main fee revenue category fell behind last year at period 10. Other miscellaneous fee and permit revenues continue to do well when compared to last year's revenues at period 10.

General Fund expenditures at AP-10 total about \$269.6 million vs. last year's \$260.9 million. Expenditure growth continues to accelerate. Expenses are now running about 3.3 percent ahead of last year, after being even with year-ago at period 8 and about 2 percentage points ahead of last year

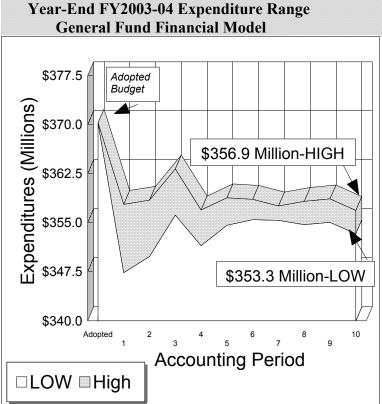


Figure 2-General Fund Expenditures, FY2003-04

at period 9. Personal services growth slipped about 0.5 percent in period 9 to about 1.5 percent ahead of year-ago. This is still a surprising number given no general wage and salary increases for sworn Police personnel. The year-end personal services expense estimate is down about \$4 million on the assumption that retroactive COLA increases for sworn Police personnel will probably not hit the books until sometime in early FY2004-05.

External materials and services are about \$1.1 million (1.5%) ahead of last year despite the fact that about \$5 million of business license refunds are no longer expensed against an appropriation. Internal materials and services continue to be erratic at 2% ahead of year-ago.

Capital outlays now total about \$2.5 million as of period 10. Revised budget remains at \$3.4 million. It is likely that this budget will be 100 percent spent at year-end.

The Estimated Year-End General Fund Balance at AP-10 ranges from \$11.4 (Low) to \$20.6 million (High). The "point estimate" this period increases from \$10.5 to about \$15.03 million. This point estimate is up by approximately \$4 million. This estimate results from assuming that the Police interest arbitration will not be resolved until sometime very late this fiscal year (FY2003-04). Thus, under the City's last best offer retroactive wage and salary increases for both FY2002-03 and FY2003-04 will have to be be carried over so that the funds for PPA retro-checks can be rebudgeted for payout sometime during the upcoming fiscal year. The year-end personal services estimate has been revised to reflect ex-

pectation. The General Fund's year-end personal services expenditure estimate is down net about \$4 million compared to the period 9 year-end estimate. Most of this difference is located in Police Bureau personal services year-end estimates for the current fiscal year. As noted in previous OLITLOOKs a decision in the interest arbitration is expect-

Estimated	d Year-End Bala	nce Range
Item	Low	High
Resources	\$368,284,089	\$373,961,960
Expenses	\$356,880,474	\$353,329,425
End Balance	\$11,403,615	\$20,632,535

OUTLOOKs, a decision in the interest arbitration is expect- *Ending Fund Balance Range* ed sometime late this fiscal year, possibly late in May or sometime in June.

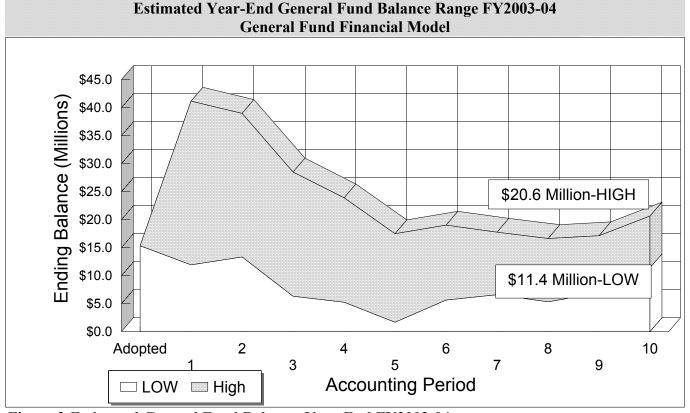


Figure 3-Estimated General Fund Balance, Year-End FY2003-04

U.S. Experiencing Most Robust Housing Market In Years

By all measures, 2003 was an extraordinary year for housing. According to a recent report by U.S. Department of Housing and Urban Development, records were set for single family permits, starts and completion, new single-family home sales, existing single-family home sales, mortgage interest rate, and the home ownership rate. While overall GDP grew by 3.1% in 2003, housing or residential fixed investment grew by 7.6%. The multifamily sector did not fare as well, primarily because the robust single family market is taking sales away from multifamily sector, causing record high vacancies. According to the report, the Portland metro area registered 10 to 13 percent increase in number of homes sold, and median sales prices in Portland area rose by 5% to \$172,600, about \$1,000 above the national, but about \$98,000 below Seattle. Locally, vacancy rates are in the 8% range.

