

The revenue picture remains mixed, but most of the news continues to be downbeat. Transient lodging tax revenues have clearly bottomed out and are stabilizing around an annual rate of about \$10.8 million. Property tax revenues appear to be on track for about 2.4% year-to-year growth. Utility license fees--energy, are about to get knocked down by the one-two punch of a warm winter on top of rate declines. Revenue growth which is currently well ahead of year-ago will slow to a crawl with receipt of third quarter revenues sometime during this week. Business license revenues continue to reflect a local economy that does not appear to be getting any healthier. Business license revenues at period 7 are about 14.3 percent behind year-ago and this may get worse as the tax receipts season picks up steam on into April. General Fund non-discretionary revenue growth is also showing some signs of "fatigue." Grant revenues stand at about \$2.1 million to-date versus about \$2.2 million year-ago at period 7. Similarly revenues for the last 12 months (ending Jan. 15th) of \$9.4 million are below last year's year-end of \$9.5 million, despite budgets recently increased to \$17.9 million.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	\$366,125,539
* Expense Range.....(High).....	\$342,129,994
*(Low).....	\$339,839,761
* Expenses At AP-7(*).....	\$181,884,294
Versus Year-Ago..Up.....	0.3%
(*) Net of Short Term Borrowing	
NOTEWORTHY AT AP-7	
* Personal Services DOWN-0.9% vs. year-ago	
* All M&SUP 4% vs. year-ago	
* Capital Outlays DOWN-19.1% vs. year-ago	

Discretionary revenue growth, net of the \$1.4 million one-time transfer from Fleet, now appears to be about 4 percent. Property taxes remain on track with revised budget but slowing energy related franchise fees will bring year-to-year comparisons down.

General Fund expenditures at AP-7 total about \$181.9 million vs. last year's \$181.3 million, up 0.3 percent versus year-ago. Through period 7, personal services appear to be about 0.86 percent below year-ago expenses of about \$117.6 million. Period 8 will show the impact of Fire's new contract which should lift the annual expenditure rate by over \$1 million; according to Accounting about \$579,419 of additional personal services costs were put into the system during period 8 as a result of the new contract.

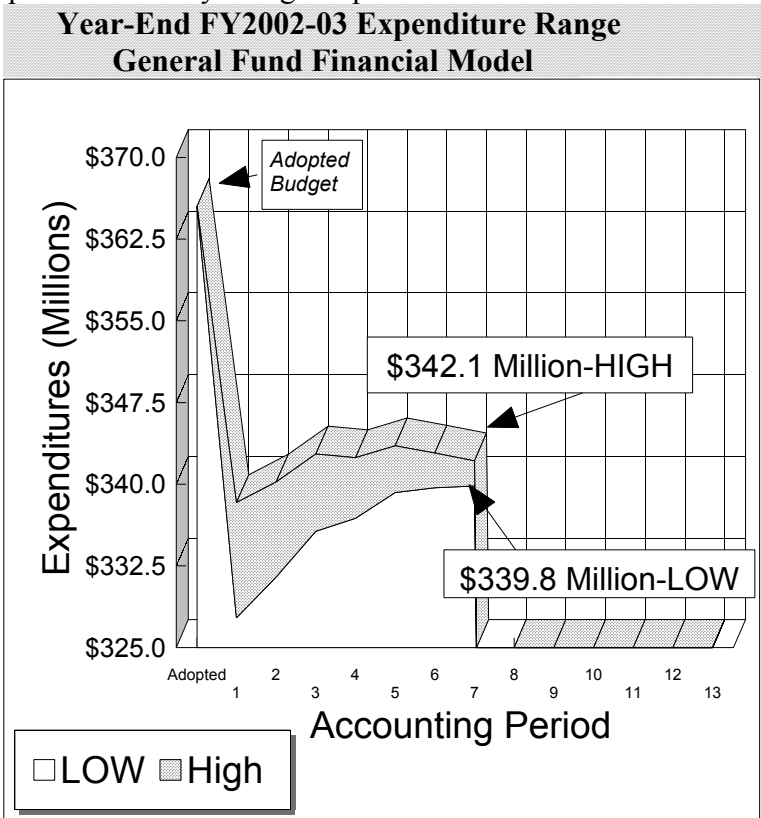


Figure 2-General Fund Expenditures, FY2002-03

External materials and services spending continues to be slower than year-ago but the percentage difference declined to less than a one percent difference year-over-year at period 7.

