City of Portland

Office of Management & Finance

THE FINANCIAL OUTLOOK

Accounting Period 6 (Nov. 21 to Dec. 18, 2002) General Fund Financial Outlook (Issue Date: Jan. 30, 2003)

Estimated Year-End General Fund Resources At AP-6 are forecast to range from \$347.3 million (LOW) to \$357.2 million (HIGH). Estimated revised budget, period 6, is \$365.6 million. This estimated budget is about \$4.03 million above period 5's revised budget and is now about even with Council's original Adopted Budget net of tax anticipation notes borrowing of \$10 million. Revenues as of period 6 are about 5.14 percent ahead of year-ago on the strength of bureau inter-agency and grant revenues. Discretionary revenues appear to be about 3 percent ahead * Utility License Up 22.1 % vs. year-ago of year-ago on the strength of franchise fee and utility |* Property Taxes Up 0.2% vs. year-ago license revenue growth.

	RESOURCE RECAP					
,	* IBIS Budgeted Resources	\$365,641,243				
Ī	* Resource Range(High)	\$357,222,936				
3	(Low)	\$347,299,675				
-[* Revenues At AP-6	\$193,033,681				
	Versus Year-AgoUP	5.14%				
	(*) Net of Short-Term Borrowing NOTEWORTHY AT AP-6					
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ſ	* Hotel/Motel IIP 3 6 % vs vear-ago					

- * Hotel/Motel UP 3.6 % vs. year-ago

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

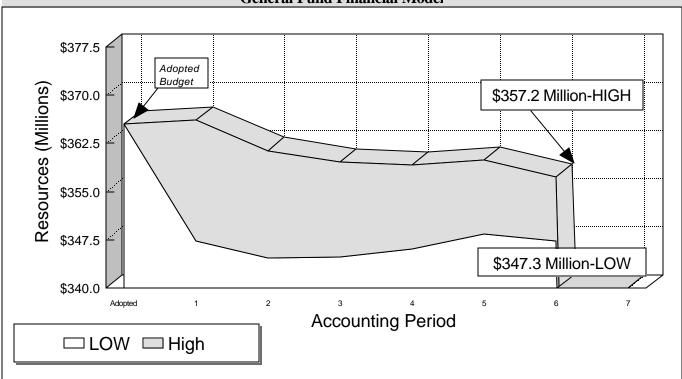


Figure 1-General Fund Resources, Year-End FY2002-03

The Bottom Line: Resources, year-end, are estimated to range from \$347.3 million (Low) to \$357.2 million (High). Budgeted resources are \$365.64 million. Year-end expenditure estimates range from \$339.7 million (Low) to \$342.9 million (High). Forecast year-end balance, beginning FY2003-04 balance, is forecast at somewhere between \$4.4 million (Low) to as much as \$17.5 million (High). The estimated year-end balance is currently \$7.9 million.

The Portland regional economy continues to be mired in recession. The Oregon Department of Employment recently reported that metro-area employment declined for the second consecutive year. Seasonal hiring over the Christmas holidays was weaker than usual and manufacturing continued to decline. The area's unemployment rate at 6.9 percent for December remains one of the highest metro-area unemployment rates nationally. It is expected by most observers that calendar 2003 will better.

EXPENDITURE RECAP						
* IBIS Budgeted Expenses	\$365,641,243					
* Expense Range(High)	\$342,853,718					
*(Low)	\$339,667,166					
* Expenses At AP-6(*)	\$155,909,477					
Versus Year-AgoUp	-0.2%					
(*) Net of Short Term Borrowing						
NOTEWORTHY AT AP-6						
* Personal Services DOWN -0.3% vs. year-ago						
* All M&S UP 3% vs. year-ago						
* Capital Outlays DOWN -20.2% vs. year-ago						

It now appears that this winter is going to be warmer than normal. Warmer than normal winter weather translates

directly into weaker third and fourth quarter energy franchise fees. Look for year-to-year comparisons to cool off as these revenues come in the door. Unless there is a cold snap between now and late February it is likely that several percentage points of franchise fee revenue growth will disappear. PGE third quarter franchise fees are typically 25 to 30 percent above first quarter, while NW Natural's fourth quarter fees are usually twice first quarter levels.

Discretionary revenue growth, net of the \$1.4 million one-time transfer from Fleet, now appears to be about 2.2 percent. Despite IBIS reports, property taxes are about "2 plus" percent ahead of year-ago and appear to be on track with revised budget.

