City of Portland

Office of Finance & Administration

THE FINANCIAL OUTLOOK

(13 Run 4 Unaudited)

Accounting Period 13 (June 7 to June 30, 2001) General Fund Financial Outlook (Issue Date: Sept. 7, 2001)

Estimated Year-End General Fund Resources At AP-13 are forecast to range from \$346.2 million (LOW) to \$347.6 million (HIGH). AP-13 revised budget resources remain at \$357.86 million net of \$10 million of TANS which did not need to be issued during FY2000-01. Revenues through late August (and prior to audit) are a disappointing 0.57% behind year-ago. Grant, bureau interagency, and inspection fee revenues are well behind year-end FY1999-2000. Council allocated discretionary revenues are about \$268 million versus \$266.3 million The difference between forecast and budget |* Property Taxes UP 3.5% vs. year-ago is \$1.7 million or about 0.7 percent.

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	RESOURCE RECAP								
;	* IBIS Budgeted Resources	\$357,857,837							
>	* Resource Range(High)	\$347,566,117							
	(Low)	\$347,218,724							
;	* Revenues At AP-13(*)	\$330,505,327							
	Versus Year-AgoUP	0.57%							
	(*) Net of Short-Term Borrowin	ng							
	NOTEWORTHY AT	AP-13							
;	* Hotel/Motel UP 4.0% % vs. year	r-ago							
;	* Utility License UP 7.2% vs. year-ago								
,	* Property Tayes IIP 3.5% vs. year-ago								

Estimated Year-End Resource Range FY2000-01 **General Fund Financial Model**

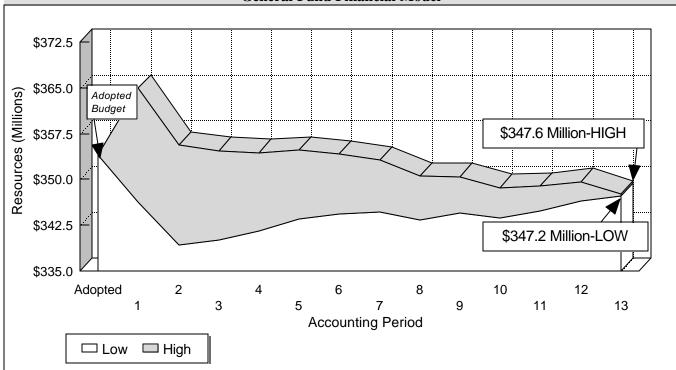


Figure 1-General Fund Resources, Year-End FY1999-00

The Bottom Line: Resources, year-end, are estimated to range from \$347.2 million (Low) to \$347.6 million (High). Budgeted resources are \$357.86 million. Year-end expenditure estimates range from \$337.6 million (Low) to \$338.1 million (High). Forecast year-end balance, beginning FY2001-02 balance, is forecast at somewhere between \$9.2 million (Low) to as much as \$9.9 million (High). Year-end results are as of August 27 (Period 13 Run 4).

Transient lodging taxes came in at just over \$11.1 million versus a budget of \$11.32 million. Revenues are about \$158,500 (1.4%) short of budgeted revenues. Year-to-year growth is 4% versus last year's 5.1%.

Business license revenues finished the year at \$49.6 million net of audit recovery and a large one-time extraordinary \$1.5 million receipt. The budgeted revenue estimate was \$52.57 million. Revenue is \$1.14 million (2.2% short of budget. FY2000-01 represents the fourth straight year of flat to declining revenues.

1	EXPENDITURE RECAP							
ut	* IBIS Budgeted Expenses	\$357,857,837						
)-	* Expense Range(High)	\$338,066,447						
	*(Low)	\$337,644,181						
	* Expenses At AP-13(*)	\$337,813,437						
6	Versus Year-AgoUp	1.1%						
1 -	(*) Net of Short T	Term Borrowing						
•	NOTEWORTHY AT	AP-13						
(ó)	* Personal Services UP 1.7% vs. year-ago							
ıt	* All M&S DOWN -3% vs. year-ag	go						
	* Capital Outlays UP 67.7% vs. year-ago							

Utility license fees exceeded budget and offset shortfalls elsewhere in the revenue stream. But even here the story is mixed. Investor owned energy related franchise fees came in above budget offsetting weaker Qwest license fees. Water and Environmental Services (BES) revenues were about \$1 million short of budget. Nevertheless year-end revenues appear to be about \$2 to \$3 million (3% to 4%) above the overall budgeted revenue estimate.

