

City of Portland
Office of Finance & Administration
THE FINANCIAL OUTLOOK

Accounting Period 4
(Sept. 26 to Oct. 23, 2002)

General Fund Financial Outlook
(Issue Date: Dec. 2, 2002)

Estimated Year-End General Fund Resources At AP-4 are forecast to range from \$346.1 million (LOW) to \$359.1 million (HIGH). Estimated revised budget, period 4, is \$357.3 million. This estimated budget is still about \$8.5 million below Council's Adopted Budget but reflects budgeting of about \$2 million in new grant revenues as offset by the lower pension obligation bond debt service (\$960,901) and improved General Fund cash balances which means that the Fund is able to avoid the issuance of \$10 million in tax anticipation notes. Net revenues are nominally 10.0% ahead of year-ago but as noted in earlier OUTLOOKs this is mostly due to anomalies.

RESOURCE RECAP	
* IBIS Budgeted Resources.....	\$357,299,014
* Resource Range...(High).....	\$359,148,654
.....(Low).....	\$346,084,939
* Revenues At AP-4 (July 9).....	\$39,268,483
Versus Year-Ago...UP.....	10.01%
(*) Net of Short-Term Borrowing	
NOTEWORTHY AT AP-4	
* Hotel/Motel UP 1.1 % vs. year-ago	
* Utility License Up 21.3 % vs. year-ago	
* Property Taxes Down -72.2% vs. year-ago	

