City of Portland

Office of Management & Finance

THE FINANCIAL OUTLOOK

Accounting Period 12
(May 6, 2004 to June 2, 2004)

General Fund Financial Outlook
(Issue Date: July 12, 2004)

Estimated Year-End General Fund Resources At AP-12 are forecast to range from $372.9 million (LOW) to $376.9 million (HIGH). Estimated revised budget, period 12, rose to $392.9 million. Revised budget is about $22.6 million above Council's Adopted Budget. As of period 12 of this fiscal year revenues are now about 5.8 percent ahead of revenues last year. Grant, inter-agency, and bureau fee revenues remain very strong compared to year-ago levels. Discretionary revenue growth continues to be weak but remains positive. Year over year discretionary revenue growth is currently about 2 percent, an improvement over period 12's 1.4%.

RESOURCE RECAP	
* IBIS Budgeted Resources.....	$392,861,412
* Resource Range....(High).....	$376,888,176
.....(Low).....	$372,876,966
* Revenues At AP-12	$328,854,806
Versus Year-Ago...UP.....	5.78%
(*) Net of Short-Term Borrowing	

NOTEWORTHY AT AP-12
* Hotel/Motel Up 3.9 % vs. year-ago
* Utility License Down -0.5 % vs. year-ago
* Property Taxes Up 2.2% vs. year-ago