Bureau revenues are weak through late August. Parks fee revenues look to be about at budget. Discretionary revenues appear to have ended the year about 4 plus percent ahead of last year; higher property taxes and utility license fees offset shortfalls in transient lodging and business license revenues.

General Fund expenditures at AP-13 Run 4 total about \$337.8 million vs. last year's \$334.0 million, up about 1.1 percent versus audited year-end FY1999-00. Spending "died" during period 13. Expenditures appear to total about \$33.6 million versus \$52.2 million, period 13, last year. A much shorter period

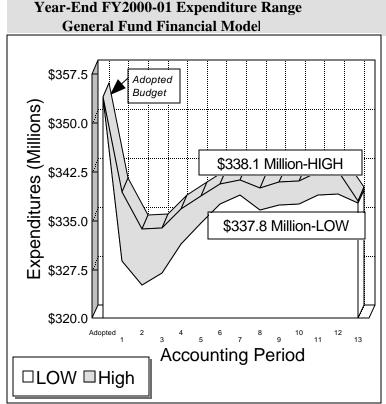


Figure 2-General Fund Expenditures, FY2000-01

13 (only 17 business days this year versus 27 days last year) appears to have helped in curtailing bureau spending.

Personal services expenditures ended the year at \$202.96 million versus the period 12 year-end estimate \$202.60 million estimate.

External materials and services expenses downshifted from an "overdrive" pace during period 12 and almost into reverse. Spending through period 13 "run 4" totaled \$8.99 million verus \$14.25 million last year during period 13. The year-end estimate has been lowered to \$56.4 million.

Internal materials and services expenditures appear to total about \$34.7 million spent versus a budget of \$35.6 million.

Capital spending ended the year at about \$4.4 million versus a revised budget estimate of \$5.5 million.

The Estimated Year-End General Fund Balance at AP-13 ranges from \$9.2 (Low) to \$9.9 The ending balance estimate, based on year-end unaudited data through late August, million (High). appears to be somewhere between \$1.5 mllion to as much as \$2 million in excess of the budgeted FY2001-02 beginning balance of \$6.137 million. This difference is welcome and can be used by Council to help offset the loss \$6 million of budgeted FY2001-02 Owest franchise fees. Owest is unilaterally withholding FY2001-02 franchise fees based on Qwest's interpretation of a recent court decision that suggests charging rent for use of the right of way is precluded by language in the 1996 Telecom Act. The City and

Owest will be "in court" over this issued for the next 12 to 18 months. Council's Adopted FY2001-02 Budget now has a large "hole" in it that can only be closed by implementing mid-year budget reductions. Office of Management and Finance staff recommend that Council reduce the General Fund's budget by about \$4.1 million in the | Ending Fund Balance Range "fall bump" process scheduled for October and November.

Estimated Year-End Balance Range							
Item Low High							
Resources	\$347,218,724	\$347,566,117					
Expenses	\$338,066,447	\$337,644,181					
End Balance	\$9,152,277	\$9,921,936					