Estimated Year-End Resource Range FY2002-03
General Fund Financial Model

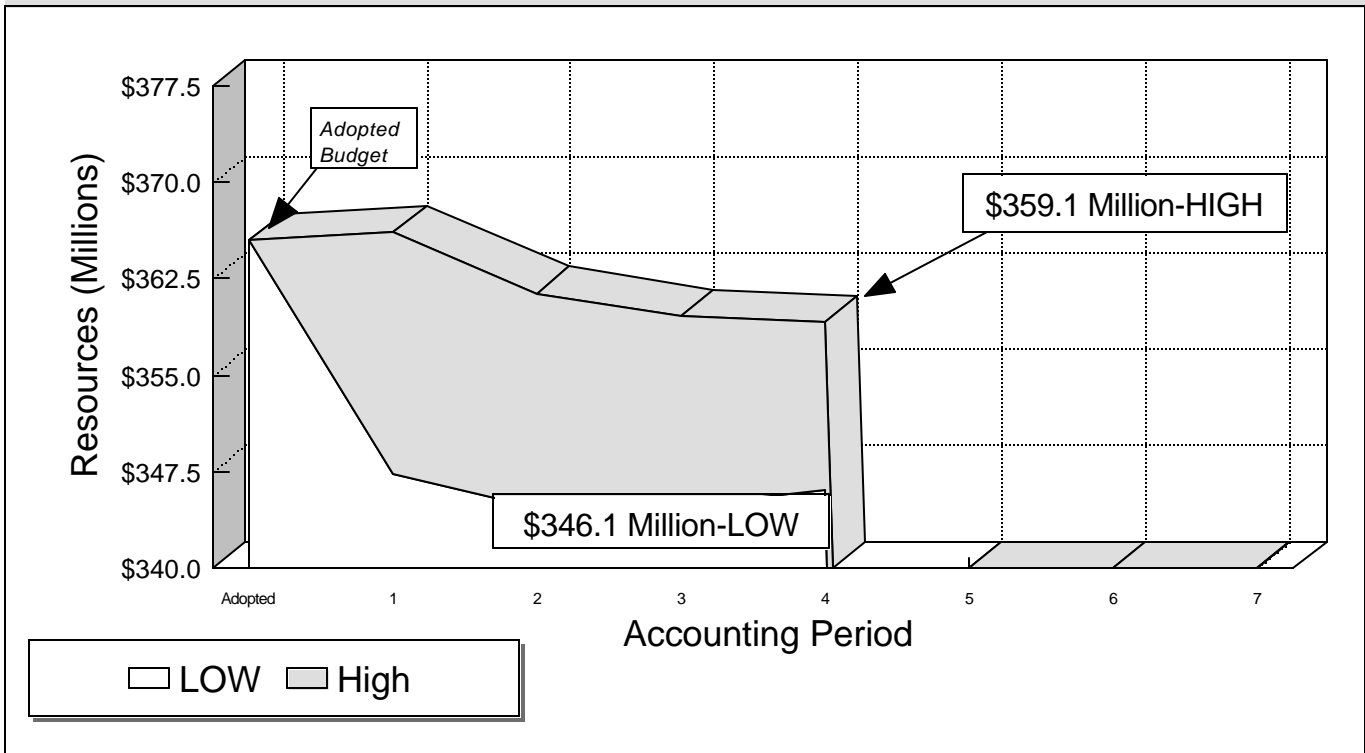


Figure 1-General Fund Resources, Year-End FY2002-03

The Bottom Line: Resources, year-end, are estimated to range from \$346.1 million (Low) to \$359.1 million (High). Budgeted resources are \$357.30 million. Year-end expenditure estimates range from \$336.9 million (Low) to \$342.4 million (High). Forecast year-end balance, beginning FY2003-04 balance, is forecast at somewhere between \$3.7 million (Low) to as much as \$22.3 million (High). The estimated year-end balance is currently \$7.1 million.

The cashflow drought is over. Property tax turnovers totaling about \$11.8 million (Nov. 7th) and \$1.7 million (Nov. 8th) shored up the General Fund's cash position. Initial FY2002-03 current levy tax turnovers appear to be well above year-ago. Revenues appear to be coming in earlier.

Second quarter transient lodging tax payments usually arrive between October 15th through early November. October receipts totaled about \$2.725 million versus last year's dismal \$2.515 million. So far so good. If November receipts total at least last year's \$441,613, then the July-September quarter suggests that revenues may have bottomed out.

Wolfgang Rood Hospitality Consulting's monthly "Trends In The Hotel Industry," publication also suggests that revenues may be stabilizing. Their September 2002 report suggests that both occupancy rates and room rates are stabilizing and may even be picking up a little steam. This is good news. Hopefully revenues have made a bottom and are starting to grow again.

Discretionary revenue growth, net of the \$1.4 million one-time transfer from Fleet appears to be about 3.4 percent and due almost entirely to strengthening energy franchise fee receipts. This source of revenue growth will slow. Northwest Natural implemented a large rate and revenue reduction last month PGE is scheduled to reduce rates and revenues January 1, 2003.

General Fund expenditures at AP-4 total about \$102.1 million vs. last year's \$103.2 million, down 1.1 percent versus year-ago. Personal services expenditures at period 4 total about \$68.5 million versus \$68.7 million year-ago. Spending slowed during period 4. Most of this is due to the fact that

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	\$357,299,014
* Expense Range.....(High).....	\$342,432,412
*(Low).....	\$336,855,071
* Expenses At AP-4(*).....	\$102,107,132
Versus Year-Ago..Up.....	-1.1%
(*) Net of Short Term Borrowing	
NOTEWORTHY AT AP-4	
* Personal Services DOWN -0.3% vs. year-ago	
* All M&S DOWN -1% vs. year-ago	
* Capital Outlays DOWN -21.8% vs. year-ago	

Police and Fire contracts remain unresolved. At minimum, expenses should be roughly 2% higher than otherwise would be the case. It is difficult to tell whether the year-end estimate is in the ball park in the absence of new labor contracts for Police and Fire.

External materials and services spending again decelerated during period 4 and expenditures are now 4.2% behind year-ago. It is unclear whether this difference is due to one-time expenses last year that will not be repeated, some kind of pause in spending, or a genuine slowdown in spending in response to smaller FY2002-03 budgets. Internal materials and services spending remains well ahead of year-ago levels.

Capital spending is unchanged at \$974,000 versus \$1.23 million year-ago. Budget remains at \$1.156 million. It is unlikely that this budget not be one-hundred percent expended at year-end.