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

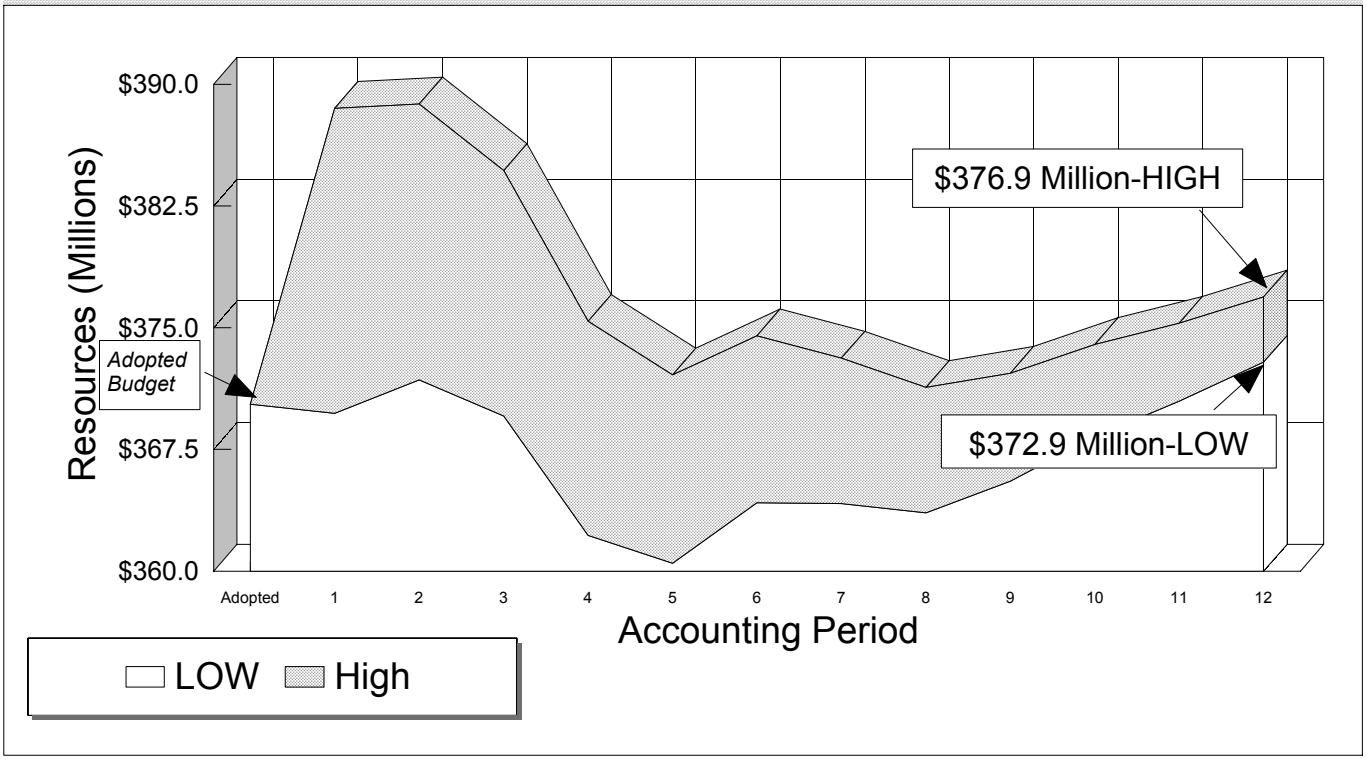

Figure 1-General Fund Resources, Year-End FY2003-04

The Bottom Line: Resources, year-end, are estimated to range from $372.9 million (Low) to $376.9 million (High). Budgeted resources are $392.86 million. Year-end expenditure estimates range from $356.4 million (Low) to $359.9 million (High). Forecast year-end balance, beginning FY2004-05 balance, is forecast at somewhere between $12.9 million (Low) to as much as $20.5 million (High). This ending balance range is narrowing down.

Pacific's June franchise fee payment, the last for fiscal 2004 is in the door. Year-end FY2003-04 revenues appear to be about $5.355 million versus a budget of $5.363 millio Revenues are about 0.4% above FY2002-03. Not much growth, but better than the out right decline in PGE revenues. First quarter FY2004-05 utility license and franchise fee revenues are due in August 15th and are expected to be very weak because both electric and natural gas revenues will reflect various credits to May and June customer bills.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	$392,861,412
* Expense Range.....(High).....	$359,940,303
* .....(Low).....	$356,358,807
* Expenses At AP-12(*).....	$323,091,418
Versus Year-Ago..Up.....	3.7%
(*) Net of Short Term Borrowing	

NOTEWORTHY AT AP-12
* Personal Services UP 1.5% vs. year-ago
* All M&S UP 8% vs. year-ago
* Capital Outlays UP 42.9% vs. year-ago

Through period 12 (ended June 2) General Fund revenues totaled abou $328.5 million compared to $310.9 million last year. All revenues are 5.8 percent ahead of last year. Discretionary revenues are just over 2 percent ahead of last year. Revenue growth this year seems to be concentrated in grant, contract, inter-agency, and bureau fee revenues. Discretionary property tax, business licenses, and transient lodging tax revenues are on average up about 2 percent compared to last year, while franchise and utility license fee revenues are about 0.5% behind last year.

Bureau fee and permit revenues continue to show good growth. Miscellaneous revenues and miscellaneous fees are 12% and 39% ahead of last year respectively. Grants and contract revenues are also well ahead of last year. Parks' main fee category is 3.6% behind last year.

General Fund expenditures at AP-12 total about $323.1 million vs. last year's $311.5 million. Expenditure growth remains quite strong and expenses remain over 3 percent ahead of last year. Personal services expenditures at period 12 are at 1.5 percent ahead of last year, $199.4 million this year versus $196.5 million last year at period 11. The year-end personal services expenditure estimate is up another $330,500 in this forecast. Expenditures usually pickup in June with vacations while Police overtime usually spikes up a bit for Rose Festival. Expenses as a percent of budget should total about 96% to 97% percent of budget which is about normal for the General Fund. Total General Fund expenses were about $3.5 million above periods 11 and 12 last year.

