

Business license revenues (net of audit recovery) ended FY2002-03 at \$44.984 million, down \$4.65 million (9.38%) from the previous year. This performance about matches what happened initially during the 1980s recession. Then revenues peaked in 1981 at \$10.03 million, falling 10.9% to \$8.94 million in 1982. Revenues bottomed out in 1983 at \$8.87 million and did not surpass 1981 levels until the end of 1985, a full four years later. Given how bad the economy has been during calendar 2002, it is clear that business license revenues have another leg down to go just like in 1983. And, it is likely the overall revenue decline will surpass the recession of the 1980s. In addition, it is unlikely, even if revenues grow off an FY2002-03 low, that revenues will not surpass the FY2000-01 peak for the last cycle until sometime in FY2004-05 or possibly during FY2006-07.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	\$367,722,880
* Expense Range.....(High).....	\$340,204,735
*(Low).....	\$331,471,281
* Expenses At AP-2(*).....	\$55,744,061
Versus Year-Ago..Up.....	2.7%
(*) Net of Short Term Borrowing	
NOTEWORTHY AT AP-2	
* Personal Services UP 2.0% vs. year-ago	
* All M&S UP 9% vs. year-ago	
* Capital Outlays DOWN -21.7% vs. year-ago	

Discretionary revenue growth, net of the \$1.4 million one-time transfer from Fleet appears to be about 4 percent on the strength of increased energy franchise fee receipts.

Parks' early fee revenues appear to be consistent with budget, but it is very early in the year. Other bureau revenues also appear consistent with budgets early on in the year. The early growth in fee revenues is surprising in light of a regional economy that continues to be mired in recession.

General Fund expenditures at AP-2 total about \$55.7 million vs. last year's \$54.3 million, up 2.7 percent versus year-ago. This compares to a 7.3 percent year-ago difference registered at period 2. Personal services expenditures total \$37.1 million, up about \$1 million (1.95%) over year-ago. This reflects the 2.2% COLA that took effect July 1 as offset by the General Fund's smaller FY2002-03 work force. Expenditures to date however, do not reflect COLA's for Police or Fire. Fire only recently reached agreement on a new three year contract with the City, while negotiations with Police are on-going.

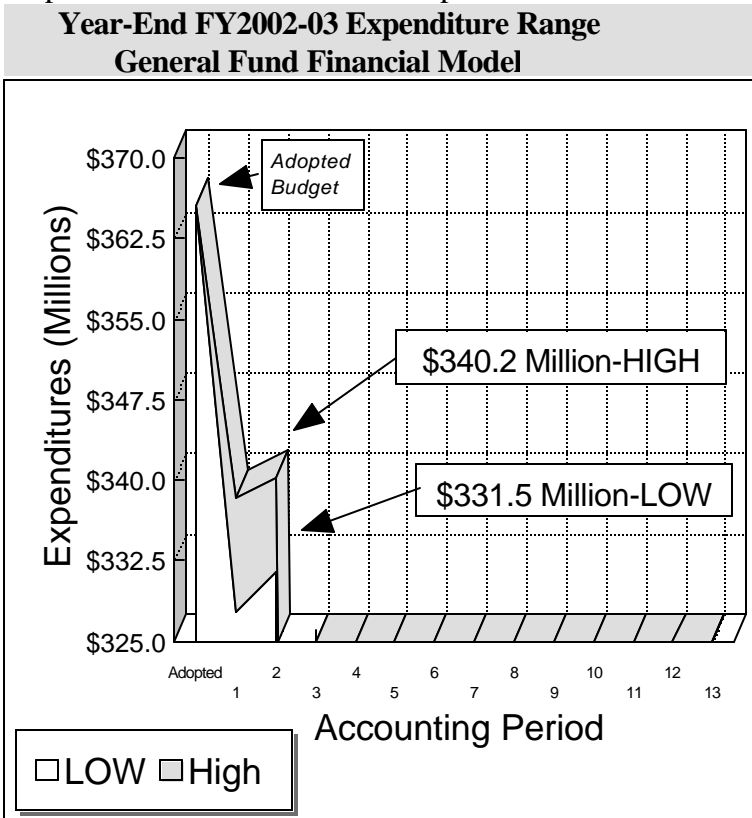


Figure 2-General Fund Expenditures, FY2002-03

External materials and services are 9.2% ahead of year-ago. Spending early in the year is very strong and inconsistent with budget. Similarly, internal materials and service expenses total \$4.2 million at period 2 versus \$3.8 million year-ago. Expenses are up about 8.2% over last year. Again, early spending is strong and inconsistent with a \$42.9 million budget.