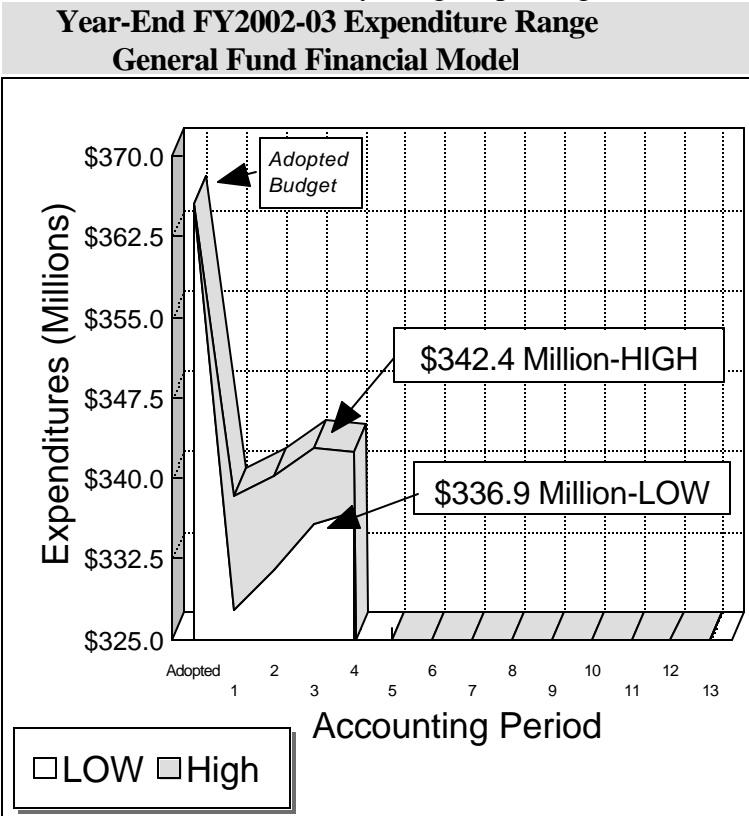


Figure 2-General Fund Expenditures, FY2002-03

The Estimated Year-End General Fund Balance at AP-4 ranges from \$3.7 (Low) to \$22.3 million (High). It is still early in the fiscal year. Continued uncertainty surrounding Police and Fire compensation increases continues to cloud year-end projections. The estimated ending balance estimate in this OUTLOOK is about \$7.1 million. The General Fund's December financial forecast typically uses the period 4 ending balance estimate for next year's discretionary beginning fund balance. This estimate is updated with each successive OUTLOOK. The lack of a new Police labor contract complicates ending balance estimates. If the contract is not resolved this fiscal year, an estimated COLA amount for the current year, FY2002-03, will have to be carried over into FY2003-04 in order to have the necessary budget authority on hand to fund retroactive pay increases next year as required by a new contract. This amount will become a non-discretionary requirement that will have to be put into a carryover. For now, the estimated amount is in effect being carried in the personal services year-end estimates.

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$346,084,939	\$359,148,654
Expenses.....	\$342,432,412	\$336,855,071
End Balance	\$3,652,527	\$22,293,583