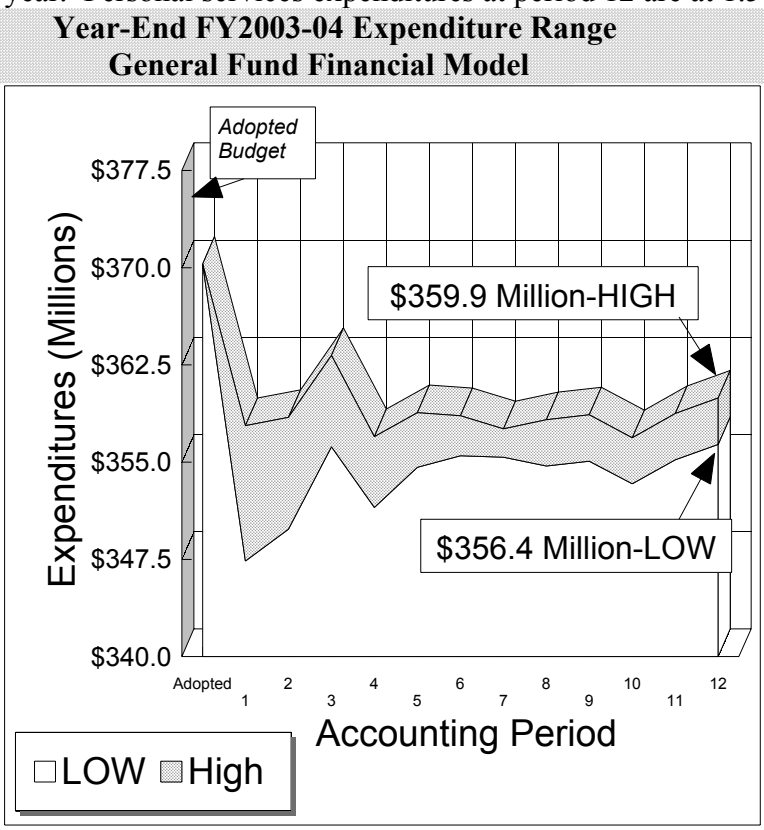

Figure 2-General Fund Expenditures, FY2003-04

External materials and services expenses continued to accelerate during period 12 with expenditures at about $46 million year to date versus $41 million last year. Year to year growth is almost 12 percent. Internal materials and services expenditures are up about 5 percent over last year.

Capital outlays now total about $3.0 million as of period 12. Revised budget remains at $3.5 million versus an original Adopted Budget of $1.52 million.

The Estimated Year-End General Fund Balance at AP-12 ranges from $12.9 (Low) to $20.5 million (High). The "point estimate" this period is at about 16.6 million versus last period's estimate of $15.4 million and Council's Adopted Budget discretionary beginning fund balance of about $14.965 million. The "Spring Bump" identified about $853,912 of FY2003-04 expenditures that will be carried over and rebudgeted in the fall. The bulk of the carryover requests are located in Police which will carryover about $773,912. Adding these carryover requirements to Adopted Budget beginning fund balance gets the required starting FY2004-05 balance to about $16 million versus the point estimate in this OUTLOOK of about $16.6 million. The current forecast calls for spending to continue to accelerate. Given history, expenditures during period 13 should come in well ahead of last year. The amount of additional balance that Council may have to work with in the "Fall Bump" depends critically on spending during period 13 and revenue accruals (particularly for business licenses and property taxes) during July and August.

Estimated Year-End Balance Range		
Item	**Low**	**High**
Resources.....	**$372,876,966**	**$376,888,176**
Expenses.....	**$359,940,303**	**$356,358,807**
End Balance	**$12,936,663**	**$20,529,369**