Internal materials and services spending continues strong with expenses at period 7 totaling about \$19.2 million. This works out to about 12.2 percent ahead of year-ago.

Capital spending to-date is little changed from period 7 and remains below year-ago levels. It is still likely that this \$1.9 million budget will be completely spent by year-end.

The Estimated Year-End General Fund Balance at AP-7 ranges from \$4.1 (Low) to \$14.8 million (High). The projected ending balance estimate in this OUTLOOK is down again: to \$7.5 million from \$7.9 million last period. The General Fund's current financial forecast requires a balance of about \$8.4 million. As of period 7 it is looking increasingly like the \$8.4 million balance estimate is unlikely to "show-up" at year-end. Grant revenues (and the expenditures they back) remain a very large question at this point. As noted elsewhere in this Outlook, revenues for the past 12 months total a little over \$9 million, while budgeted revenues total about \$17.9 million. The large difference between these two numbers at this point makes it difficult to figure out where ending balance is going, particularly if expenditures year-to-date include relatively large amounts of costs backed by grant revenues that have as yet not been billed. Current financial systems only track what is budgeted and what expenses are offset by grant revenues when billed. There is little or no reliable information that suggests how much of the \$17.9 million is likely to be spent.

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$346,198,062	\$354,680,862
Expenses.....	\$342,129,994	\$339,839,761
End Balance	\$4,068,068	\$14,841,102