Ending Fund Balance Range

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

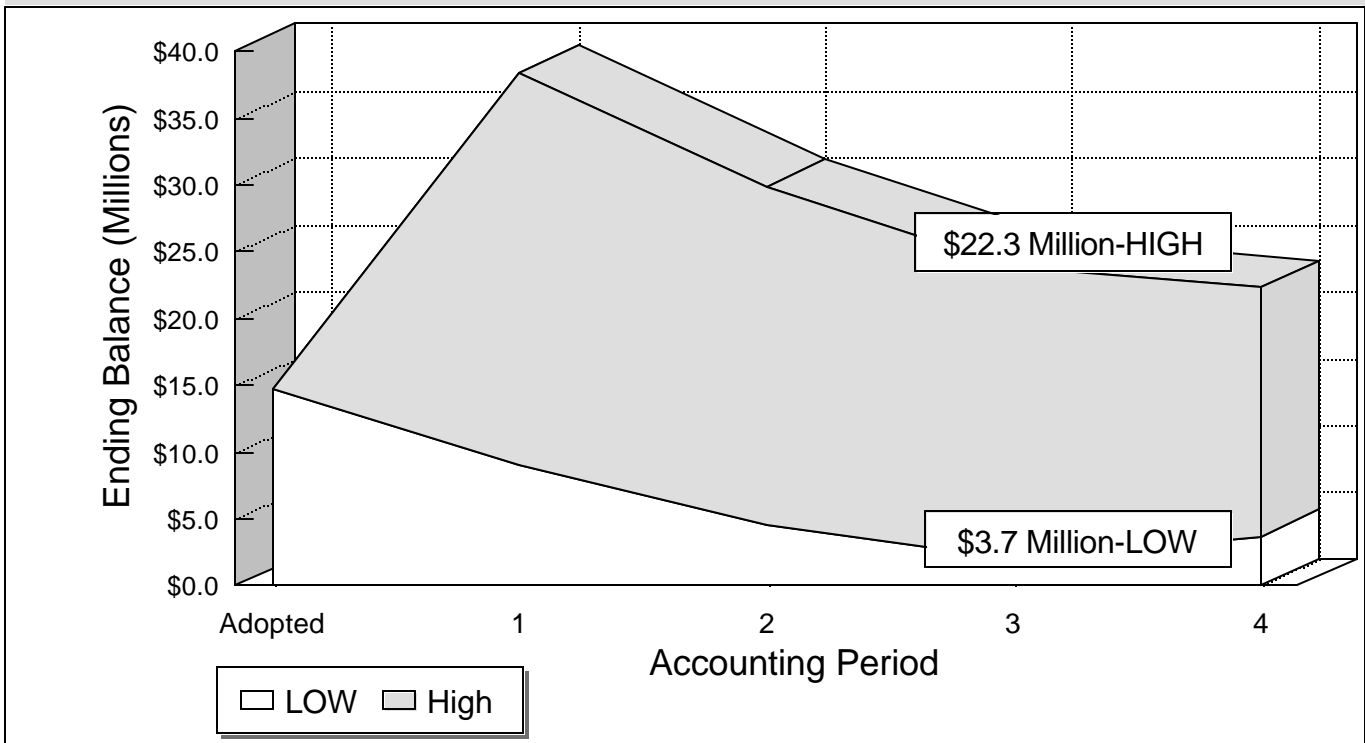


Figure 3-Estimated General Fund Balance, Year-End FY2002-03

State Budgets Now In The "Worst Shape Since World War II"

According to a recent report published by the National Governors Association, the outlook for state budgets across the country was described as dire and bleak. Amid a slowing national economy and collapse in tax revenue, most states are faced with massive budget shortfalls. Despite various cutbacks, state fund balances throughout the country have shrunk by 70% in the past fiscal year to \$14.5 billion, which is roughly 3% of expenditures and well below the 5% target generally considered a healthy minimum. Oregon's year-end balance has plummeted from \$363 million in FY 2001 to \$24 million in FY 2002. All states currently enjoy high credit ratings, but S&P warned recently of possible downgrades for debt issued by 10 states including Oregon and Washington. The report also warns of other problems beyond the current slump, including exploding health care costs.

Table 1-General Fund Resources, FY2002-03				
GENERAL FUND RESOURCE CATEGORY		Through AP-4	Estimated Year-End	Revised Budget
INTERNAL REVENUES.....	41000			
Service Reimbursements.....		\$1,233,786	\$19,450,819	\$19,787,430
Other Internal & Transfers-IN.....		\$5,856,638	\$24,720,674	\$32,447,022
PROPERTY & LODGING TAXES	42100			
Property Taxes.....		\$136,384	\$147,150,633	\$148,075,294
Lodging Taxes.....		\$4,179,709	\$10,523,405	\$10,488,630
BUSINESS LICENSES, PERMITS....	43000			
Business Licenses.....		\$5,076,293	\$42,249,644	\$46,640,528
Utility License/Franchise.....		\$14,099,310	\$54,916,776	\$51,610,095
Other Permits.....		\$664,135	\$1,778,711	\$3,415,616
SERVICE CHARGES & FEES.....	44000	\$3,589,639	\$12,001,017	\$12,419,934
STATE, FEDERAL SOURCES.....	46000	\$1,059,663	\$8,715,682	\$8,908,233
LOCAL SOURCES (Contracts).....	47000	\$2,728,626	\$8,532,222	\$9,373,250
MISC. REVENUES & INTEREST.....	49400	\$726,007	\$3,021,713	\$4,839,727
TAX ANTICIPATION NOTES/Note Sales.....		\$0	\$0	\$0
BEGINNING FUND BALANCE.....		\$11,628,289	\$11,628,289	\$5,271,367
ENCUMBRANCE & CARRYOVER.....		\$3,134,474	\$3,134,474	\$4,021,888
GENERAL FUND RESOURCE TOTAL		\$54,112,953	\$347,824,059	\$357,299,014
Estimated Percent Of Budget Resources Realized		15.1%	97.3%	