Capital spending totals about \$976,000 versus \$1.23 million year-ago. Budget this year, as of period 2, is about \$1.156 million and one of the lowest budgets in recent memory.

Capital spending totals about \$976,000 versus \$1.23 million year-ago. Budget this year, as of period 2, is about \$1.156 million and one of the lowest budgets in recent memory.

The Estimated Year-End General Fund Balance at AP-2 ranges from \$4.5 (Low) to \$29.9 million (High). This wide range is due to the fact that it is very early in the fiscal year. Over the course of year the budget is revised (as for example when new grants are accepted). This makes it hard to know what budgets bureaus are spending against as well as what revenues are likely to come in the door this year, particularly in the grants and bureau inter-agency categories. Thus, budgeted revenues and expenditures represent a moving target throughout the course of the fiscal year. The estimated point balance (the \$7.9 million) appears to be weak and lower than what might be typically be expected at this time of year. Sagging revenues during recession and strong personal services expenditure growth, in the absence of Police and Fire cost-of-living increases, makes it difficult to see where much of a year-balance could come from. In addition, PGE and NW Natural will both lower rates and revenues first half of the year. This will slow what little revenue growth there is outside of the property taxes.

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$344,706,839	\$361,356,637
Expenses.....	\$340,204,735	\$331,471,281
End Balance	\$4,502,104	\$29,885,356