Ending Fund Balance Range

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

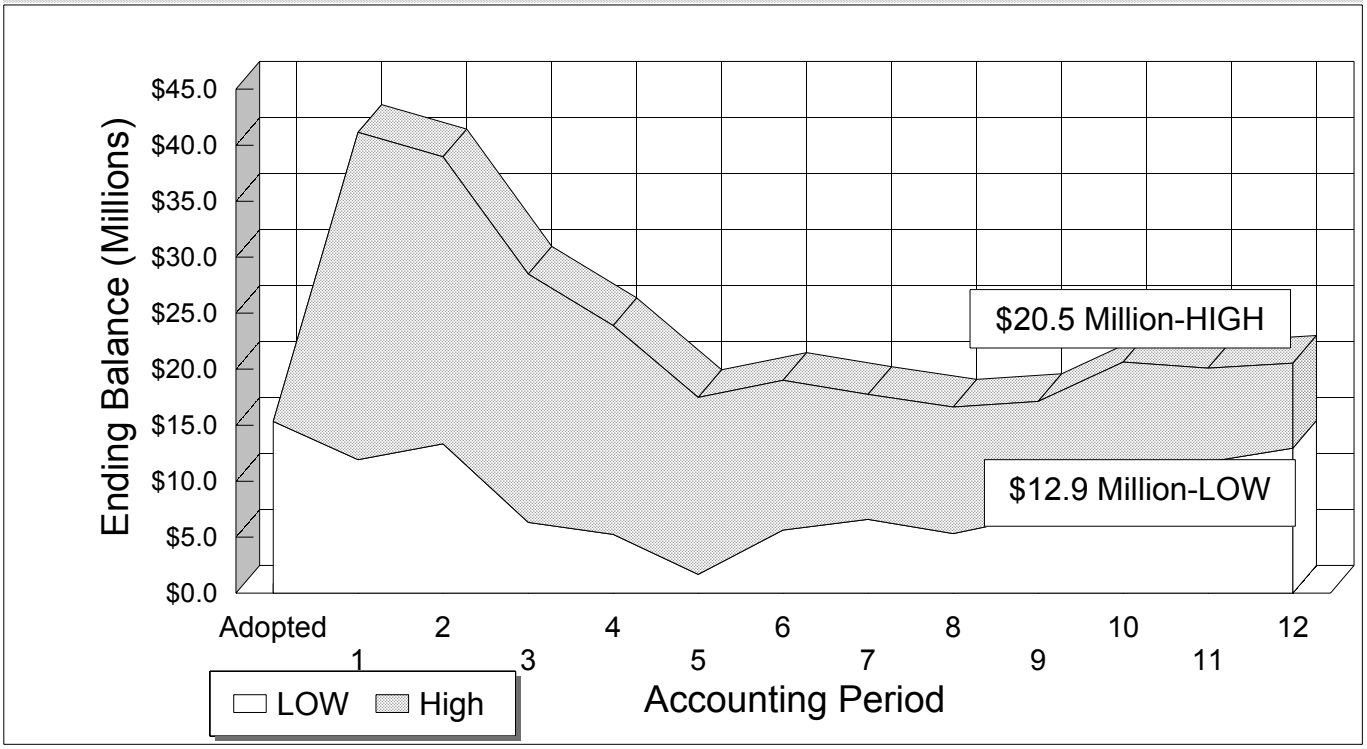

Figure 3-Estimated General Fund Balance, Year-End FY2003-04

Rising Health Care Costs

According to a top executive of GM, soaring health care costs are crippling the competitiveness of American companies. This is a major problem for the auto industry, which already pays $9,000 a year per employee for health insurance, 50% more than the rest of corporate America. An aging workforce and an influx of pensioners compound the problem of benefits already more generous than in other sectors. Big employers are trying to shift more of the cost on to the workers, through higher co-payments and bigger deductibles that must be paid by patients before the company health plan kicks in. Since 1999, employer health insurance premiums have risen by more than twice the rate of inflation. Premiums have risen by 29% since 1999, while overall inflation went up 13%. Coincidentally shares of health insurers, such as WellPoint & Unitedhealth have quadrupled since 2000.

Table 1-General Fund Resources, FY2003-04 GENERAL FUND RESOURCE CATEGORY		Through AP-12	Estimated Year-End	Revised Budget
INTERNAL REVENUES.....	41000			
Service Reimbursements.....		$15,530,873	$22,175,032	$26,088,273
Other Internal & Transfers-IN.....		$27,305,362	$33,568,271	$49,180,351
PROPERTY & LODGING TAXES	42100			
Property Taxes.....		$140,927,790	$149,395,410	$148,899,888
Lodging Taxes.....		$11,074,716	$11,108,924	$10,978,701
BUSINESS LICENSES, PERMITS....	43000			
Business Licenses.....		$45,059,749	$40,494,188	$34,331,514
Utility License/Franchise.....		$55,914,932	$56,236,334	$57,235,993
Other Permits.....		$2,546,202	$2,663,737	$2,663,825
SERVICE CHARGES & FEES.....	44000	$11,653,613	$12,982,299	$12,939,587
STATE, FEDERAL SOURCES.....	46000	$7,875,283	$9,912,359	$9,600,681
LOCAL SOURCES (Contracts).....	47000	$11,144,861	$12,024,097	$14,848,385
MISC. REVENUES & INTEREST.....	49400	$4,642,977	$4,802,792	$6,706,937
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		$353,063,634	$374,750,719	$392,861,412
Estimated Percent Of Budget Resources Realized		89.9%	95.4%	