Table 2-General Fund Expenditures, FY2002-03				
GENERAL FUND EXPENDITURES		Through AP-4	Estimated Year-End	Revised Budget
Salaries & Wages.....		\$47,519,485	\$156,012,531	\$162,304,894
Overtime.....		\$2,621,066	\$8,130,715	\$6,597,566
Benefits.....		\$12,182,415	\$36,493,831	\$36,493,831
Premium & Part-Time.....		\$6,165,191	\$14,822,026	\$14,170,041
TOTAL PERSONAL SERVICES.....		\$68,488,157	\$215,459,102	\$219,566,332
Estimated Percent Of Budget Spent.....		31.2%	98.1%	
EXTERNAL MATERIALS & SERVICES.....		\$14,985,129	\$52,186,868	\$58,410,999
Estimated Percent Of Budget Spent.....		25.7%	89.3%	
INTERNAL MATERIALS & SERVICES.....		\$10,221,870	\$41,448,792	\$42,859,200
Estimated Percent Of Budget Spent.....		23.8%	96.7%	
CAPITAL OUTLAY.....		\$974,120	\$1,156,574	\$1,156,574
Estimated Percent Of Budget Spent.....		84.2%	100.0%	
CONTINGENCY & UNFORESEEN.....		\$0	\$3,250,000	\$7,704,136
FUND CASH TRANSFERS.....		\$7,437,856	\$27,227,433	\$27,601,773
INVENTORY.....		\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL		\$102,107,132	\$340,728,768	\$357,299,014
Estimated Percent Of Budget Spent.....		28.6%	95.4%	

Table 3-General Fund Expenditures By Appropriation Unit, FY2002-03					
Percent Of Year Gone	30.8%				
Percent Year Left	69.2%				
AU Description	AU#	Through AP-4	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	\$36,968,045	\$126,852,540	\$128,077,784	28.9%
Fire Bureau.....	124	\$21,446,787	\$65,732,689	\$67,731,435	31.7%
Bureau Of Parks.....	130	\$13,034,125	\$41,859,102	\$42,423,706	30.7%
Subtotal-Public Safety and Parks		\$71,448,957	\$234,444,331	\$238,232,925	30.0%
Commissioner #2 (Sten)	190	\$207,764	NA	\$640,788	32.4%
Commissioner #4 (Leonard)	191	\$27,390	NA	\$526,170	5.2%
Commissioner #3 (Saltzman)	192	\$222,583	NA	\$667,831	33.3%
Commissioner #1 (Francesconi)	193	\$212,370	NA	\$640,463	33.2%
Office Of The Mayor	195	\$411,580	NA	\$1,411,752	29.2%
Operating Contingency...	298	\$6	\$3,250,000	\$5,704,136	NA
Unforeseen Revenues..	298	\$0	\$0	\$2,000,000	NA
Other Cash Transfers.....	299	\$7,437,856	\$27,227,433	\$27,601,773	26.9%
Office of Cable Com.....	300	\$375,536	NA	\$1,742,271	21.6%
Unused Line.....		\$0	NA	\$0	NA
Office-Sus. Develop.....	302	\$425,156	NA	\$2,346,946	18.1%
Government Relations..	303	\$182,100	NA	\$765,478	23.8%
Office Of Man. & Fin.....	307	\$6,267,055	NA	\$22,334,399	28.1%
Office Of City Attorney.....	312	\$1,486,332	NA	\$5,019,582	29.6%
Business Licenses.....	316	\$1,036,115	NA	\$3,855,841	26.9%
Purchases & Stores.....	319	\$41,177	NA	\$0	NA
Stock Account.....	325	(\$50,301)	NA	\$25,000	NA
City Auditor.....	336	\$2,081,451	NA	\$6,792,266	30.6%
Unused Line.....		\$0	NA	\$0	NA
Office Neigh. Involve.....	342	\$1,755,146	NA	\$5,291,705	33.2%
Bureau General Svces.....	346	\$0	NA	\$0	NA
Unused Line.....		\$0	NA	\$0	NA
Special Appropriations.....	401	\$3,947,957	NA	\$15,309,008	25.8%
Bureau Of Planning.....	510	\$2,480,630	NA	\$7,349,854	33.8%
Bureau Com. Develop.....	540	\$2,110,274	NA	\$9,040,826	23.3%
Subtotal-All Other AUs.....		\$30,658,177	\$109,499,373	\$119,066,089	25.7%
General Fund Total-All AUs		\$102,107,134	\$343,943,703	\$357,299,014	28.6%

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."			
	FY2002-03	FY2001-02	
Reserve Fund Usage Condition	1st Quarter	4th Quarter	Concern Level
Basic Revenue Growth (*)	1.6%	0.9%	Below 3.0%
Portland Unemployment Rate	7.2%	8.5%	Above 6.5%
Business License Revenue Growth	-11.6%	-9.4%	Below 5.5%
Property Tax Delinquency Rate	5.8%	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.