Ending Fund Balance Range

**Estimated Year-End General Fund Balance Range FY2002-03
General Fund Financial Model**

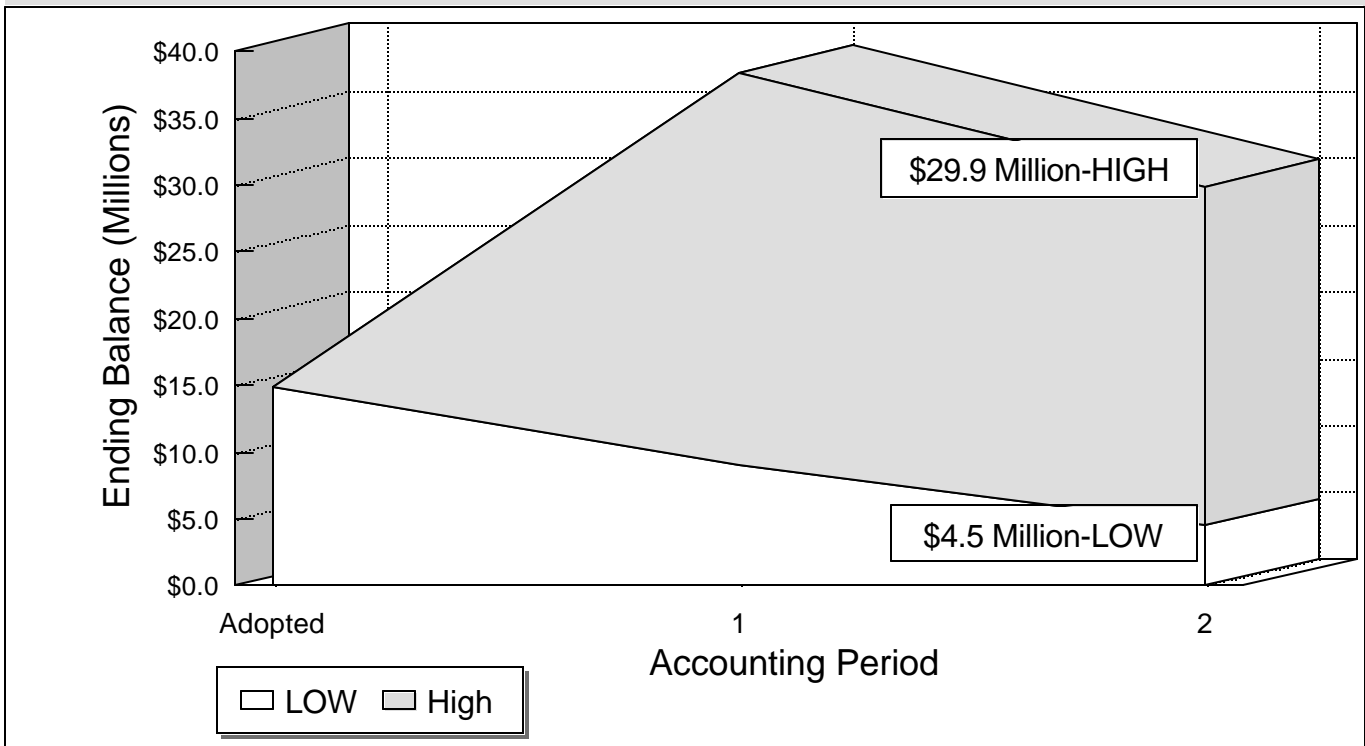


Figure 3-Estimated General Fund Balance, Year-End FY2002-03

Both NW Natural And PGE To Reduce Rates

Northwest Natural will reduce natural gas rates beginning October 1. The company estimates that average customer utility bills will decline by about 14 percent. The lower rates are the result of lower wholesale prices for natural gas. NW Natural provides service to about 486,000 Oregon customers. Residential customers are estimated to see an 11.9 percent (\$8.61) decline in a typical monthly bill. The 14 percent average drop in utility bills translates into a savings of about \$160,000 in the General Fund (mostly in the Parks Bureau). PGE is expected to reduce electric energy rates on January 1, 2003. PGE estimates that the overall reduction in revenues will be about 6 percent, but most of the savings will fall to commercial and industrial customers. This expected rate drop should save the General Fund about 10 percent or \$110,000.

Table 1-General Fund Resources, FY2002-03				
GENERAL FUND RESOURCE CATEGORY		Through AP-2	Estimated Year-End	Revised Budget
INTERNAL REVENUES.....	41000			
Service Reimbursements.....		\$297,257	\$19,445,706	\$19,787,430
Other Internal & Transfers-IN.....		\$3,211,033	\$23,940,996	\$31,909,987
PROPERTY & LODGING TAXES	42100			
Property Taxes.....		\$30,945	\$147,677,609	\$149,036,195
Lodging Taxes.....		\$2,664,168	\$10,339,795	\$10,488,630
BUSINESS LICENSES, PERMITS....	43000			
Business Licenses.....		\$2,335,747	\$42,694,223	\$46,640,528
Utility License/Franchise.....		\$12,771,968	\$54,528,891	\$51,610,095
Other Permits.....		\$424,717	\$1,823,758	\$3,915,616
SERVICE CHARGES & FEES.....	44000	\$1,812,443	\$11,545,430	\$12,395,934
STATE, FEDERAL SOURCES.....	46000	\$0	\$8,715,682	\$8,908,233
LOCAL SOURCES (Contracts).....	47000	\$1,997,325	\$8,641,258	\$9,373,250
MISC. REVENUES & INTEREST.....	49400	\$244,628	\$3,060,736	\$4,362,260
TAX ANTICIPATION NOTES/Note Sales.....		\$0	\$0	\$10,000,000
BEGINNING FUND BALANCE.....		\$10,474,990	\$10,474,990	\$5,271,367
ENCUMBRANCE & CARRYOVER.....		\$3,549,961	\$3,549,961	\$4,021,888
GENERAL FUND RESOURCE TOTAL		\$39,815,182	\$346,439,034	\$367,721,413
Estimated Percent Of Budget Resources Realized		10.8%	94.2%	