Table 2-General Fund Expenditures, FY2003-04 GENERAL FUND EXPENDITURES	Through AP-12	Estimated Year-End	Revised Budget
Salaries & Wages.....	$145,306,459	$158,045,210	$162,644,715
Overtime.....	$7,222,830	$7,903,941	$8,471,728
Benefits.....	$32,865,309	$35,598,769	$36,511,511
Premium & Part-Time.....	$13,980,747	$15,559,541	$17,599,410
TOTAL PERSONAL SERVICES.....	$199,375,345	$217,107,460	$225,227,363
Estimated Percent Of Budget Spent.....	88.5%	96.4%	
EXTERNAL MATERIALS & SERVICES.....	$45,960,630	$56,060,346	$78,824,759
Estimated Percent Of Budget Spent.....	58.3%	71.1%	
INTERNAL MATERIALS & SERVICES.....	$42,287,989	$46,734,080	$47,382,626
Estimated Percent Of Budget Spent.....	89.2%	98.6%	
CAPITAL OUTLAY.....	$2,992,085	$3,546,466	$3,546,466
Estimated Percent Of Budget Spent.....	84.4%	100.0%	
CONTINGENCY & UNFORESEEN.....	$0	$450,000	$3,624,666
FUND CASH TRANSFERS.....	$32,475,369	$34,251,202	$34,251,202
INVENTORY.....	$0	$0	$0
GENERAL FUND EXPENSE TOTAL	$323,091,418	$358,149,555	$392,857,082
Estimated Percent Of Budget Spent.....	82.2%	91.2%	

Table 3-General Fund Expenditures By Appropriation Unit, FY2003-04

Percent Of Year Gone... 92.3%
Percent Year Left..... 7.7%

AU Description	AU#	Through AP-12	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	$111,508,211	$122,382,930	$130,496,938	85.4%
Fire Bureau.....	124	$63,381,907	$69,840,084	$70,949,203	89.3%
Bureau Of Parks.....	130	$39,674,904	$45,235,189	$46,583,747	85.2%
Subtotal-Public Safety and Parks		$214,565,022	$237,458,203	$248,029,888	86.5%
Commissioner #2 (Sten)	190	$566,208	NA	$625,280	90.6%
Commissioner #4 (Leonard)	191	$518,376	NA	$610,030	85.0%
Commissioner #3 (Saltzman)	192	$798,772	NA	$766,033	104.3%
Commissioner #1 (Francesconi)	193	$562,335	NA	$657,253	85.6%
Office Of The Mayor	195	$1,212,282	NA	$1,375,034	88.2%
Operating Contingency...	298	$6	$400,000	$1,624,666	NA
Unforeseen Revenues..	298	$0	$50,000	$2,000,000	NA
Other Cash Transfers.....	299	$32,475,369	$34,251,202	$34,249,702	94.8%
Office of Cable Com.....	300	$1,549,981	NA	$1,756,513	88.2%
Emergency Management	110	$939,383	NA	$1,084,311	86.6%
Office-Sus. Develop.....	302	$1,275,811	NA	$3,380,980	37.7%
Government Relations..	303	$646,018	NA	$735,568	87.8%
Office Of Man. & Fin.....	307	$21,838,733	NA	$25,810,415	84.6%
Office Of City Attorney....	312	$4,625,575	NA	$5,124,011	90.3%
Business Licenses.....	316	$5,340,659	NA	$8,668,627	61.6%
Unused Line.....		$586	NA	$0	NA
Stock Account.....	325	$40,063	NA	$25,000	160.3%
City Auditor.....	336	$5,812,489	NA	$6,851,094	84.8%
Unused Line.....		$0	NA	$0	NA
Office Neigh. Involve.....	342	$6,779,747	NA	$7,694,274	88.1%
Unused Line.....		$0	NA	$0	NA
Unused Line.....		$0	NA	$0	NA
Special Appropriations....	401	$5,569,013	NA	$14,619,166	38.1%
Bureau Of Planning.....	510	$6,438,030	NA	$8,392,238	76.7%
Bureau Com. Develop.....	540	$11,731,253	NA	$18,776,999	62.5%
Subtotal-All Other AUs.....		$108,720,689	$120,571,346	$144,827,194	75.1%
General Fund Total-All AUs		$323,285,711	$358,029,550	$392,857,082	82.3%

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."

Reserve Fund Usage Condition	FY2003-04 3rd Quarter	FY2003-04 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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