Ending Fund Balance Range

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

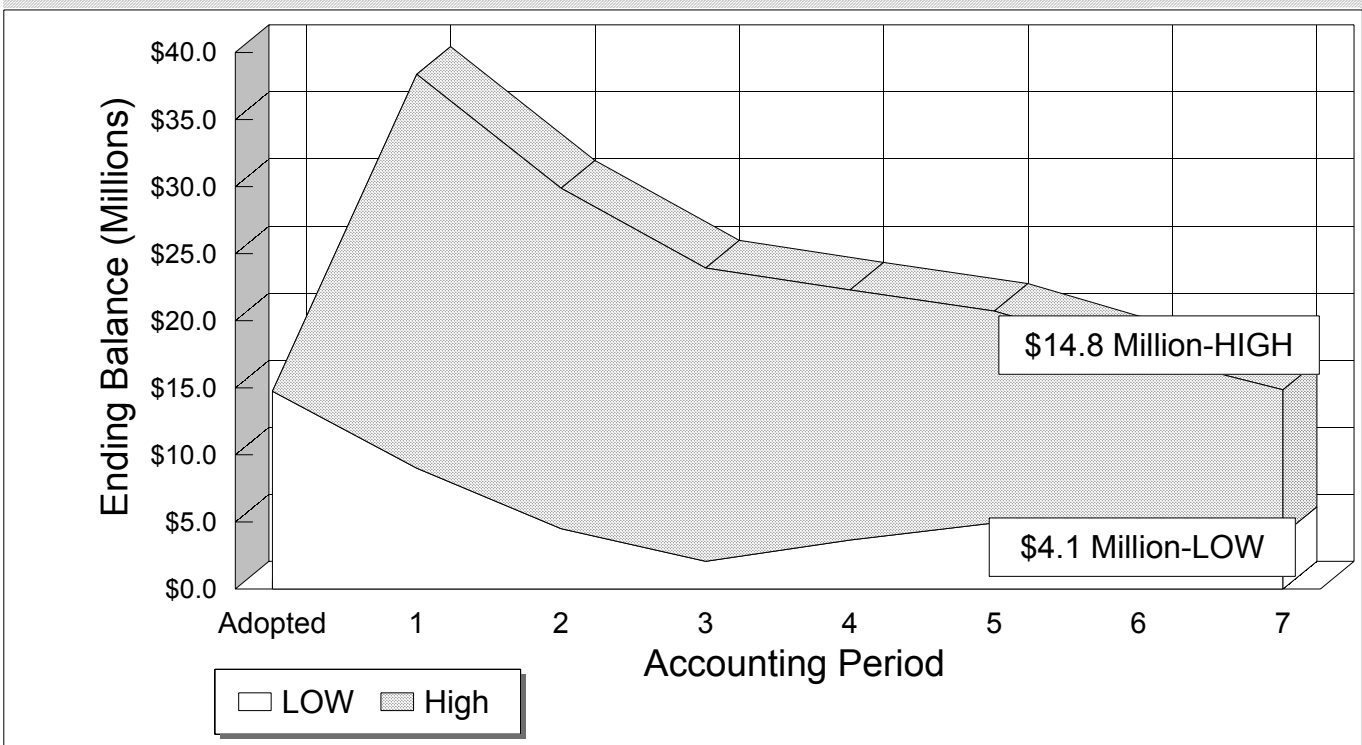


Figure 3-Estimated General Fund Balance, Year-End FY2002-03

Portland Home Prices Increased 6.1% In 2002

According to latest quarterly survey conducted by National Association of Realtors, nationwide median existing-home prices rose by 8.8% in 2002 to \$161,600. The association's report which covered changes in 120 metropolitan statistical areas, showed 39 areas with double-digit annual increases in median existing-home prices and only 10 areas posting generally small price declines. Nationwide, Sacramento, San Diego, and Providence RI, saw the strongest price increases of 24% to about 27% from year-ago. Beaumont-Port Arthur, Texas was ranked as having the most affordable homes, with an average home just costing \$81,500. In San Francisco area, by comparison, the median price was more than six times that amount at \$516,400. Portland was ranked as having the 108th (out of 120) most expensive with a median sales price of \$180,400, and an average price of about \$214,000.

Table 1-General Fund Resources, FY2002-03				
GENERAL FUND RESOURCE CATEGORY		Through	Estimated	Revised
		AP-7	Year-End	Budget
INTERNAL REVENUES.....	41000			
Service Reimbursements.....		\$7,398,627	\$19,600,819	\$21,033,523
Other Internal & Transfers-IN.....		\$12,917,011	\$24,695,709	\$39,522,891
PROPERTY & LODGING TAXES	42100			
Property Taxes.....		\$127,746,627	\$147,282,310	\$148,074,994
Lodging Taxes.....		\$6,430,330	\$10,878,517	\$10,388,630
BUSINESS LICENSES, PERMITS....	43000			
Business Licenses.....		\$8,364,972	\$40,755,413	\$43,640,528
Utility License/Franchise.....		\$26,837,225	\$55,136,730	\$52,058,100
Other Permits.....		\$1,136,652	\$1,825,471	\$3,415,616
SERVICE CHARGES & FEES.....	44000	\$6,009,158	\$11,924,813	\$12,613,130
STATE, FEDERAL SOURCES.....	46000	\$3,402,702	\$9,181,391	\$9,021,183
LOCAL SOURCES (Contracts).....	47000	\$5,601,487	\$9,465,330	\$9,597,607
MISC. REVENUES & INTEREST.....	49400	\$1,212,787	\$2,428,486	\$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		\$221,820,342	\$347,937,751	\$366,125,539
Estimated Percent Of Budget Resources Realized		60.6%	95.0%	

