

comparisons reflect a regional economy that is not getting any better. Recent employment data now put the area's unemployment rate back up to about 8 percent.

On the revenue side, business license revenues remain about 14 to 15 percent behind year-ago going into the critical March-April-May tax season. Transient lodging tax revenues have stabilized at around the \$10.7 million mark and year-to-year comparisons are starting to show some growth from last year's depressed post-September 11th levels. The carnage appears to be over in this area of the regional economy, but growth going forward is likely to be below long term trends if not just plain weak.

Miscellaneous fee revenues are still holding up well. Parks' major fee revenue category is up about 9% over year-ago levels. Other miscellaneous charge, mostly Planning Fees remain well ahead of year-ago. The catchall miscellaneous revenues line item totals \$717,230 at mid-year versus about \$251,890 same time last year.

As noted on page 1, discretionary revenue growth, net of the \$1.4 million one-time transfer from Fleet, has flattened out. Franchise and utility license fees, a bright spot earlier in the year, are now barely ahead of year-ago levels, and largely a victim of a much warmer than normal winter.

EXPENDITURE RECAP	
* IBIS Budgeted Expenses.....	\$366,125,539
* Expense Range.....(High).....	\$341,726,504
*(Low).....	\$338,326,240
* Expenses At AP-8(*).....	\$206,311,929
Versus Year-Ago..Up.....	0.3%
(*) Net of Short Term Borrowing	
NOTEWORTHY AT AP-8	
* Personal Services DOWN-0.6% vs. year-ago	
* All M&SUP 4% vs. year-ago	
* Capital Outlays DOWN-15.8% vs. year-ago	

General Fund expenditures at AP-8 total about \$206.3 million vs. last year's \$205.6 million, up 0.3 percent versus year-ago. Through period 8, personal services appear to be about 0.65 percent below last year. Expenses year-to-date are about \$132.8 million versus \$133.7 million year-ago at period 8. Spending numbers fully reflect the impact of the new Fire contract, but the Police contract remains unresolved, so personal services costs remain below year-ago in part because a larger sector of the General Fund personal services costs still reflect no FY2002-03 cost-of-living adjustment.

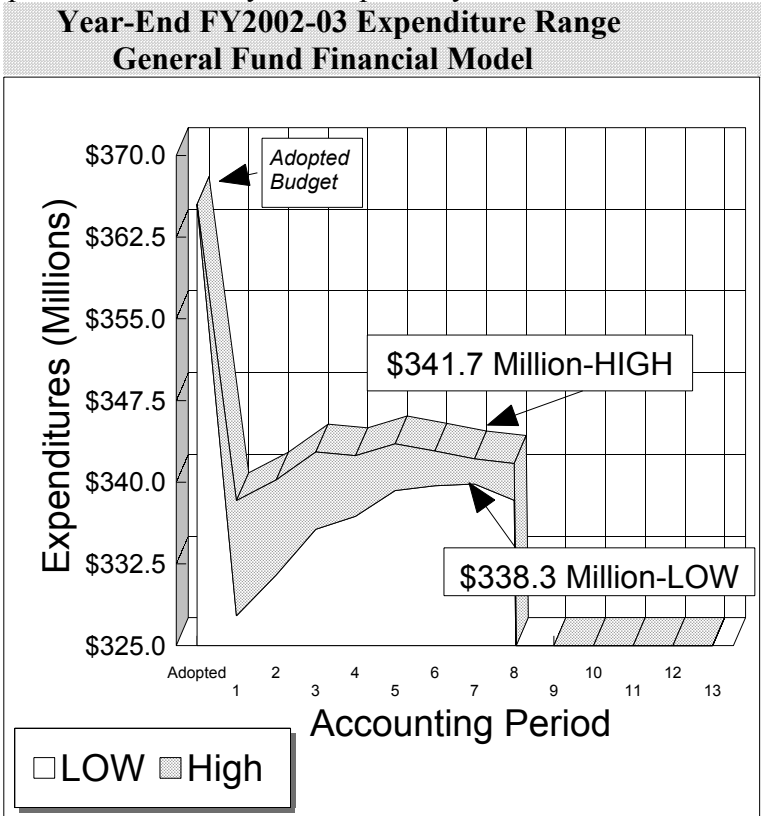


Figure 2-General Fund Expenditures, FY2002-03

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External materials and services spending has flattened out for the moment. Year-to-date expenditures remain less than 1 percent ahead of year-ago. Expenses currently total about \$31.5 million.