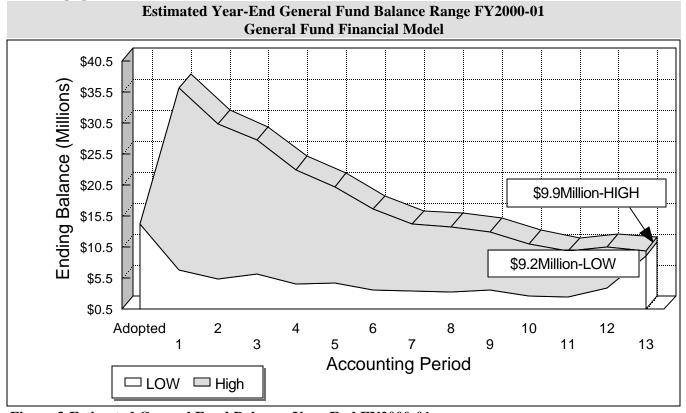


Figure 3-Estimated General Fund Balance, Year-End FY2000-01

Soaring Medical Insurance Costs

According to latest CPI data for the Portland metro area published by Bureau of Labor Statistics, between June 2000 and June 2001, the medical care component of the consumer prices rose by 10.7%, the largest annual increase since January 1983, and roughly exceeding the annual increase in the overall CPI during this period by 400%. This is not According to recent article in USA TODAY, health insurers in a temporary blip. response to higher drugs, hospital care and doctor costs, are seeking premium increases next year of 13%, 20%, even 50% - the highest national increase in a decade. In response to soaring medical insurance costs, employers are implementing variety of cost control measures such as increasing employees' share of insurance cost, offering medical savings accounts, or giving patients financial incentives to choose lower cost doctors and hospitals.

Table 1-General Fund Resources, FY2000-01			
	Through	Estimated	Revised
GENERAL FUND RESOURCES BY CATEGORY	AP-13	Year-End	Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$13,932,070	\$13,932,070	\$15,302,489
Other Internal & Transfers-IN	\$28,456,788	\$28,456,788	\$40,148,389
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$136,833,466	\$137,622,642	\$138,817,686
Lodging Taxes	\$11,152,604	\$11,152,604	\$11,334,892
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$51,983,614	\$51,983,614	\$53,127,604
Utility License/Franchise	\$50,487,284	\$50,487,284	\$48,439,887
Other Permits	\$1,964,475	\$1,964,475	\$1,796,998
SERVICE CHARGES & FEES 44000	\$11,875,617	\$11,875,617	\$11,889,027
STATE, FEDERAL SOURCES 46000	\$9,345,136	\$9,345,136	\$7,982,226
LOCAL SOURCES (Contracts) 47000	\$9,512,051	\$9,512,051	\$9,044,927
MISC. REVENUES & INTEREST 49400	\$4,173,026	\$4,172,279	\$3,849,261
TAX ANTICIPATION NOTES/Note Sales	\$0	\$0	\$0
BEGINNING FUND BALANCE	\$10,620,909	\$10,750,810	\$9,325,455
ENCUMBRANCE & CARRYOVER	. \$6,137,001	\$6,137,051	\$6,798,996
GENERAL FUND RESOURCE TOTAL	\$346,474,041	\$347,392,420	\$357,857,837
Estimated Percent Of Budget Resources Realized	96.8%	97.1%	

Table 2-General Fund Expenditures, FY2000-01			
-	Through	Estimated	Revised
GENERAL FUND EXPENDITURES	AP-13	Year-End	Budget
Salaries & Wages	\$144,460,166	\$144,460,166	\$143,613,659
Overtime	\$9,464,026	\$9,464,026	\$8,585,112
Benefits	\$34,293,754	\$34,293,754	\$36,323,214
Premium & Part-Time	\$14,737,744	\$14,737,744	\$18,564,320
TOTAL PERSONAL SERVICES	\$202,955,689	\$202,955,689	\$207,086,305
Estimated Percent Of Budget Spent	98.0%	98.0%	
EXTERNAL MATERIALS & SERVICES	\$56,956,205	\$56,956,205	\$68,995,383
Estimated Percent Of Budget Spent	82.6%	82.6%	
INTERNAL MATERIALS & SERVICES	\$34,736,078	\$34,736,078	\$35,621,269
Estimated Percent Of Budget Spent	97.5%	97.5%	
CAPITAL OUTLAY	\$4,398,235	\$4,398,235	\$5,547,850
Estimated Percent Of Budget Spent	79.3%	79.3%	
CONTINGENCY & UNFORESEEN	\$0	\$0	\$1,832,230
FUND CASH TRANSFERS	\$38,767,231	\$38,766,881	\$38,774,800
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$337,813,437	\$337,813,087	\$357,857,837
Estimated Percent Of Budget Spent	94.4%	94.4%	