Table 1-General Fund Resources, FY2003-04			
	Through	Estimated	Revised
GENERAL FUND RESOURCE CATEGORY	AP-10	Year-End	Budget
INTERNAL REVENUES 41000			
Service Reimbursements	. \$12,653,708	\$23,479,446	\$26,088,273
Other Internal & Transfers-IN	\$21,658,385	\$32,782,352	\$48,136,808
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$138,776,402	\$149,972,706	\$148,899,888
Lodging Taxes	\$8,709,609	\$10,871,467	\$10,978,701
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$35,258,941	\$37,309,471	\$34,331,514
Utility License/Franchise	\$39,603,715	\$55,163,230	\$57,235,993
Other Permits	\$2,104,997	\$2,608,659	\$2,663,825
SERVICE CHARGES & FEES 44000	\$9,355,157	\$12,610,011	\$12,950,087
STATE, FEDERAL SOURCES 46000	\$6,011,781	\$9,467,531	\$9,600,681
LOCAL SOURCES (Contracts) 47000	\$8,988,171	\$11,508,668	\$14,848,385
MISC. REVENUES & INTEREST 49400	\$3,395,829	\$4,973,945	\$6,696,437
TAX ANTICIPATION NOTES/Note Sales	\$0	\$0	\$0
BEGINNING FUND BALANCE	. \$16,960,303	\$16,960,303	\$16,960,304
ENCUMBRANCE & CARRYOVER	. \$2,426,973	\$2,426,973	\$2,426,973
GENERAL FUND RESOURCE TOTAL	\$305,903,971	\$370,134,762	\$391,817,869
Estimated Percent Of Budget Resources Realized	78.1%	94.5%	

Table 2-General Fund Expenditures, FY2003-04			
GENERAL FUND EXPENDITURES	Through AP-10	Estimated Year-End	Revised Budget
Salaries & Wages	\$121,336,675	\$155,839,216	\$168,772,616
Overtime	\$5,686,863	\$7,728,801	\$8,795,492
Benefits	\$28,313,984	\$36,992,653	\$37,597,599
Premium & Part-Time	\$12,073,748	\$16,197,221	\$18,108,840
TOTAL PERSONAL SERVICES	\$167,411,270	\$216,757,891	\$233,274,547
Estimated Percent Of Budget Spent	71.8%	92.9%	
EXTERNAL MATERIALS & SERVICES	\$36,030,177	\$54,114,756	\$70,631,077
Estimated Percent Of Budget Spent	51.0%	76.6%	
INTERNAL MATERIALS & SERVICES	\$33,186,817	\$46,098,436	\$47,457,626
Estimated Percent Of Budget Spent	69.9%	97.1%	
CAPITAL OUTLAY	\$2,517,772	\$3,432,663	\$3,432,663
Estimated Percent Of Budget Spent	73.3%	100.0%	
CONTINGENCY & UNFORESEEN	\$0	\$450,000	\$2,770,754
FUND CASH TRANSFERS	\$30,430,447	\$34,251,202	\$34,251,202
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$269,576,483	\$355,104,949	\$391,817,869
Estimated Percent Of Budget Spent	68.8%	90.6%	

Table 3-General Fund Expendite	ıres B	y Appropriati	ion Unit, FY2	003-04	
Percent Of Year Gone	76.9%				
Percent Year Left	23.1%	Through	Estimated	Revised	Percent
AU Description	AU#	AP-10	Year-End	Budget	Spent
Police Bureau	100	\$92,582,069	\$121,743,717	\$135,928,456	68.1%
Fire Bureau	124	\$53,380,221	\$69,688,863	\$71,980,617	74.2%
Bureau Of Parks	130	\$32,517,262	\$44,729,043	\$47,377,190	68.6%
Subtotal-Public Safety and Par	ks	\$178,479,552	\$236,161,623	\$255,286,263	69.9%
Commissioner #2 (Sten)	190	\$472,383	NA	\$628,029	75.2%
Commissioner #4 (Leonard)	191	\$429,019	NA	\$623,902	68.8%
Commissioner #3 (Saltzman)	192	\$647,573	NA	\$769,459	84.2%
Commissioner #1 (Francesconi	193	\$467,957	NA	\$671,831	69.7%
Office Of The Mayor	195	\$1,033,866	NA	\$1,401,811	73.8%
Operating Contingency	298	\$6	\$400,000	\$770,754	NA
Unforeseen Revenues	298	\$0	\$50,000	\$2,000,000	NA
Other Cash Transfers	299	\$30,430,447	\$34,251,202	\$34,249,702	88.8%
Office of Cable Com	300	\$1,262,065	NA	\$1,825,499	69.1%
Emergency Management 1	10	\$740,719	NA	\$1,098,282	NA
Office-Sus. Develop	302	\$1,046,194	NA	\$3,412,716	30.7%
Government Relations	303	\$544,749	NA	\$737,258	73.9%
Office Of Man. & Fin	307	\$17,066,516	NA	\$26,199,783	65.1%
Office Of City Attorney	312	\$3,887,787	NA	\$5,243,044	74.2%
Business Licenses	316	\$4,117,369	NA	\$8,745,121	47.1%
Unused Line		\$196	NA	\$0	NA
Stock Account	325	\$17,140	NA	\$25,000	NA
City Auditor	336	\$4,889,285	NA	\$6,983,943	70.0%
Unused Line		\$0	NA	\$0	NA
Office Neigh. Involve	342	\$5,685,410	NA	\$7,805,301	72.8%
Unused Line		\$0	NA	\$0	NA
Unused Line		\$0	NA	\$0	NA
Special Appropriations	401	\$4,120,541	NA	\$6,279,812	65.6%
Bureau Of Planning	510	\$5,496,213	NA	\$8,553,226	64.3%
Bureau Com. Develop	540	\$8,901,925	NA	\$18,507,133	48.1%
Subtotal-All Other AUs		\$91,257,360	\$118,975,925	\$136,531,606	66.8%
General Fund Total-All AU:	S	\$269,736,912	\$355,137,548	\$391,817,869	68.8%

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	FY2003-04	
Reserve Fund Usage Condition	3rd Quarter	2nd Quarter	Concern Level
Basic Revenue Growth (*)	1.9%	0.4%	Below 3.0%
Portland Unemployment Rate	8.0%	8.1%	Above 6.5%
Business License Revenue Growth	2.1%	-4.5%	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.

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