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 totals about \$1.123 million versus about \$1.334 million year-ago. Budget remains at \$1.9 million.

The Estimated Year-End General Fund Balance at AP-8 ranges from \$3.8 (Low) to \$14.4 million (High). The projected ending balance estimate in this OUTLOOK is down again to \$7.2 million from \$7.5 million last period. This compares to the current financial forecast which requires a balance of about \$8.4 million. At present it continues to look like the \$8.4 million balance estimate is becoming less and less probable. In addition, if external materials and services expenditures "spike" as they typically do during May and June, the ending balance could easily go lower. It now appears that year-end balance is the outcome of a race between stagnating revenues and expenditures. Expenditures usually win because so much spending typically occurs during the last two months of the fiscal year. Internal inter-agency and grant revenues remain an open question, but grant revenues have flattened out markedly over the past several accounting periods despite large mid-year increases in budgeted grant revenues.

Estimated Year-End Balance Range		
Item	Low	High
Resources.....	\$345,542,917	\$352,722,531
Expenses.....	\$341,726,504	\$338,326,240
End Balance	\$3,816,413	\$14,396,290

Ending Fund Balance Range

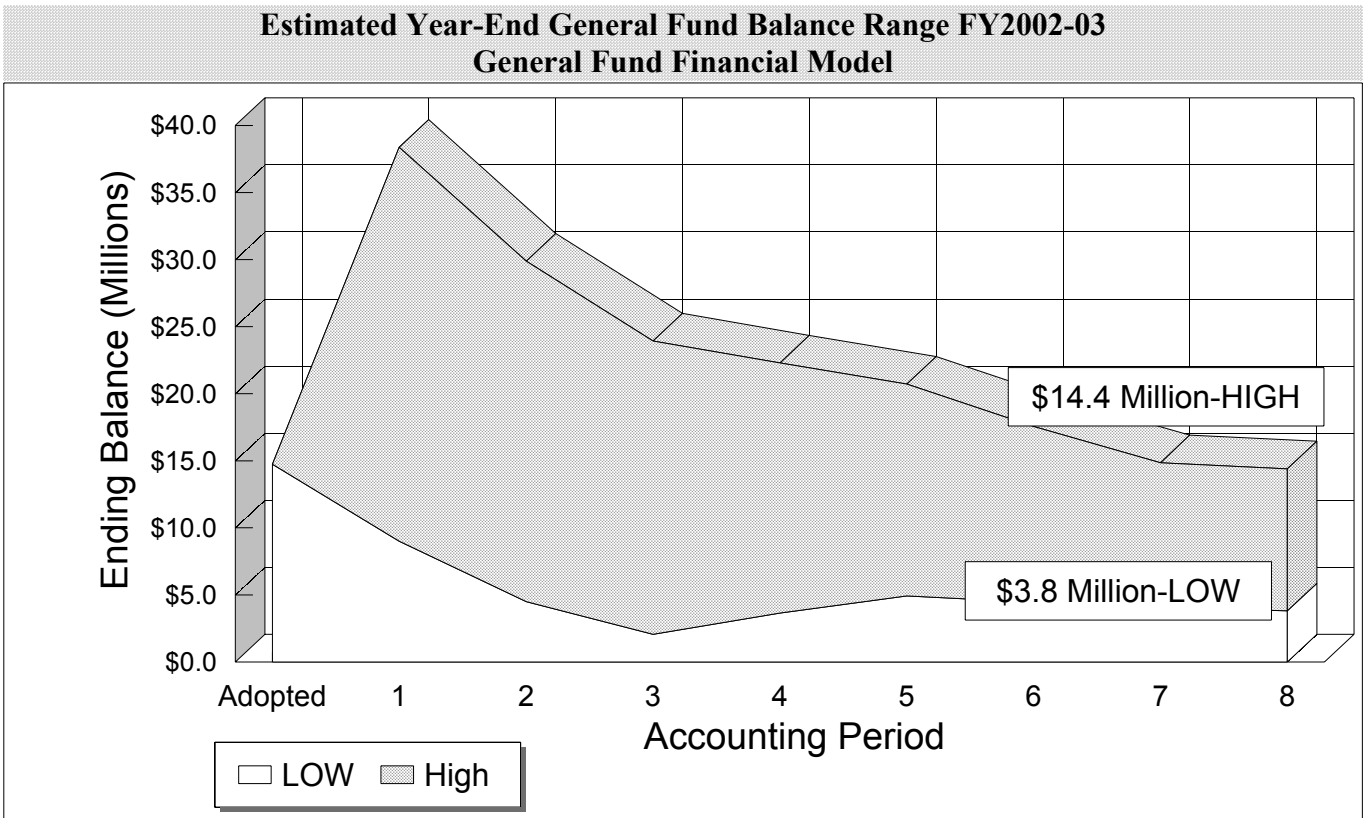


Figure 3-Estimated General Fund Balance, Year-End FY2002-03

Slowing Economic Activity Leads To Rising Vacancies And Lower Rents

According to a recent article in the Oregonian, demand for commercial and industrial space in suburban Portland has declined sharply over the past two years, forcing a jump in the office vacancy rate from about 5% to 24% since the end of 2000. Increases are not as severe in apartment buildings, where metro area vacancy rates increased to 7.4% in 2002, with rents falling 2.3% to \$683. Apart from the slumping job market in the region, which has put a damper on demand for all space types, record low mortgage rates continue to attract renters into becoming first time home buyers, thus leaving behind apartment buildings to struggle attracting new tenants. Consequently, landlords have been forced to offer lower rents and larger concession packages, which range from a period of free rent over the average lease term, to free parking.