General Fund expenditures at AP-6 total about \$155.9 million vs. last year's \$156.1 million, down 0.2 percent versus year-ago. Through period 6, personal services appear to be about even with last year. Expenses at period 6 total \$100.3 million. Spending remained quiet during period

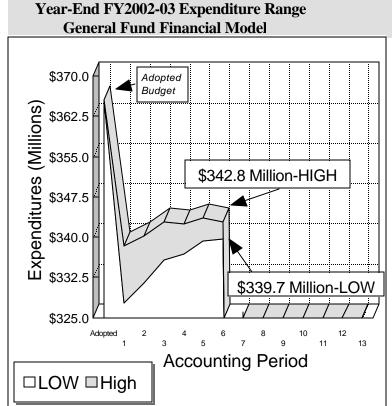


Figure 2-General Fund Expenditures, FY2002-03

6. Fire's new contract however, is not yet reflected in the accounting data. The year-end personal services estimate is lower reflecting slow expenditure growth so far this year. A better estimate will be possible when the Fire "retro" gets into the data.

External materials and services spending continues to be slower than last year. As of period 6 expenses are about 3.3 percent below year-ago compared to about 9 percent at period 5.

Internal materials and services spending continues to show strength with expenses at period 5 totaling about \$19.3 million which is about 13.23 percent ahead of last year.

Capital spending increased to about \$1 million as of period 6; this remains about \$250,000 below year-ago levels. It is still likely that this budget will be one hundred percent expended by year-end.

The Estimated Year-End General Fund Balance at AP-6 ranges from \$4.4 (Low) to \$17.5 The projected ending balance estimate in this OUTLOOK is about \$7.89 million. The million (High). General Fund's December financial forecast uses a balance of about \$8.39 million. Recent revisions to Council's Adopted Budget saw large increases in grant revenues and associated budget appropriations. Some of the grant revenues appropriated are multi-year grants. This makes it difficult to figure out where year-end revenues and expenses will land. For now, the year-end forecast discounts much of an increase in grant revenues and grant backed expenditures pending some evidence of a pickup in General

Fund expenditure rates. In addition, the Police contract remains unresolved further complicating year-end personal services estimates. A Fire retro will immediately add about \$500,000 to expenditures and increase the expenditure rate by almost \$1 million. As of period 6 an ending fund balance in the \$7 to \$8 million range still appears reason-

Estimated Year-End Balance Range					
Item	Low	High			
Resources	\$347,299,675	\$357,222,936			
Expenses	\$342,853,718	\$339,667,166			
End Balance	\$4,445,957	\$17,555,771			

able but revenue and expenditure unknowns continue to cloud year-end estimates.

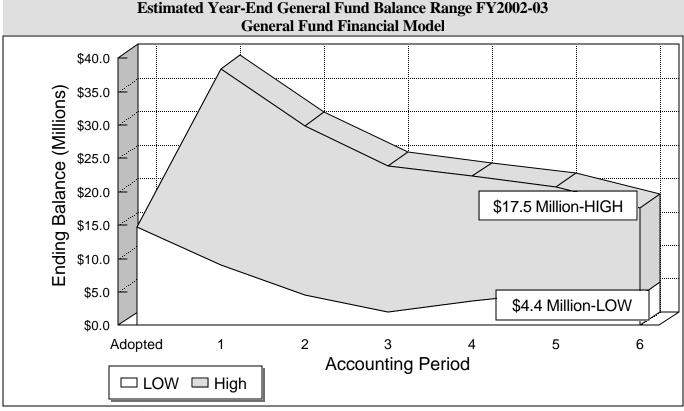


Figure 3-Estimated General Fund Balance, Year-End FY2002-03

Consumer Confidence Index Declines More Than Four Points in December

The Conference Board's closely watched index of consumer confidence fell to 80.3 in Deccember from a revised 84.9 in November. Many economists were disappointed by the rereport and did not expect the index to fall this low, but a weak Christmas shopping season, an 8 year-high in the unemployment rate, as well as consumers' assessment of current and future conditions given possible war with Iraq all contributed to downturn in consumer confidence. According to Lynn Franco, director of the Conference Board's consumer research center: "the major factor dampening consumers' spirits has been the rising unemployment rate and the discouraging job outlook. Weak retail sales over the holidays clearly reflect the current mood of consumers. Until there is an improvement in labor market conditions, there is not likely to be a significant upturn in consumer confidence".

Table 1-General Fund Resources, FY2002-03			
	Through	Estimated	Revised
GENERAL FUND RESOURCE CATEGORY	AP-6	Year-End	Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$6,808,625	\$19,600,819	\$21,033,523
Other Internal & Transfers-IN	\$11,682,834	\$25,069,181	\$38,959,891
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$122,277,247	\$146,911,421	\$148,074,994
Lodging Taxes	\$5,987,553	\$10,661,366	\$10,388,630
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$7,761,779	\$41,476,928	\$43,640,528
Utility License/Franchise	\$26,281,275	\$55,841,095	\$52,058,100
Other Permits	\$934,234	\$1,788,509	\$3,415,616
SERVICE CHARGES & FEES 44000	\$5,431,644	\$12,019,163	\$12,613,130
STATE, FEDERAL SOURCES 46000	\$2,927,769	\$9,301,432	\$9,021,183
LOCAL SOURCES (Contracts)47000	\$5,237,775	\$9,196,006	\$9,676,311
MISC. REVENUES & INTEREST 49400	\$958,925	\$2,416,217	\$2,774,667
TAX ANTICIPATION NOTES/Note Sales	\$0	\$0	\$500,000
BEGINNING FUND BALANCE	\$11,628,289	\$11,628,289	\$12,056,514
ENCUMBRANCE & CARRYOVER	\$3,134,474	\$3,134,474	\$1,428,156
GENERAL FUND RESOURCE TOTAL	\$211,052,423	\$349,044,900	\$365,641,243
Estimated Percent Of Budget Resources Realized	57.7%	95.5%	