Table 2-General Fund Expenditures, FY2002-03				
GENERAL FUND EXPENDITURES		Through	Estimated	Revised
		AP-7	Year-End	Budget
Salaries & Wages.....		\$82,916,789	\$155,576,547	\$163,167,345
Overtime.....		\$3,990,753	\$7,285,975	\$6,988,908
Benefits.....		\$20,903,057	\$36,935,637	\$36,935,637
Premium & Part-Time.....		\$8,783,456	\$14,514,875	\$15,652,620
TOTAL PERSONAL SERVICES.....		\$116,594,055	\$214,313,034	\$222,744,510
Estimated Percent Of Budget Spent.....		52.3%	96.2%	
EXTERNAL MATERIALS & SERVICES.....		\$27,792,082	\$53,355,810	\$68,176,572
Estimated Percent Of Budget Spent.....		40.8%	78.3%	
INTERNAL MATERIALS & SERVICES.....		\$21,562,760	\$42,486,630	\$43,097,479
Estimated Percent Of Budget Spent.....		50.0%	98.6%	
CAPITAL OUTLAY.....		\$1,053,518	\$1,913,326	\$1,913,326
Estimated Percent Of Budget Spent.....		55.1%	100.0%	
CONTINGENCY & UNFORESEEN.....		\$0	\$1,000,000	\$2,834,597
FUND CASH TRANSFERS.....		\$14,881,879	\$27,359,055	\$27,359,055
INVENTORY.....		\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL		\$181,884,294	\$340,427,855	\$366,125,539
Estimated Percent Of Budget Spent.....		49.7%	93.0%	

Table 3-General Fund Expenditures By Appropriation Unit, FY2002-03					
Percent Of Year Gone...	53.8%				
Percent Year Left.....	46.2%				
AU Description	AU#	Through AP-7	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	\$64,319,377	\$122,521,368	\$130,283,929	49.4%
Fire Bureau.....	124	\$36,059,498	\$66,504,289	\$69,077,454	52.2%
Bureau Of Parks.....	130	\$22,044,947	\$42,263,734	\$43,378,571	50.8%
Subtotal-Public Safety and Parks		\$122,423,822	\$231,289,391	\$242,739,954	50.4%
Commissioner #2 (Sten)	190	\$359,390	NA	\$653,487	55.0%
Commissioner #4 (Leonard)	191	\$124,090	NA	\$423,073	29.3%
Commissioner #3 (Saltzman)	192	\$381,080	NA	\$689,045	55.3%
Commissioner #1 (Francesconi)	193	\$369,068	NA	\$663,162	55.7%
Office Of The Mayor	195	\$796,201	NA	\$1,476,752	53.9%
Operating Contingency...	298	\$6	\$1,000,000	\$2,363,721	NA
Unforeseen Revenues..	298	\$0	\$0	\$470,876	NA
Other Cash Transfers.....	299	\$14,881,879	\$27,359,055	\$27,359,055	54.4%
Office of Cable Com.....	300	\$869,342	NA	\$1,759,771	49.4%
Unused Line.....		\$0	NA	\$0	NA
Office-Sus. Develop.....	302	\$807,272	NA	\$3,551,657	22.7%
Government Relations..	303	\$349,287	NA	\$765,478	45.6%
Office Of Man. & Fin.....	307	\$12,498,205	NA	\$23,478,539	53.2%
Office Of City Attorney....	312	\$2,646,759	NA	\$5,023,582	52.7%
Business Licenses.....	316	\$1,852,701	NA	\$3,878,782	47.8%
Purchases & Stores.....	319	\$0	NA	\$0	NA
Stock Account.....	325	(\$32,751)	NA	\$25,000	NA
City Auditor.....	336	\$3,771,464	NA	\$6,813,057	55.4%
Unused Line.....		\$0	NA	\$0	NA
Office Neigh. Involve.....	342	\$2,842,140	NA	\$5,252,212	54.1%
Bureau General Svces.....	346	\$0	NA	\$0	NA
Unused Line.....		\$0	NA	\$0	NA
Special Appropriations....	401	\$9,032,624	NA	\$16,345,270	55.3%
Bureau Of Planning.....	510	\$4,203,595	NA	\$8,766,818	47.9%
Bureau Com. Develop.....	540	\$3,708,125	NA	\$13,626,248	27.2%
Subtotal-All Other AUs.....		\$59,460,477	\$112,096,926	\$123,385,585	48.2%
General Fund Total-All AUs		\$181,884,299	\$343,386,317	\$366,125,539	49.7%

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	FY2002-03	
Reserve Fund Usage Condition	2nd Quarter	1st Quarter	Concern Level
Basic Revenue Growth (*)	0.6%	1.6%	Below 3.0%
Portland Unemployment Rate	7.2%	8.5%	Above 6.5%
Business License Revenue Growth	-14.8%	-11.6%	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.