Table 1-General Fund Resources, FY2002-03				
GENERAL FUND RESOURCE CATEGORY		Through	Estimated	Revised
		AP-8	Year-End	Budget
INTERNAL REVENUES.....	41000			
Service Reimbursements.....		\$7,731,430	\$19,600,819	\$21,033,523
Other Internal & Transfers-IN.....		\$14,452,811	\$24,676,314	\$39,522,891
PROPERTY & LODGING TAXES	42100			
Property Taxes.....		\$127,194,880	\$147,444,086	\$148,074,994
Lodging Taxes.....		\$8,394,911	\$10,748,534	\$10,388,630
BUSINESS LICENSES, PERMITS....	43000			
Business Licenses.....		\$9,075,242	\$40,216,133	\$43,640,528
Utility License/Franchise.....		\$28,051,495	\$55,046,959	\$52,058,100
Other Permits.....		\$1,271,448	\$1,865,417	\$3,415,616
SERVICE CHARGES & FEES.....	44000	\$7,234,381	\$12,298,426	\$12,613,130
STATE, FEDERAL SOURCES.....	46000	\$4,129,932	\$8,832,071	\$9,021,183
LOCAL SOURCES (Contracts).....	47000	\$5,728,725	\$9,271,496	\$9,597,607
MISC. REVENUES & INTEREST.....	49400	\$1,511,468	\$2,516,296	\$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		\$229,539,486	\$347,279,314	\$366,125,539
Estimated Percent Of Budget Resources Realized		62.7%	94.9%	

Table 2-General Fund Expenditures, FY2002-03				
GENERAL FUND EXPENDITURES		Through	Estimated	Revised
		AP-8	Year-End	Budget
Salaries & Wages.....		\$95,040,894	\$155,607,606	\$162,036,727
Overtime.....		\$4,396,294	\$6,923,358	\$6,900,843
Benefits.....		\$23,758,573	\$36,737,820	\$36,737,820
Premium & Part-Time.....		\$9,604,648	\$14,114,938	\$15,589,330
TOTAL PERSONAL SERVICES.....		\$132,800,409	\$213,383,722	\$221,264,721
Estimated Percent Of Budget Spent.....		60.0%	96.4%	
EXTERNAL MATERIALS & SERVICES.....		\$31,538,545	\$53,851,717	\$69,656,361
Estimated Percent Of Budget Spent.....		45.3%	77.3%	
INTERNAL MATERIALS & SERVICES.....		\$23,802,354	\$42,518,552	\$43,097,479
Estimated Percent Of Budget Spent.....		55.2%	98.7%	
CAPITAL OUTLAY.....		\$1,123,570	\$1,913,326	\$1,913,326
Estimated Percent Of Budget Spent.....		58.7%	100.0%	
CONTINGENCY & UNFORESEEN.....		\$0	\$1,000,000	\$2,834,597
FUND CASH TRANSFERS.....		\$17,047,051	\$27,355,351	\$27,359,055
INVENTORY.....		\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL		\$206,311,929	\$340,022,668	\$366,125,539
Estimated Percent Of Budget Spent.....		56.4%	92.9%	