Table 2-General Fund Expenditures, FY2002-03				
GENERAL FUND EXPENDITURES		Through AP-2	Estimated Year-End	Revised Budget
Salaries & Wages.....		\$24,561,268	\$158,213,504	\$162,118,168
Overtime.....		\$1,550,384	\$6,597,672	\$6,597,672
Benefits.....		\$7,044,423	\$35,946,192	\$36,719,548
Premium & Part-Time.....		\$3,969,357	\$13,777,528	\$13,985,063
TOTAL PERSONAL SERVICES.....		\$37,125,432	\$214,534,895	\$219,420,450
Estimated Percent Of Budget Spent.....		16.9%	97.8%	
EXTERNAL MATERIALS & SERVICES.....		\$9,369,834	\$50,210,231	\$58,019,846
Estimated Percent Of Budget Spent.....		16.1%	86.5%	
INTERNAL MATERIALS & SERVICES.....		\$4,169,792	\$41,182,390	\$42,859,200
Estimated Percent Of Budget Spent.....		9.7%	96.1%	
CAPITAL OUTLAY.....		\$966,937	\$1,156,574	\$1,156,574
Estimated Percent Of Budget Spent.....		83.6%	100.0%	
CONTINGENCY & UNFORESEEN.....		\$0	\$3,250,000	\$7,704,136
FUND CASH TRANSFERS.....		\$4,112,066	\$28,178,084	\$38,562,674
INVENTORY.....		\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL		\$55,744,061	\$338,512,174	\$367,722,880
Estimated Percent Of Budget Spent.....		15.2%	92.1%	

Table 3-General Fund Expenditures By Appropriation Unit, FY2002-03					
Percent Of Year Gone	15.4%				
Percent Year Left	84.6%				
AU Description	AU#	Through AP-2	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	\$19,435,769	\$123,326,145	\$127,997,784	15.2%
Fire Bureau.....	124	\$11,753,209	\$63,701,440	\$67,470,825	17.4%
Bureau Of Parks.....	130	\$7,038,122	NA	\$42,288,281	16.6%
Subtotal-Public Safety and Parks		\$38,227,100	NA	\$237,756,890	16.1%
Commissioner #2 (Sten)	190	\$107,882	NA	\$640,788	16.8%
Commissioner #4 (Hales)	191	\$11,999	NA	\$526,170	2.3%
Commissioner #3 (Saltzman)	192	\$118,345	NA	\$667,831	17.7%
Commissioner #1 (Francesconi)	193	\$115,373	NA	\$640,463	18.0%
Office Of The Mayor	195	\$210,859	NA	\$1,411,752	14.9%
Operating Contingency...	298	\$6	\$3,250,000	\$5,704,136	NA
Unforeseen Revenues..	298	\$0	\$0	\$2,000,000	NA
Other Cash Transfers.....	299	\$4,112,066	\$28,178,084	\$38,562,674	10.7%
Office of Cable Com.....	300	\$283,582	NA	\$1,742,271	16.3%
Unused Line.....		\$0	NA	\$0	NA
Office-Sus. Develop.....	302	\$214,433	NA	\$2,285,946	9.4%
Government Relations..	303	\$89,947	NA	\$765,478	11.8%
Office Of Man. & Fin.....	307	\$3,608,088	NA	\$22,334,399	16.2%
Office Of City Attorney.....	312	\$750,167	NA	\$5,019,582	14.9%
Business Licenses.....	316	\$510,512	NA	\$3,855,841	13.2%
Purchases & Stores.....	319	\$20,589	NA	\$0	NA
Stock Account.....	325	(\$67,925)	NA	\$25,000	NA
City Auditor.....	336	\$971,435	NA	\$6,792,266	14.3%
Unused Line.....		\$0	NA	\$0	NA
Office Neigh. Involve.....	342	\$931,395	NA	\$5,291,705	17.6%
Bureau General Svces.....	346	\$0	NA	\$0	NA
Unused Line.....		\$0	NA	\$0	NA
Special Appropriations.....	401	\$3,178,842	NA	\$15,309,008	20.8%
Bureau Of Planning.....	510	\$1,280,712	NA	\$7,349,854	17.4%
Bureau Com. Develop.....	540	\$1,068,659	NA	\$9,040,826	11.8%
Subtotal-All Other AUs.....		\$17,516,966	NA	\$129,965,990	13.5%
General Fund Total-All AUs		\$55,744,066	NA	\$367,722,880	15.2%

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."			
	FY2001-02	FY2001-02	
Reserve Fund Usage Condition	4th Quarter	3rd Quarter	Concern Level
Basic Revenue Growth (*)	0.8%	0.7%	Below 3.0%
Portland Unemployment Rate	7.2%	8.5%	Above 6.5%
Business License Revenue Growth	-9.4%	-6.4%	Below 5.5%
Property Tax Delinquency Rate	5.7%	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.