Table 2-General Fund Expenditures, FY2002-03			
	Through	Estimated	Revised
GENERAL FUND EXPENDITURES	AP-6	Year-End	Budget
Salaries & Wages	\$70,731,925	\$155,576,547	\$163,173,208
Overtime	\$3,585,035	\$7,655,738	\$6,988,909
Benefits	\$18,044,067	\$36,910,756	\$36,910,756
Premium & Part-Time	\$7,912,040	\$14,794,656	\$15,652,637
TOTAL PERSONAL SERVICES	\$100,273,067	\$214,937,697	\$222,725,510
Estimated Percent Of Budget Spent	45.0%	96.5%	
EXTERNAL MATERIALS & SERVICES	\$24,017,377	\$53,571,926	\$67,711,276
Estimated Percent Of Budget Spent	35.5%	79.1%	
INTERNAL MATERIALS & SERVICES	\$19,287,265	\$42,365,974	\$43,097,479
Estimated Percent Of Budget Spent	44.8%	98.3%	
CAPITAL OUTLAY	\$1,003,490	\$1,913,326	\$1,913,326
Estimated Percent Of Budget Spent	52.4%	100.0%	
CONTINGENCY & UNFORESEEN	\$0	\$1,000,000	\$2,834,597
FUND CASH TRANSFERS	\$11,328,278	\$27,359,055	\$27,359,055
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$155,909,477	\$341,147,978	\$365,641,243
Estimated Percent Of Budget Spent	42.6%	93.3%	

Table 3-General Fund Expenditures By Appropriation Unit, FY2002-03					
Percent Of Year Gone	46.2%				
Percent Year Left	53.8%	Through	Estimated	Revised	Percent
AU Description	AU#	AP-6	Year-End	Budget	Spent
Police Bureau	100	\$55,579,321	\$123,247,597	\$130,283,929	42.7%
Fire Bureau	124	\$31,215,972	\$66,419,184	\$69,077,454	45.2%
Bureau Of Parks	130	\$19,408,674	\$41,730,525	\$43,378,571	44.7%
Subtotal-Public Safety and Pa		\$106,203,967	\$231,397,306	\$242,739,954	43.8%
Commissioner #2 (Sten)	190	\$312,312	NA	\$653,487	47.8%
Commissioner #4 (Leonard)	191	\$85,720	NA	\$423,073	20.3%
Commissioner #3 (Saltzman)	192	\$329,374	NA	\$689,045	47.8%
Commissioner #1 (Francesco		\$319,745	NA	\$663,162	48.2%
Office Of The Mayor	195	\$687,593	NA	\$1,476,752	46.6%
Operating Contingency	298	\$6	\$1,000,000	\$2,363,721	NA
Unforeseen Revenues	298	\$0	\$0	\$470,876	NA
Other Cash Transfers	299	\$11,328,278	\$27,359,055	\$27,359,055	41.4%
Office of Cable Com	300	\$672,779	NA	\$1,759,771	38.2%
Unused Line		\$0	NA	\$0	NA
Office-Sus. Develop	302	\$691,808	NA	\$3,018,657	22.9%
Government Relations	303	\$305,914	NA	\$765,478	40.0%
Office Of Man. & Fin	307	\$10,938,066	NA	\$23,557,243	46.4%
Office Of City Attorney	312	\$2,278,891	NA	\$5,023,582	45.4%
Business Licenses	316	\$1,580,272	NA	\$3,878,782	40.7%
Purchases & Stores	319	\$0	NA	\$0	NA
Stock Account	325	(\$39,030)	NA	\$25,000	NA
City Auditor	336	\$3,067,047	NA	\$6,813,057	45.0%
Unused Line		\$0	NA	\$0	NA
Office Neigh. Involve	342	\$2,405,903	NA	\$5,222,212	46.1%
Bureau General Svces	346	\$0	NA	\$0	NA
Unused Line		\$0	NA	\$0	NA
Special Appropriations	401	\$7,876,785	NA	\$16,345,270	48.2%
Bureau Of Planning	510	\$3,681,314	NA	\$8,766,818	42.0%
Bureau Com. Develop	540	\$3,182,733	NA	\$13,626,248	23.4%
Subtotal-All Other AUs		\$49,705,510	\$110,910,784	\$122,901,289	40.4%
General Fund Total-All A	Us	\$155,909,477	\$342,308,089	\$365,641,243	42.6%

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. Financial Outlook, AP-06 FY2002-03, FOFY0306