Table 3-General Fund Expenditures By Appropriation Unit, FY2002-03					
Percent Of Year Gone...	61.5%				
Percent Year Left.....	38.5%				
AU Description	AU#	Through AP-8	Estimated Year-End	Revised Budget	Percent Spent
Police Bureau.....	100	\$72,835,729	\$120,126,653	\$128,804,140	56.5%
Fire Bureau.....	124	\$41,048,450	\$66,262,571	\$69,077,454	59.4%
Bureau Of Parks.....	130	\$24,818,282	\$41,825,607	\$43,378,571	57.2%
Subtotal-Public Safety and Parks		\$138,702,461	\$228,214,830	\$241,260,165	57.5%
Commissioner #2 (Sten)	190	\$406,284	NA	\$653,487	62.2%
Commissioner #4 (Leonard)	191	\$162,271	NA	\$423,073	38.4%
Commissioner #3 (Saltzman)	192	\$431,932	NA	\$689,045	62.7%
Commissioner #1 (Francesconi)	193	\$415,694	NA	\$663,162	62.7%
Office Of The Mayor	195	\$894,013	NA	\$1,476,752	60.5%
Operating Contingency...	298	\$6	\$1,000,000	\$2,363,721	NA
Unforeseen Revenues..	298	\$0	\$0	\$470,876	NA
Other Cash Transfers.....	299	\$17,047,051	\$27,355,351	\$27,359,055	62.3%
Office of Cable Com.....	300	\$920,445	NA	\$1,759,771	52.3%
Unused Line.....		\$0	NA	\$0	NA
Office-Sus. Develop.....	302	\$927,114	NA	\$3,551,657	26.1%
Government Relations..	303	\$409,165	NA	\$765,478	53.5%
Office Of Man. & Fin.....	307	\$13,853,252	NA	\$23,478,539	59.0%
Office Of City Attorney....	312	\$3,002,892	NA	\$5,023,582	59.8%
Business Licenses.....	316	\$2,105,029	NA	\$3,878,782	54.3%
Purchases & Stores.....	319	\$121	NA	\$0	NA
Stock Account.....	325	(\$33,865)	NA	\$25,000	NA
City Auditor.....	336	\$4,269,217	NA	\$6,813,057	62.7%
Unused Line.....		\$0	NA	\$0	NA
Office Neigh. Involve.....	342	\$3,390,931	NA	\$5,252,212	64.6%
Bureau General Svces.....	346	\$0	NA	\$0	NA
Unused Line.....		\$0	NA	\$0	NA
Special Appropriations....	401	\$9,969,825	NA	\$17,825,059	55.9%
Bureau Of Planning.....	510	\$4,695,908	NA	\$8,766,818	53.6%
Bureau Com. Develop.....	540	\$4,743,791	NA	\$13,626,248	34.8%
Subtotal-All Other AUs.....		\$67,611,076	\$112,531,685	\$124,865,374	54.1%
General Fund Total-All AUs		\$206,313,537	\$340,746,515	\$366,125,539	56.4%

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.

THE DATA CORNER
Recent Economic & Financial Data: CPI Data

The Bureau of Labor Statistics released Portland consumer price index information for the last half of calendar 2002 (first half,, fiscal 2003). Portland CPI indexes are published twice yearly and represent estimates for a six month period The last half of calendar 2002, July through December CPI-U came in at 0.2% above the same six month period year-ago. The CPI-W increase came in at 0.4% above year-ago. These annual increases are much 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
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%	183.6	2.3%	182.4	2.5%
2002	183.5	1.3%	184.0	0.2%	183.8	0.7%

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
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%	178.5	2.2%	177.5	2.5%
2002	178.7	1.3%	179.3	0.4%	179.0	0.9%

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://www.bls.gov/ro9news.htm> then click "Pacific Cities and U.S. City Average"