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Table 3-General Fund Expenditures By Appropriation Unit, FY2000-01						
Percent Of Year Gone	91.5%					
Percent Year Left	8.5%	Through	Estimated	Revised	Percent	
AU Description	AU#	AP-13	Year-End	Budget	Spent	
Police Bureau	100	\$116,872,133		\$125,423,227	93.2%	
Fire Bureau	124	\$61,466,505		\$65,041,877	94.5%	
Bureau Of Parks	130	\$40,842,631		\$42,038,293	97.2%	
Subtotal-Public Safety and Park	S	\$219,181,269		\$232,503,397	7.9%	
Commissioner #2 (Sten)	190	\$630,854		\$661,637	95.3%	
Commissioner #4 (Hales)	191	\$637,529		\$663,435	96.1%	
Commissioner #3 (Saltzman)	192	\$558,254		\$621,294	89.9%	
Commissioner #1 (Francesconi)	193	\$633,792		\$673,278	94.1%	
Office Of The Mayor	195	\$1,430,411		\$1,518,393	94.2%	
Operating Contingency	298	\$6		\$1,711,091	NA	
Unforeseen Revenues	298	\$0		\$121,139	NA	
Other Cash Transfers	299	\$38,767,231		\$38,827,511	99.8%	
Office of Cable Com	300	\$1,669,446		\$1,818,212	91.8%	
Unused Line		\$0		\$0	NA	
Office-Sus. Develop	302	\$1,123,487		\$1,518,767	74.0%	
Government Relations	303	\$668,537		\$761,724	87.8%	
Office Of Man. & Fin	307	\$10,727,052		\$12,707,180	84.4%	
Office Of City Attorney	312	\$4,597,332		\$4,821,046	95.4%	
Business Licenses	316	\$3,477,246		\$3,760,279	92.5%	
Purchases & Stores	319	\$2,762,941		\$2,933,802	94.2%	
Stock Account	325	\$10,937		\$12,000	NA	
City Auditor	336	\$4,879,026		\$5,538,589	88.1%	
Unused Line		\$0		\$0	0.0%	
Office Neigh. Involve	342	\$4,620,796		\$4,680,765	98.7%	
Bureau General Svces	346	\$1,527,342		\$1,555,801	98.2%	
Unused Line		\$0		\$0	0.0%	
Special Appropriations	401	\$18,782,993		\$18,673,036	100.6%	
Bureau Of Planning	510	\$6,676,642		\$7,109,057	93.9%	
Bureau Com. Develop	540	\$7,813,449		\$13,572,313	57.6%	
Subtotal-All Other AUs		\$111,995,303		\$124,260,349	90.1%	
General Fund Total-All AU	ls	\$331,176,572		\$356,763,746	92.8%	

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."

	FY2000-01	FY2000-01	
Reserve Fund Usage Condition	4th Quarter	3rd Quarter	Trigger Level
Basic Revenue Growth (*)	3.6%	4.7%	Below 3.0%
Portland Unemployment Rate	4.4%	4.0%	Above 6.5%
Business License Revenue Growth	-0.3%	0.5%	Below 5.5%
Property Tax Delinquency Rate	5.5%	5.5%	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. Financial Outlook, AP-13 FY2000-01, FOFY0113

THE DATA CORNER Recent Economic & Financial Data: CPI Data

The Bureau of Labor Statistics released Portland consumer price index information for the first half of calendar 2001 (last half,, fiscal 2001). Portland CPI indexes are published twice yearly and represent estimates for a six month period. The first half of calendar 2001, January to June CPI-U came in at 2.7% above the same six month period year-ago. The CPI-W increase came in at 2.7% above year-ago. These annual increases are somwhat lower than year-ago, 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	
1990	124.9	4.7%	129.8	6.7%	127.4	5.8%	
1991	132.8	6.3%	135.1	4.1%	133.9	5.1%	
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%	NA	NA	NA	NA	

	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	
1990	121.8	4.6%	126.6	6.7%	124.2	5.7%	
1991	129.6	6.4%	132.1	4.3%	130.8	5.3%	
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%	NA	NA	NA	NA	

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://stats.bls.gov/cpihome.htm